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MAXNERVA
雲智匯科技服務

MAXNERVA TECHNOLOGY SERVICES LIMITED
雲智匯科技服務有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1037)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

SUMMARY AND HIGHLIGHTS

- Revenue fell by 26.8% to RMB258.9 million on a year-to-year basis and we reported a net loss of RMB 16.2 million for the six months ended 30 June 2024 versus a net profit of RMB5.7 million in the first half of 2023.
- The net loss was mainly caused by the decrease in the fair value of one of our key investments. If the fair value change on financial assets at fair value through profit or loss was stripped, the adjusted net profit of the group was approximately RMB5.9 million during the reporting period which was in line with that of the first half of 2023.
- The Board does not recommend any payment of interim dividend for the six months ended 30 June 2024.

The board of directors of Maxnerva Technology Services Limited (the “**Board**”) would like to announce the unaudited consolidated results of the company and its subsidiaries for the six months ended 30 June 2024 which have been reviewed by the audit committee of the company (the “**Audit Committee**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The group principally engages in digital industry and digital life businesses. During the reporting period, revenue fell by 26.8% on a year-to-year basis to RMB258.9 million whereas we reported a net loss of RMB16.2 million versus a net profit of RMB5.7 million in the first half of 2023. The loss was mainly caused by the decrease in the fair value of one of our key investments. If the fair value change on financial assets at fair value through profit or loss was stripped, the adjusted net profit of the group was approximately RMB5.9 million during the reporting period which was in line with that of the first half of 2023.

The Board does not recommend any payment of interim dividend for the reporting period.

Inventory and Trade and Lease Receivables

As at 30 June 2024, there was approximately RMB73.6 million in inventory (31 December 2023: RMB82.7 million) and they are primarily project-related hardware and software products pending to be delivered to our customers and finished goods for digital life business. Inventory turnover for the reporting period decreased to 68 days from 73 days as compared to the full year of 2023 mainly because we monitored our inventory level closely under the current economic downcycle.

As at 30 June 2024, there were approximately RMB180.5 million in trade and lease receivables (31 December 2023: RMB205.3 million) which consisted of current and non-current balances of RMB177.6 million (31 December 2023: RMB201.7 million) and RMB3.0 million (31 December 2023: RMB3.6 million) respectively. It is mainly because some of our projects have been structured as finance leases in which customers are eligible to pay in periodic instalments over a specific number of years. Trade and lease receivable turnover for the reporting period increased to 136 days from 115 days as compared to the full year of 2023 solely due to the magnitude of the decrease in revenue was much higher than the fall in the average trade and lease receivable balance.

Liquidity and Financial Resources

As at 30 June 2024, we had a net cash position and cash and cash equivalents were RMB183.1 million (31 December 2023: RMB189.8 million). Our total assets of RMB575.1 million (31 December 2023: RMB620.1 million) were financed by total liabilities of RMB154.2 million (31 December 2023: RMB183.7 million) and shareholders' equity of RMB420.9 million (31 December 2023: RMB436.5 million). We had a current ratio of 3.3 (31 December 2023: 2.9) and trade payables were repayable within one year. No banking facilities were available to the group (31 December 2023: Nil) and we had no bank borrowing as well (31 December 2023: Nil).

Treasury Policy

We generally financed our operations with internally generated resources. We have adopted a prudent management approach for our treasury policies and therefore maintained a healthy liquidity position throughout the reporting period. We strive to reduce credit risk exposure by performing periodic credit evaluations of our external customers.

Foreign Exchange Exposure

We mainly operate in the People's Republic of China (the "PRC"), Taiwan, Hong Kong, United States of America (the "US"), Europe and Southeast Asia with most of the transactions settled in Chinese yuan, US dollars, New Taiwanese dollars, Hong Kong dollars, Euro, British pounds and Vietnamese dong. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars and Euro. We have a policy to require group companies to manage their foreign exchange risk against their functional currencies which includes managing the exposures arising from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. We also manage our foreign exchange risk by performing regular reviews of the group's net foreign exchange exposures and would consider the use of foreign exchange contracts, where appropriate. We did not use derivative financial instruments for speculative purposes.

Business Review

During the reporting period, the world's economy was vulnerable with immense uncertainties due to the on-going Russo-Ukrainian and Israel-Hamas Wars, together with the self-feeding downward spiral in consumer and investor confidence and economy growth in the PRC, and the higher financing costs in major western countries.

With the appointment of new directors and chief executive officer in March 2024, we have repositioned our business to reflect the new directions. We renamed the industrial solution business as digital industry business and combined the smart office and new retail business as digital life business.

Digital Industry Business

We provide a full range of smart manufacturing solutions and services to our customers, including i) the implementation of a combination of software systems (i.e. enterprise resources planning, manufacturing execution system, warehouse management system etc.) and automation equipment into the production lines to lower costs and increase operational effectiveness and efficiency through smart processes; ii) the implementation of facility monitor and control system for monitoring the efficiency of the usage of water, power and gas at production plants; and iii) the implementation of facial recognition system for labour and security management of the entire industrial parks. We also provide daily I.T. operating services and post-installation maintenance work in relation to those smart manufacturing solutions. Due to the weak overall demand, segment revenue and profit of the business decreased by 28.6% and 55.1% on a year-on-year basis to RMB139.0 million and RMB7.9 million respectively during the reporting period.

Digital Life Business

Digital Life business primarily consists of new retail and smart office equipment business. The robust performance of new retail business was partially offset by the disappointing results of smart office equipment business. As a result, segment revenue decreased by 24.7% but profit increased by 186.0% on a year-on-year basis to RMB120.0 million and RMB8.0 million respectively during the reporting period.

The retail sector in Taiwan as a whole is in far better shape than last year. Our new retail business delivered new sizable digital signage projects for a renowned department store in a key commercial area of Taipei. Together with other new and existing projects, revenue of new retail business increased by 303% on a year-on-year basis during the reporting period.

For smart office equipment business, the players in the value chain were digesting the overstock inventory as well as facing challenges of slowing market demand. As a result, sales fell by 33% when compared with the first half of 2023 and we witnessed decline in sales in all key markets during the reporting period.

Business prospect

Market expects major western countries will start their monetary easing cycle in the second half of this year and it is believed that the world's economy would have been stabilized if global cooperation of the key prominent countries is in place to boost the long-term prospects.

Digital Industry Business

We believe there is a lot of catch-up work to be done in the second half of 2024 and the business will continue to contribute to the performance of the group for the rest of the year.

Digital Life Business

For new retail business, we shall continue to deliver digital signage projects to a renowned department store in Taipei. We also expect our new digital signage projects in Taoyuan International Airport of Taiwan will start contributing to the group's results in the second half of the year. We are positive on the new retail business for the full year of 2024.

For smart office equipment business, we believe it may take a while for the channel players to digest their inventory under the current weak market. We shall continue to focus our sales and marketing efforts on exploring new markets and new product categories as our near-term business development strategy.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, Charges on Group's Assets, Contingent Liability, Events After Reporting Date

SigmaSense, LLC (“SigmaSense”)

We invested US\$2 million and US\$0.5 million in 72,916 and 18,229 preferred shares of SigmaSense in 2019 and 2020 respectively and our investment accounted for approximately 1.625% of the total shareholding of SigmaSense as at 30 June 2024. SigmaSense was founded in 2015 focusing on display related touch sensing technology for a wide range of products, from laptops, tablets, smartphones to large format interactive displays, gaming and automotive etc. Based on the assessment of an independent appraisal, the valuation of our investment in SigmaSense decreased to approximately US\$3.4 million, about 4.3% of the total assets value of our group as at 30 June 2024. The unrealized loss of the investment was approximately RMB22.4 million for the reporting period. The investment is expected to generate capital appreciations to the group in the medium and long term.

GRC Sino-Green Fund V, L.P. (“GRC Fund”)

On 9 June 2021, the company announced that Maxnerva (Shenzhen) Technology Services Limited, our wholly owned subsidiary, entered into a limited partnership agreement as a limited partner with GRC SinoGreen Capital Co., Ltd. on 8 June 2021, in relation to the investment in the GRC Fund. Pursuant to the limited partnership agreement, we have committed to contribute RMB30 million which accounted for 6% of the capital contribution committed by the partners of the GRC Fund. The GRC Fund was established on 18 June 2021 and intends to invest in strategic emerging industries, future industries and other industries including but not limited to semiconductor, biomedicine, new energy, new materials, high-end intelligent manufacturing and other high-tech industries. Entering into such limited partnership agreement is a disclosable transaction and details are set out in the announcement and supplementary announcement of the company dated 9 June 2021 and 13 July 2021 respectively. We invested RMB9 million and RMB21 million in GRC Fund in 2021 and 2022 respectively. As at 30 June 2024, the valuation of our investment in GRC Fund was approximately RMB30.6 million, about 5.3% of the total asset value of the group. The unrealized gain of the investment was approximately RMB0.3 million during the reporting period. The investment is expected to generate capital appreciations in the long term.

Saved as disclosed above, we had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the reporting period.

As at 30 June 2024, there were no charges on the group’s assets and contingent liabilities (31 December 2023: Nil).

There were no material events after 30 June 2024 up to the date of this interim results announcement.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

		(Unaudited)	
		Six months ended 30 June	
		2024	2023
	Note	RMB'000	RMB'000
Revenue	2	258,925	353,815
Cost of sales		<u>(209,826)</u>	<u>(302,713)</u>
Gross profit		49,099	51,102
Other income		1,283	1,842
Other gains, net		3,515	1,103
Fair value (losses)/gains on financial assets at fair value through profit or loss, net		(22,096)	133
Selling and distribution expenses		(17,376)	(16,525)
General and administrative expenses		(28,280)	(23,507)
Research and development expenses		<u>(3,383)</u>	<u>(3,235)</u>
Operating (loss)/profit		(17,238)	10,913
Finance income – net		1,301	644
Share of results of associates		<u>2</u>	<u>(2,346)</u>
(Loss)/profit before income tax		(15,935)	9,211
Income tax expense	3	<u>(263)</u>	<u>(3,515)</u>
(Loss)/profit for the period		<u>(16,198)</u>	<u>5,696</u>
(Loss)/earnings per share for (loss)/profit attributable to ordinary equity holders of the Company (RMB cents per share)			
– Basic and diluted	5	<u>(2.31)</u>	<u>0.81</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	<u>(16,198)</u>	<u>5,696</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>580</u>	<u>10,492</u>
Other comprehensive income for the period	<u>580</u>	<u>10,492</u>
Total comprehensive (loss)/income for the period	<u>(15,618)</u>	<u>16,188</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

		(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
	Note		
ASSETS			
Non-current assets			
Intangible assets		2,942	3,544
Property, plant and equipment		4,893	6,491
Right-of-use assets		7,335	9,396
Investments in associates		373	399
Financial assets at fair value through profit or loss		55,165	76,608
Trade and lease receivables	6	2,967	3,629
Deferred income tax assets		6,563	7,317
Prepayments and rental deposits		122	71
Total non-current assets		80,360	107,455
Current assets			
Inventories		73,556	82,742
Contract assets		–	1,452
Trade and lease receivables	6	177,572	201,661
Prepayments, deposits and other receivables		60,529	37,057
Cash and cash equivalents		183,068	189,756
Total current assets		494,725	512,668
Total assets		575,085	620,123
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		68,447	68,447
Share premium		213,865	213,865
Reserves		138,558	154,139
Total equity		420,870	436,451

		(Unaudited) 30 June 2024 <i>RMB'000</i>	(Audited) 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,509	2,680
Lease liabilities		2,080	2,568
		-----	-----
Total non-current liabilities		3,589	5,248
		=====	=====
Current liabilities			
Trade payables	7	100,309	109,696
Accruals and other payables		23,041	46,272
Contract liabilities		20,466	11,331
Lease liabilities		2,665	3,082
Tax payables		4,145	8,043
		-----	-----
Total current liabilities		150,626	178,424
		=====	=====
Total liabilities		154,215	183,672
		=====	=====
Total equity and liabilities		575,085	620,123
		=====	=====

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

Maxnerva Technology Services Limited (the “**Company**”, together with its subsidiaries the “**Group**”), is a limited liability company incorporated in Bermuda on 3 February 1994 as an exempted company under Companies Act 1981 of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 April 1994.

This unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved for issue by the Board on 21 August 2024.

This unaudited condensed consolidated interim financial information has not been audited.

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2023 except for the amended standards as set out below.

Income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

Amended standards and interpretation adopted by the Group

The following amended standards and interpretation are relevant to the Group's operations and mandatory for its accounting periods beginning on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of amended standards and interpretation did not have any material impact on the current period or any prior periods.

2 REVENUE AND SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors (collectively referred to as the “**Chief Operation Decision Maker**” or “**CODM**”) that make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segment based on the Group's development plan and the internal reporting provided to the CODM. The management determined to divide two operating segments as follows:

1. Digital Industry Business

The provision of smart manufacturing solutions and services to improve the effectiveness and efficiency of production lines, plant facilities and the management of industrial parks.

2. Digital Life Business

The provision of sourcing and distribution of branded smart office equipment, digital retail signage and other solutions.

The comparative figures for the six months ended 30 June 2023 have been restated to conform with the current period's presentation.

Each of the Group's operating segments represents a strategic business unit that is managed by the respective business unit leaders. CODM assesses the performance of the operating segments based on a measure of (loss)/profit before income tax. Other information provided to the CODM is measured in a manner consistent with that in the condensed consolidated financial statements.

Assets of reportable segments exclude corporate assets (mainly including corporate cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, investments in associates, financial assets at fair value through profit or loss and deferred income tax assets), all of which are managed on a central basis. Liabilities of reportable segments exclude corporate liabilities (mainly including lease liabilities, accruals, other payables, tax payables and deferred income tax liabilities). These are part of the reconciliation to total balance sheet assets and liabilities.

	(Unaudited)		
	For the six months ended 30 June 2024		
	Digital Industry Business RMB'000	Digital Life Business RMB'000	Total RMB'000
Revenue (<i>Note a</i>)	138,951	119,974	258,925
Results of reportable segments	7,941	7,988	15,929
A reconciliation of results of reportable segments to loss for the period is as follow:			
Results of reportable segments			15,929
Unallocated incomes/(expenses) (<i>Note b</i>)			(32,127)
Loss for the period			(16,198)
Other segment information:			
Capital expenditures	75	–	75
Depreciation of property, plant and equipment	1,412	115	1,527
Depreciation of right-of-use assets	302	719	1,021
Amortisation of intangible assets	302	300	602

	(Unaudited)		
	For the six months ended 30 June 2023		
	(Restated)		
	Digital	Digital	
	Industry	Life	
	Business	Business	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>194,557</u>	<u>159,258</u>	<u>353,815</u>
Results of reportable segments	<u>17,701</u>	<u>2,793</u>	<u>20,494</u>
A reconciliation of results of reportable segments to profit for the period is as follow:			
Results of reportable segments			20,494
Unallocated incomes/(expenses) (<i>Note b</i>)			<u>(14,798)</u>
Profit for the period			<u>5,696</u>
Other segment information:			
Capital expenditures	210	2,773	2,983
Depreciation of property, plant and equipment	1,579	174	1,753
Depreciation of right-of-use assets	2,849	488	3,337
Amortisation of intangible assets	335	1,291	1,626

Note:

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

Timing of revenue recognition	(Unaudited)		
	For the six months ended 30 June 2024		
	Digital Industry Business	Digital Life Business	Total
	RMB'000	RMB'000	RMB'000
I.T. projects			
– At a point of time	71,965	16,848	88,813
– Over time	24,105	18,833	42,938
Maintenance and consulting services			
– Over time	40,214	–	40,214
Sales of goods			
– At a point of time	1,423	84,293	85,716
Operating lease income (Note)	1,244	–	1,244
	138,951	119,974	258,925

Timing of revenue recognition	(Unaudited)		
	For the six months ended 30 June 2023		
	(Restated)		
	Digital Industry Business	Digital Life Business	Total
	RMB'000	RMB'000	RMB'000
I.T. projects			
– At a point of time	85,771	18,184	103,955
– Over time	40,697	16,880	57,577
Maintenance and consulting services			
– Over time	57,217	12	57,229
Sales of goods			
– At a point of time	9,229	124,182	133,411
Operating lease income (Note)	1,643	–	1,643
	194,557	159,258	353,815

Operating lease income represents the income mainly generated from leasing of servers, and operating the automated systems, to its customers by charging a fixed monthly rental charge.

Revenue by geographical location is determined by the destination where the services and products were delivered.

Revenue from customers on the basis of customers' locations is analysed as follows:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	132,710	168,855
Europe	37,691	38,363
The Americas	30,037	35,609
Taiwan	29,069	47,313
Singapore	16,330	37,263
Other countries	13,088	26,412
	258,925	353,815

- (b) Unallocated income/(expenses) mainly include government subsidies, finance income, fair value (losses)/gains on financial assets at fair value through profit or loss, employment benefit expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, share of results of associates, income tax expense and other operating expenses incurred at corporate level.

A reconciliation of operating segments' results to total (loss)/profit for the period is provided as follows:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Segment results	15,929	20,494
Unallocated income/(expenses)		
– Government subsidies	1,016	1,501
– Finance income	1,301	644
– Fair value (losses)/gains on financial assets at fair value through profit or loss	(22,096)	133
– Depreciation of property, plant and equipment	(51)	(48)
– Depreciation of right-of-use assets	(1,517)	(1,424)
– Employment benefit expenses	(6,766)	(6,625)
– Share of results of associates	2	(2,346)
– Income tax expense	(263)	(3,515)
– Others	(3,753)	(3,118)
(Loss)/profit for the period	<u>(16,198)</u>	<u>5,696</u>

	(Unaudited)		
	As at 30 June 2024		
	Digital Industry Business	Digital Life Business	Total
	RMB'000	RMB'000	RMB'000
Segment assets			
Segment assets	<u>166,008</u>	<u>155,301</u>	321,309
Other unallocated assets (<i>Note a</i>)			<u>253,776</u>
Total assets per condensed consolidated balance sheet			<u><u>575,085</u></u>
Segment liabilities			
Segment liabilities	<u>58,568</u>	<u>73,538</u>	132,106
Other unallocated liabilities (<i>Note b</i>)			<u>22,109</u>
Total liabilities per condensed consolidated balance sheet			<u><u>154,215</u></u>

(Audited)			
As at 31 December 2023			
(Restated)			
	Digital Industry Business <i>RMB'000</i>	Digital Life Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets			
Segment assets	<u>188,496</u>	<u>146,940</u>	335,436
Other unallocated assets (<i>Note a</i>)			<u>284,687</u>
Total assets per condensed consolidated balance sheet			<u><u>620,123</u></u>
Segment liabilities			
Segment liabilities	<u>72,526</u>	<u>61,885</u>	134,411
Other unallocated liabilities (<i>Note b</i>)			<u>49,261</u>
Total liabilities per condensed consolidated balance sheet			<u><u>183,672</u></u>

Note:

- (a) As at 30 June 2024 and 31 December 2023, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, investments in associates, financial assets at fair value through profit or loss and deferred income tax assets for corporate usage.

Operating segments' assets are reconciled to total assets as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets for reportable segments	321,309	335,436
Unallocated assets		
– Cash and cash equivalents	183,068	189,756
– Property, plant and equipment	1,001	1,102
– Right-of-use assets	1,875	2,886
– Prepayments and other receivables	5,731	6,619
– Investments in associates	373	399
– Financial assets at fair value through profit or loss	55,165	76,608
– Deferred income tax assets	6,563	7,317
	<hr/>	<hr/>
Total assets per condensed consolidated balance sheet	<u>575,085</u>	<u>620,123</u>

- (b) As at 30 June 2024 and 31 December 2023, other unallocated liabilities mainly included accruals, other payables, lease liabilities, tax payables and deferred income tax liabilities for corporate usage.

Operating segments' liabilities are reconciled to total liabilities as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities for reportable segments	132,106	134,411
Unallocated liabilities		
– Accruals and other payables	14,764	35,858
– Lease liabilities	1,691	2,680
– Tax payables	4,145	8,043
– Deferred income tax liabilities	1,509	2,680
	<hr/>	<hr/>
Total liabilities per condensed consolidated balance sheet	<u>154,215</u>	<u>183,672</u>

3 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in the PRC, Taiwan, the United States and Vietnam are subject to corporate income tax at the rate of 25%, 20%, 30% and 20% (2023: Same) respectively, for the six months ended 30 June 2024, except for those specified below.

Two of the subsidiaries in the PRC were approved by the relevant local tax bureaus under the preferential tax policy for the high and new technology enterprises, and were entitled to a preferential corporate income tax rate of 15% from 2023 until 2025.

The amount of taxation charged to the condensed consolidated income statement represents:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation	604	3,880
Deferred income tax expenses	(341)	(365)
	<u>263</u>	<u>3,515</u>

4 DIVIDENDS

At a Board meeting held on 21 August 2024, no interim dividend is declared by the directors for the six months ended 30 June 2024 (2023: Nil).

5 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
(Loss)/profit attributable to equity holders of the Company (RMB'000)	<u>(16,198)</u>	<u>5,696</u>
Weighted average number of ordinary shares in issue ('000)	<u>701,543</u>	<u>701,543</u>
Basic (loss)/earnings per share (rounded to RMB cents)	<u>(2.31)</u>	<u>0.81</u>

(b) Diluted

Diluted (loss)/earnings per share is of the same amount as the basic (loss)/earnings per share as the share options are anti-dilutive.

6 TRADE AND LEASE RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– third parties	171,223	148,850
– related parties	<u>73,306</u>	<u>120,382</u>
	244,529	269,232
Finance lease receivables – total	<u>4,238</u>	<u>4,869</u>
Trade and lease receivables – gross	248,767	274,101
Less: loss allowance	<u>(68,228)</u>	<u>(68,811)</u>
Trade and lease receivables – net	180,539	205,290
Less: trade and lease receivables – non-current portion	<u>(2,967)</u>	<u>(3,629)</u>
Trade and lease receivables – current portion	<u>177,572</u>	<u>201,661</u>

Trade receivables and their ageing analysis based on invoice date is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	100,175	155,549
60 to 120 days	30,034	29,040
121 to 360 days	39,250	15,250
Over 360 days	75,070	69,393
	<u>244,529</u>	<u>269,232</u>

Majority of the Group's sales are made on open account, with credit terms generally ranging from 30 days to 90 days.

7 TRADE PAYABLES

Trade payables and their ageing analysis based on invoice date is as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	85,817	103,557
60 to 120 days	10,818	3,860
Over 120 days	3,674	2,279
	<u>100,309</u>	<u>109,696</u>

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Save for the following deviations from the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 C.6.1 of Appendix C1 to the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), none of the directors of the company is aware of any information which would reasonably indicate that the company has not complied with the CG Code during the six months ended 30 June 2024.

CG Code provision Part 2 C.6.1

Mr. TSANG Hing Bun was appointed as the company secretary of the company with effect from 3 November 2015. Although Mr. Tsang is not an employee of the company as required under the CG Code provision Part 2 C.6.1 of Appendix C1, the company has assigned Mr. CHENG Yee Pun, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all directors of the company are still considered to have access to the advice and services of the company secretary in light of the above arrangement in accordance with the CG Code provision Part 2 C.6.4 of Appendix C1. Having in place a mechanism that Mr. Tsang will get hold of the group’s development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the company secretary is beneficial to the group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry with all directors, the company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2024.

UPDATE ON DIRECTORS' INFORMATION

For the six months ended 30 June 2024, there are no matters that need to be disclosed pursuant to Rule 13.51B of the Listing Rules.

EMPLOYEES AND EMOLUMENT POLICY

The Board has set up a remuneration committee (the “**Remuneration Committee**”) and the members are Mr. KAN Ji Ran Laurie (chairperson of the Remuneration Committee), Prof. ZHANG Xiaoquan, Mr. KAM Chi Sing and Mr. CHANG Chuan-Wang. As at 30 June 2024, the group had a total of 272 (31 December 2023: 567) full time employees. The pay scale of the group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover. We provide well-organized online and offline training schemes for our employees to keep them abreast of the latest technology and market development. Other than orientation programs for new employees, we also conduct a mentorship program in which each of the senior and middle management based in the PRC is required to provide regular coaching and experience sharing with one to two new employees.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. KAM Chi Sing (chairperson of the Audit Committee), Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan, with terms of reference in compliance with the Listing Rules. The Audit Committee reviews the group's financial reporting, internal controls and makes relevant recommendations to the Board.

The Audit Committee has reviewed with management of the company on the accounting principles and practices adopted by the group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the company's shares.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the company. The interim report for the six months ended 30 June 2024 of the company containing all the information required by the Listing Rules will be despatched to the shareholders of the company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the company (www.maxnerva.com) in due course.

By Order of the Board
Maxnerva Technology Services Limited
CHANG Chuan Wang
Chairman

Hong Kong, 21 August 2024

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. CHANG Chuan-Wang and Mr. CHENG Yee Pun, three non-executive directors, namely, Mr. KIM Hyun Seok, Mr. CHANG Kuo-Chin and Ms. HUANG Pi-Chun and three independent non-executive directors, namely, Mr. KAN Ji Ran Laurie, Professor ZHANG Xiaoquan and Mr. KAM Chi Sing.