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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)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

SUMMARY AND HIGHLIGHTS

For the year ended 31 December 2021:

- Revenue and net profit increased by 14% and 134% to RMB596.3 million and RMB34.3 million respectively for the year ended 31 December 2021. If the fair value change on financial assets at fair value through profit or loss and share-based payment were stripped, core net profit increased by 34% to RMB26.3 million.
- The growth in revenue and profit are mainly due to the resilient business recovery in the PRC market and the delivery of a number of sizable projects to overseas clients for industrial solution business during the reporting year.
- The Board does not recommend payment of any final dividend for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**”) of Maxnerva Technology Services Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (“**Group**” or “**we**”) for the year ended 31 December 2021 together with comparative figures of the year ended 31 December 2020.

FINANCIAL REVIEW

The Group principally engages in industrial solution, smart office and new retail businesses. Our revenue and net profit increased by 14% and 134% to RMB596.3 million (2020: RMB523.4 million) and RMB34.3 million (2020: RMB14.6 million) respectively for the reporting year when compared with those of 2020. If the fair value change on financial assets at fair value through profit or loss and the share-based payment were stripped, core net profit increased by 34% to RMB26.3 million.

Inventory and Trade Receivable

As at 31 December 2021, there were approximately RMB110.1 million in inventory (2020: RMB23.2 million) and they are primarily project-related hardware and software products pending to be delivered to our customers, and finished goods for brand licensing and supply chain management (“**BLSC**”) business. Inventory turnover for the reporting year increased to 50 days from 23 days as compared to the year of 2020 mainly because of the stack-up of inventory for BLSC business in light of global supply shortage of key electronic components.

As at 31 December 2021, there were approximately RMB195.1 million in trade and lease receivables (2020: RMB202.0 million) which consisted of current and non-current portion of RMB182.4 million (2020: RMB181.4 million) and RMB12.7 million (2020: RMB20.6 million) respectively. Some of our projects have been structured as finance lease in which customers are eligible to pay in periodic instalments over a specific number of years. Trade and lease receivable turnover for the reporting year declined to 122 days from 149 days as compared to the year of 2020 solely due to our increasing efforts on debt collection and ageing debt monitoring under the pandemic period.

Liquidity and Financial Resources

As at 31 December 2021, we had a net cash position while our cash and cash equivalents were RMB189.1 million (2020: RMB212.4 million). Our total assets of RMB641.9 million (2020: RMB536.4 million) were financed by total liabilities of RMB229.4 million (2020: RMB181.6 million) and shareholders' equity of RMB412.5 million (2020: RMB354.8 million). There were a total amount of RMB30.6 million banking facilities available to the Group (2020: Nil) and none of them were utilised during the year and we had no bank borrowing (2020: Nil). We had a current ratio of 2.4 (2020: 2.7). Trade payables were repayable within one year.

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 year. We strive to reduce credit risk exposure by performing periodic credit evaluations of our external customers.

Foreign Exchange Exposure

We mainly operate in the PRC, Taiwan, Hong Kong, the 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 pound and Vietnamese dong. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars. We have a policy to require our 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 exposures and would consider the use of foreign exchange contracts to manage foreign exchange risks, where appropriate. We did not use derivative financial instruments for speculative purposes.

BUSINESS REVIEW

Industrial Solution Business

We provide full range of smart manufacturing solutions and services to our customers, including i) the implementation of a combination of software system (i.e. enterprise resources planning, manufacturing execution system, warehouse management system etc.) and automation equipment into the production lines to enable smart processes that lower costs and increase operational effectiveness and efficiency; ii) the implementation of facility monitor and control system for monitoring the efficiency of the usage of water, power and gas to production plants; and iii) facial recognition system for labour and security management of the entire industrial parks. We also provide daily I.T. operating services and after-installation maintenance work in relation to those smart manufacturing solutions. Due to the resilient business recovery in the PRC market and the delivery of a number of sizable projects to overseas clients, segment revenue and profit increased by 33% and 40% to RMB333.3 million and RMB44.4 million respectively during the reporting year when compared with the year of 2020.

Smart Office Business

Smart office business consists of Personify plus BLSC business. Segment revenue soared 1% to RMB236.0 million but segment profit fell 63% to RMB3.2 million during the reporting year when compared with the year of 2020.

Personify business serves two group of customers, namely B2C and B2B customers. B2C customers subscribe the software applications through periodic or one-off subscriptions while B2B customers subscribe the applications or embed the technology in their own existing software or web-based products on negotiated fees. Demand for the applications increased dramatically since the outbreak of the pandemic because video conferencing becomes a part of the new normal following the pandemic induced lockdown and people are largely required to work from home. After the completion of the acquisition of the Target Assets from Hon Hai Precision Industry Company Limited (“**Hon Hai**”) and its subsidiaries (collectively the “**Hon Hai Group**”) in March 2021, we have accelerated our marketing and research efforts in this business. Due to the aggressive roll-out of the vaccination programs and the gradual recovery from pandemic in the developed countries, revenue from B2C business, as expected, was halved on a pro-rata basis when compared with the year of 2020 but the fall was more than offset by the doubling of the revenue from B2B business. Thanks to the new corporate contracts entered plus a high renewal rate of the existing corporate clients during the reporting year. On top of the corporate clients from US and Europe, we have successfully added clients from Asia. Aggregate revenue for Personify business increased by over 20% on a pro-rata basis when compared with the year of 2020. We have invested heavily in developing new products as well as enhancing our existing products and resulted in drastic increase in research and development expenses which hammered the profit of this segment during the reporting year. However, it is considered as the investment for the future benefits of the Company by expanding the product family of Personify business using the acquired computer vision technology.

For BLSC business, we have expanded into Europe, Southeast Asia and China markets from the US market during the reporting year. The business was severely distorted by the worldwide supply shortage of key electronic components and transportation supply chain bottlenecks in the first half of 2021. However, it managed to catch up in the second half and achieved satisfactory results for the whole year.

New Retail Business

We are delving into new opportunities for our digital signage solutions in the retail sector of Taiwan. We completed installing our proprietary digital signage solutions into 600 supermarket stores operated by a preeminent player in Taiwan in 2020. With positive feedback for the solutions, we have been granted the second phase project from the same customer, installing the solutions into the rest of its stores in Taiwan, amounting to over 400 stores. However, the progress of the second phase project was severely disrupted by the outbreak of the pandemic in Taiwan in mid-2021. As a result, segment revenue and profit dropped by 32% and 32% to RMB27.1 million and RMB3.7 million respectively during the reporting year when compared with the year of 2020.

BUSINESS PROSPECT

Industrial Solution Business

In wake of the latest Sino-US geopolitical environment and pandemic induced lockdowns, sizable players in manufacturing sector are adopting diversification strategies. They will continue to maintain their operations in China but, at the same time, they will diversify a meaningful share of their production capacity to overseas markets in order to mitigate risks. We shall continue our business development efforts in both the PRC and overseas markets going forward. Furthermore, we witnessed some of our customers have rapidly embraced new emerging technologies and commenced or planned to commence their productions in electric vehicles and/or metaverse related products which may provide new business opportunities to our business in the future.

Smart Office Business

We shall continue to devote our research and development and sales and marketing efforts on Personify business. Beta testing on the new products has commenced since late 2021 and we are closely monitoring the market feedback. Once the new products are officially launched, we shall dedicate more sales and marketing efforts on this business. Since 2021, we have outsourced part of the research and development work to I.T. contractors based in Ukraine in order to speed up our product development as well as tap into the IT talent pools of this Eastern European country at competitive cost. The recent Russia-Ukraine war may create complications for the launch of some of our new products. We shall closely monitor the development of the incident and adopt appropriate measures with an aim of reducing the potential adverse impacts to our business. For BLSC business, we are working closely with our suppliers in launching new product models to cater for the needs of our customers as well as enhancing our overall competitiveness.

New Retail Business

We shall complete our second phase digital retail signage project in Taiwan in the first half of 2022 and we are actively exploring opportunities in Greater China region in a bid to develop our business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business risks are mainly the following:

- (i) macroeconomic conditions of the globe and the PRC which in turn will affect the general demand of I.T. solutions, services and products;
- (ii) market acceptance of our industrial, smart office and new retail solutions;
- (iii) rapid technological changes that may disrupt the market positions and demand of our existing solutions and products unpredictably; and
- (iv) greater foreign exchange risk exposure due to the expansion of our overseas businesses and higher volatility in major functional currencies in recent years.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition of Intellectual Properties

On 27 December 2020, the Company, Personify Inc. (the “**Buyer**”), our wholly owned subsidiary, and Foxconn (Far East) Limited (the “**Seller**”), a wholly owned subsidiary of Hon Hai, announced that all the three parties entered into an acquisition agreement (“**Acquisition Agreement**”) on 24 December 2020 for the Buyer to acquire a basket of intellectual properties (“**Target Assets**”), which included (i) 13 patents; (ii) trademark of Personify; (iii) 26 software components including “Presenter” and “ChromaCam”; and (iv) 11 domain names, from the Seller at a consideration of HK\$23.34 million. The consideration would be settled by the issuance of 46.68 million new shares, representing 6.65% enlarged shareholding of the Company, to the Seller at HK\$0.5 per share upon completion of the transaction. It is a disclosable and connected transaction and requires the application for a whitewash waiver from the Securities and Future Commission of Hong Kong. Details are set out in the announcement of the Company dated 27 December 2020 and the circular of the Company dated 22 February 2021. The acquisition of the Target Assets was approved by the independent shareholders of the Company in the special general meeting held on 15 March 2021 and was completed on 22 March 2021.

With the ownership of the Target Assets, (a) we are able to formulate a more comprehensive business development and marketing strategy by exploring every available business options including, but not limited to, generating additional licensing fee for granting others to use its technology by sublicensing the patents and/or providing access to the source code or related software development kit; (b) we are more motivated to devote resources to develop new and existing applications and products; (c) it will be cost-saving in the long run as we shall no longer have to pay the licence fees for the Target Assets after the acquisition of the Target Assets; and (d) it will eliminate the uncertainties of the continuity of the existing licensing arrangement between the Buyer and its licensor. We believe such acquisition is in the interests of the Company and our shareholders as a whole.

Given the day-end closing share price on the completion date of the transaction was far above HK\$0.5 per share, the total consideration, based on the closing share prices on the completion date, is significantly deviated from the underlying value of the Target Assets from accounting perspective. As a result, a share-based payment of RMB10.5 million was accounted for in the reporting year.

Saved as disclosed above, we had no material acquisition and disposal of subsidiaries during the reporting year.

SIGNIFICANT INVESTMENTS

GRC SinoGreen Fund

On 9 June 2021, the Company announced that Maxnerva (Shenzhen) Technology Services Limited, our wholly owned subsidiary, entered into the 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 SinoGreen Fund V, L.P. (the “**GRC Fund**”). Pursuant to the limited partnership agreement, we have committed to contribute RMB30 million which size is expected to account for approximately 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 the 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 out of the total committed capital of RMB30 million in GRC Fund in 2021. As at 31 December 2021, there were immaterial changes in the value of our interest in GRC Fund. The investment is expected to generate capital appreciations in the long term and may bring other business opportunities to the Group.

SigmaSense, LLC (“SigmaSense”)

We invested US\$2 million and US\$0.5 million in the preferred shares of SigmaSense in 2019 and 2020 respectively and our investment accounted for approximately 1.99% of the total shareholding of SigmaSense as at 31 December 2021. SigmaSense founded in 2015 focusing on display related touch sensing technology for a wide range of products, from laptops, tablets and smartphones to large format interactive displays, gaming and automotive etc. With the success of raising new round of funding by Sigmasense in late 2021, the valuation of our investment in SigmaSense increased to approximately US\$5.6 million, about 5.5% of the total asset value of our Group as at 31 December 2021. The unrealized gain of the investment was approximately RMB19.8 million during the reporting year. The investment is expected to generate capital appreciations to the Group in the medium to long term.

Saved as disclosed above, we had no significant investment during the reporting year.

CHARGES ON GROUP'S ASSETS, CAPITAL COMMITMENT, CONTINGENT LIABILITIES, EVENTS AFTER REPORTING DATE

As at 31 December 2021, there were no charges on the Group's assets and contingent liabilities (2020: Nil).

As at 31 December 2021, there was a total amount of RMB26 million capital commitment (2020: Nil).

There were no material events after 31 December 2021.

CAPITAL STRUCTURE AND DIVIDENDS

As at 31 December 2021, the Company has a total of 701,543,448 issued shares with a par value of HK\$0.1 each (2020: 654,863,448 shares). The increase in 46.68 million new shares, representing 6.65% of the enlarged shareholding of the Company, was issued at HK\$0.5 per share for the settlement of the acquisition of Target Assets from the Seller at a consideration of HK\$23.34 million.

Saved as disclosed above, neither the Company nor its subsidiaries had sold and redeemed any of the Company's listed securities during the reporting year of 2020 and 2021.

The Board does not recommend any payment of a final dividend in respect of the reporting year (31 December 2020: Nil).

EMPLOYEES, ENVIRONMENTAL POLICIES AND COMPLIANCE

As at 31 December 2021, we employed a total of 543 employees (2020: 498 employees) located in the PRC, Taiwan, Vietnam, the US and Hong Kong.

We believe that our remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individuals. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target and account receivables collection. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals.

We are committed to devoting more resources in providing internal and external training to the employees. Apart from orientation programs for new employees, trainings in live broadcasting and online programs, covering wide variety of topics, are provided. We also encourage staff to participate in relevant seminars and lectures, and recommend qualified staff to take part in professional courses to keep abreast of the latest technology and market development. The training programs not only enhance employees' professional knowledge and career development, but also contribute to improving the management system of the Group. We also conduct a mentorship program in which each of the senior and middle management in the PRC is required to provide regular coaching and experience sharing with one to two new employees.

We are dedicated to creating a favourable circumstance for caring of our environment and community. It is our goal to build a more harmonious, civilized and sustainable society by maintaining a high standard operation with integrity, providing services of high quality and protecting the environment. For the reporting year, we have complied with the relevant laws and regulations that have a significant impact on the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	<i>3</i>	596,349	523,417
Cost of sales	<i>5</i>	<u>(482,232)</u>	<u>(429,153)</u>
Gross profit		114,117	94,264
Other income	<i>4</i>	1,968	4,755
Other gains, net	<i>4</i>	4,796	1,598
Fair value gains/(losses) on financial assets at fair value through profit or loss		18,461	(5,017)
Share-based payment		(10,482)	–
Loss allowance for financial assets		(2,951)	(3,492)
Selling and distribution expenses	<i>5</i>	(25,689)	(11,458)
General and administrative expenses	<i>5</i>	(47,091)	(48,833)
Research and development expenses	<i>5</i>	<u>(16,985)</u>	<u>(10,953)</u>
Operating profit		36,144	20,864
Finance income – net	<i>6</i>	1,463	1,516
Share of result of a joint venture		<u>–</u>	<u>(4)</u>
Profit before income tax		37,607	22,376
Income tax expense	<i>7</i>	<u>(3,346)</u>	<u>(7,742)</u>
Profit for the year		<u>34,261</u>	<u>14,634</u>
		2021 <i>RMB cents</i>	2020 <i>RMB cents</i>
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic earnings per share	<i>8</i>	<u>4.96</u>	<u>2.23</u>
Diluted earnings per share	<i>8</i>	<u>4.96</u>	<u>2.23</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>34,261</u>	<u>14,634</u>
Other comprehensive loss:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(6,891)</u>	<u>(3,413)</u>
Other comprehensive loss for the year	<u>(6,891)</u>	<u>(3,413)</u>
Total comprehensive income for the year	<u><u>27,370</u></u>	<u><u>11,221</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Intangible assets		19,641	1,262
Property, plant and equipment		10,450	14,474
Right-of-use assets		25,793	31,818
Financial assets at fair value through profit or loss		47,777	16,318
Trade and lease receivables	<i>9</i>	12,698	20,557
Deferred income tax assets		2,010	–
Prepayments and rental deposits		271	199
		<hr/>	<hr/>
Total non-current assets		118,640	84,628
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		110,126	23,181
Contract assets		561	528
Trade and lease receivables	<i>9</i>	182,430	181,443
Prepayments, deposits and other receivables		41,109	34,212
Cash and cash equivalents		189,064	212,436
		<hr/>	<hr/>
Total current assets		523,290	451,800
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		641,930	536,428
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	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		68,447	64,479
Share premium		213,865	187,511
Reserves		130,173	102,803
Total equity		412,485	354,793
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,263	–
Lease liabilities		9,544	17,108
Total non-current liabilities		13,807	17,108
Current liabilities			
Trade payables	<i>10</i>	121,310	104,617
Accruals and other payables		41,910	28,619
Contract liabilities		35,453	13,306
Lease liabilities		12,482	12,277
Tax payables		4,483	5,708
Total current liabilities		215,638	164,527
Total liabilities		229,445	181,635
Total equity and liabilities		641,930	536,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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.

As at 31 December 2021, the Group is principally engaged in the sales of I.T. products and software applications, and the provision of system and network integration, information technology solutions development and implementation, and related maintenance services to industrial, office and retail customers.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 BASIS OF PREPARATION

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(c) Amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 (Amendments)	Interest rate benchmark reform
HKFRS 16 (Amendments)	COVID-19 related rent concessions

The management assessed that the amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New and amended standards, improvements, interpretations and Accounting Guideline (collectively “Amendments”), issued that are not yet effective and have not been early adopted by the Group

The following Amendments have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

HKFRS 16 (Amendments)	COVID-19 related rent concessions beyond 2021 ¹
Annual improvements project	Annual improvements to HKFRSs 2018 – 2020 ²
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments ²
AG 5 (revised)	Revised accounting guideline 5 merger accounting for common control combinations ²
HKAS 1 (Amendments)	Classification of liabilities as current or non-current ³
HKFRS 17	Insurance contracts ³
HKFRS 17 (Amendments)	Amendments to HKFRS 17 ³
HK Int 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause ³
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies ³
HKAS 8 (Amendments)	Definition of accounting estimates ³
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁴

- ¹ *Effective for annual periods beginning on or after 1 April 2021*
- ² *Effective for annual periods beginning on or after 1 January 2022*
- ³ *Effective for annual periods beginning on or after 1 January 2023*
- ⁴ *A date to be determined*

The Group will adopt these Amendments when they become effective. The Group anticipates that the applications of the above Amendments have no material impact on the results and the financial position of the Group.

3 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 its operation into three segments as follows:

1. Industrial Solution 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. Smart Office Business

- The provision of video conference related solutions plus brand licensing and supply chain management of smart office equipment.

3. New Retail Business

- The provision of digital retail signage solutions.

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 profit before income tax. Other information provided to the CODM is measured in a manner consistent with that in the 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, 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.

	For the year ended 31 December 2021			
	Industrial	Smart		
	Solution	Office	New Retail	
	Business	Business	Business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (Note a)	<u>333,260</u>	<u>235,950</u>	<u>27,139</u>	<u>596,349</u>
Results of reportable segments	<u>44,352</u>	<u>3,249</u>	<u>3,731</u>	<u>51,332</u>
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				51,332
Unallocated income/(expenses) (Note b)				<u>(17,071)</u>
Profit for the year				<u>34,261</u>
Other segment information:				
Capital expenditures	3,570	20,037	–	23,607
Depreciation of property, plant and equipment	3,534	204	–	3,738
Depreciation of right-of-use assets	9,317	–	–	9,317
Amortisation of intangible assets	883	1,893	–	2,776
Loss allowance for financial assets	<u>2,455</u>	<u>469</u>	<u>27</u>	<u>2,951</u>

For the year ended 31 December 2020

	Industrial Solution Business <i>RMB'000</i>	Smart Office Business <i>RMB'000</i>	New Retail Business <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (<i>Note a</i>)	<u>250,482</u>	<u>233,215</u>	<u>39,720</u>	<u>523,417</u>
Results of reportable segments	<u>31,614</u>	<u>8,744</u>	<u>5,454</u>	<u>45,812</u>
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				45,812
Unallocated income/(expenses) (<i>Note b</i>)				<u>(31,178)</u>
Profit for the year				<u>14,634</u>
Other segment information:				
Capital expenditures	8,926	186	–	9,112
Depreciation of property, plant and equipment	3,653	45	–	3,698
Depreciation of right-of-use assets	9,443	–	–	9,443
Amortisation of intangible assets	828	79	–	907
Loss allowance for financial assets	<u>3,037</u>	<u>440</u>	<u>15</u>	<u>3,492</u>

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:

	For the year ended 31 December 2021			
	Industrial			Total
	Solution	Smart Office	New Retail	
	Business	Business	Business	
Timing of revenue recognition	RMB'000	RMB'000	RMB'000	RMB'000
I.T. projects				
– At a point of time	119,062	56,041	26,976	202,079
– Over time	145,156	11,788	163	157,107
Maintenance and consulting services				
– Over time	49,336	1,088	–	50,424
Sales of goods				
– At a point of time	16,299	167,033	–	183,332
Finance lease income	404	–	–	404
Operating lease income (note)	3,003	–	–	3,003
	333,260	235,950	27,139	596,349

	For the year ended 31 December 2020			
	Industrial			Total
	Solution	Smart Office	New Retail	
	Business	Business	Business	
Timing of revenue recognition	RMB'000	RMB'000	RMB'000	RMB'000
I.T. projects				
– At a point of time	63,695	33,764	30,892	128,351
– Over time	114,897	12,365	8,828	136,090
Maintenance and consulting services				
– Over time	47,955	2,441	–	50,396
Sales of goods				
– At a point of time	21,219	184,645	–	205,864
Finance lease income	404	–	–	404
Operating lease income (note)	2,312	–	–	2,312
	250,482	233,215	39,720	523,417

Note:

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	338,561	254,393
Europe	54,233	–
The United States	50,215	195,830
Taiwan	58,081	70,595
Other Asian countries	95,259	2,599
	596,349	523,417

For the year ended 31 December 2021, revenue of approximately RMB94,819,000 (2020: RMB175,264,000), representing 16% (2020: 33%) of the Group's total revenue, is derived from a single customer. For the year ended 31 December 2021, sales to the five largest customers of the Group in total accounted for approximately 44% (2020: 59%) of the Group's total revenue.

For the year ended 31 December 2021, revenue of approximately RMB280,085,000 (2020: RMB210,480,000), representing 47% (2020: 40%) of the Group's total revenue, is derived from related parties, Hon Hai Precision Industry Company Limited and its group companies. The Group also generated revenue of approximately RMB2,060,000 from its joint venture in 2020.

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

A reconciliation of operating segments' results to total profit for the year is provided as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	51,332	45,812
Unallocated income/(expenses):		
– Government subsidies	1,653	4,349
– Fair value gain/(loss) on financial assets at fair value through profit or loss	18,461	(5,017)
– Finance income	2,313	2,729
– Depreciation of property, plant and equipment	(2,330)	(2,866)
– Depreciation of right-of-use assets	(3,745)	(3,280)
– Amortisation of intangible assets	–	(87)
– Legal and professional fees	(2,139)	(5,459)
– Employment benefit expenses	(13,349)	(9,889)
– Share-based payment	(10,482)	–
– Auditors' remuneration	(1,810)	(1,757)
– Income tax expense	(3,346)	(7,742)
– Others	(2,297)	(2,159)
	<hr/>	<hr/>
Profit for the year	<u>34,261</u>	<u>14,634</u>

During the year ended 31 December 2021 and 2020, all capital expenditure were incurred in the PRC, Taiwan and the United States.

	As at 31 December 2021			
	Industrial Solution Business RMB'000	Smart Office Business RMB'000	New Retail Business RMB'000	Total RMB'000
Segment assets				
Segment assets	<u>234,397</u>	<u>154,674</u>	<u>5,471</u>	<u>394,542</u>
Other unallocated assets (<i>Note a</i>)				<u>247,388</u>
Total assets per consolidated balance sheet				<u><u>641,930</u></u>
Segment liabilities				
Segment liabilities	<u>84,800</u>	<u>77,599</u>	<u>21,171</u>	<u>183,570</u>
Other unallocated liabilities (<i>Note b</i>)				<u>45,875</u>
Total liabilities per consolidated balance sheet				<u><u>229,445</u></u>

	As at 31 December 2020			
	Industrial Solution Business RMB'000	Smart Office Business RMB'000	New Retail Business RMB'000	Total RMB'000
Segment assets				
Segment assets	<u>201,406</u>	<u>93,385</u>	<u>5,927</u>	<u>300,718</u>
Other unallocated assets (<i>Note a</i>)				<u>235,710</u>
Total assets per consolidated balance sheet				<u><u>536,428</u></u>
Segment liabilities				
Segment liabilities	<u>95,884</u>	<u>52,127</u>	<u>205</u>	<u>148,216</u>
Other unallocated liabilities (<i>Note b</i>)				<u>33,419</u>
Total liabilities per consolidated balance sheet				<u><u>181,635</u></u>

Notes:

- (a) As at 31 December 2021 and 2020, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets for reportable segments	394,542	300,718
Unallocated assets		
– Cash and cash equivalents	189,064	212,436
– Property, plant and equipment	1,088	3,372
– Right-of-use assets	5,903	2,644
– Prepayments and other receivables	1,546	940
– Financial assets at fair value through profit or loss	47,777	16,318
– Deferred income tax assets	2,010	–
	<hr/>	<hr/>
Total assets per consolidated balance sheet	<u>641,930</u>	<u>536,428</u>

During the year, the addition to property, plant and equipment and right-of-use assets in unallocated assets were RMB68,000 (2020: RMB89,000) and RMB8,549,000 (2020: RMB3,070,000), respectively.

At 31 December 2021 and 2020, majority of the Group's non-current assets were located in the PRC with others located in Hong Kong, Taiwan and the United States.

- (b) As at 31 December 2021 and 2020, 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities for reportable segments	183,570	148,216
Unallocated liabilities		
– Accruals and other payables	31,415	23,638
– Lease liabilities	5,714	4,073
– Tax payables	4,483	5,708
– Deferred income tax liabilities	4,263	–
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	<u>229,445</u>	<u>181,635</u>

4 OTHER INCOME AND OTHER GAINS, NET

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	1,653	4,349
Others	315	406
	<hr/>	<hr/>
Other income	<u>1,968</u>	<u>4,755</u>
Loss on disposals of property, plant and equipment	(2)	(3)
Net exchange gains	2,803	947
Others	1,995	654
	<hr/>	<hr/>
Other gains, net	<u>4,796</u>	<u>1,598</u>

5 EXPENSES BY NATURE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Costs of hardware and software for I.T. projects and cost of goods sold	377,984	359,819
Employment benefit expenses (including directors' emoluments)	121,098	86,012
Sub-contracting fee	450	7,739
Depreciation of property, plant and equipment	6,068	6,564
Depreciation of right-of-use assets	13,062	12,723
Expenses relating to short term leases	578	341
Travelling expenses	2,586	2,624
Legal and professional fees	7,239	9,054
Consultancy fees	16,239	1,657
Office expenses	4,123	2,855
Amortisation of intangible assets	2,776	994
Auditors' remuneration – Audit services	1,810	1,757
Provision for impairment of inventories	–	580
Logistic and warehouses expenses	6,992	–
Advertising expenses	458	183
Other expenses	10,534	7,495
	571,997	500,397
Representing:		
Cost of sales	482,232	429,153
Selling and distribution expenses	25,689	11,458
General and administrative expenses	47,091	48,833
Research and development expenses	16,985	10,953
	571,997	500,397

6 FINANCE INCOME – NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
Interest income from bank deposits	<u>2,313</u>	<u>2,729</u>
	2,313	2,729
Finance cost		
Interest expenses for lease liabilities	<u>(850)</u>	<u>(1,213)</u>
Net finance income	<u><u>1,463</u></u>	<u><u>1,516</u></u>

7 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% (2020: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in the PRC, Taiwan and the United States are subject to corporate income tax at the rate of 25%, 20% and 30% (2020: 15%, 20% and 30%) respectively, for year ended 31 December 2021, except for these 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 2020 until 2022 and 2021 until 2023, respectively.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current taxation		
– Withholding tax	–	2,105
– PRC corporate income tax	2,697	2,536
– Taiwan income tax	870	1,905
– Others	421	956
(Over)/under-provision in prior year	(2,904)	240
Deferred tax expenses	<u>2,262</u>	<u>–</u>
	<u><u>3,346</u></u>	<u><u>7,742</u></u>

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue excluding treasury shares, during the year.

	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	<u>34,261</u>	<u>14,634</u>
Weighted average number of ordinary shares in issue ('000)	<u>691,312</u>	<u>654,863</u>
Basic earnings per share (rounded to RMB cents)	<u>4.96</u>	<u>2.23</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2021 and 2020, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive.

9 TRADE AND LEASE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables		
– third parties	147,082	158,552
– related parties	101,032	97,349
	<u>248,114</u>	<u>255,901</u>
Finance leases receivables – total	<u>7,178</u>	<u>8,253</u>
Trade and lease receivables – gross	255,292	264,154
Less: loss allowance	<u>(60,164)</u>	<u>(62,154)</u>
Trade and lease receivables – net	195,128	202,000
Less: trade and lease receivables – non-current portion	<u>(12,698)</u>	<u>(20,557)</u>
Trade and lease receivables – current portion	<u>182,430</u>	<u>181,443</u>

Majority of the Group's sales are made with credit terms generally ranging from 30 days to 90 days. The ageing analysis of trade receivables based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 60 days	148,643	131,277
60 days to 120 days	30,977	37,324
121 days to 360 days	10,582	17,330
Over 360 days	<u>57,912</u>	<u>69,970</u>
	<u>248,114</u>	<u>255,901</u>

10 TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables		
– third parties	118,775	98,946
– related parties	<u>2,535</u>	<u>5,671</u>
	<u>121,310</u>	<u>104,617</u>

The majority of the suppliers grant credit period ranging from 30 to 75 days (2020: same).

The ageing analysis of trade payables based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 60 days	117,918	90,912
60 days to 120 days	2,671	12,390
Over 120 days	<u>721</u>	<u>1,315</u>
	<u>121,310</u>	<u>104,617</u>

11 DIVIDENDS

During the year ended 31 December 2021 and 2020, the Company did not recommend the payment of dividend.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the year ended 31 December 2021, save for the following deviations:

Code provisions C.3.3

Under Code provision C.3.3 issuers should have formal letters of appointment for directors setting out the key terms and conditions for their appointment. The independent non-executive directors of the Company are appointed for a specific term of office of one year while all non-executive directors and all executive directors of the Company have not entered into any service agreements or letters of appointment (as the case may be) with the Company for their directorship and have no fixed term of service therewith. However, they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s bye-laws. As such the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the Code.

Code provision C.6.1

Mr. TSANG Hing Bun (“**Mr. Tsang**”) was appointed as company secretary of the Company (the “**Company Secretary**”) with effect from 3 November 2015. Although Mr. Tsang is not an employee of the Company as required under code provision C.6.1 of the Code, 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 code provision C.6.1 of the Code. 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. For the year ended 31 December 2021, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its code of conduct regarding directors’ securities transactions. Having made specific enquiry with all directors, the directors of the Company have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the reporting year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Saved as disclosed in this announcement, neither the Company nor its subsidiaries had sold and redeemed any of the Company’s listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. TANG Tin Lok Stephen, Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management, the risk management, internal control and financial reporting matters of the Company, including the review of the Group’s audited consolidated financial results for the reporting year.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and related notes hereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL REPORT

The annual report for the reporting year containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the Company's website (www.maxnerva.com) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

By order of the Board
Maxnerva Technology Services Limited
CHIEN Yi-Pin
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. CHIEN Yi-Pin, Mr. CAI Liting, Mr. KAO Chao Yang and Mr. CHENG Yee Pun, one non-executive director, namely, Mr. PARK Ho Jin, and three independent non-executive directors, namely, Mr. TANG Tin Lok Stephen, Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan.