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If you have sold or transferred all your shares in Maxnerva Technology Services Limited, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to the
Independent Board Committee and Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the content requires otherwise. A letter from the Board is set out on pages 5 to 25 of this circular.

A letter from the Independent Board Committee is set out on pages 26 to 27 of this circular.

A letter from Gram Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 28 to 50 of this circular.

A notice convening the SGM to be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong at 4 p.m. on 30 January 2024 is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the meeting or any adjournment thereof (as the case maybe), please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment meeting if you so wish.

15 January 2024

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“2020 Framework Agreements”	the IT system operation and maintenance framework agreement, the build-own-operate and IT project framework agreement, the procurement framework agreement and the sales framework agreement, all dated 7 December 2020 and entered into between the Company and Hon Hai
“2023 Framework Agreements”	the 2023 IT System Operation and Maintenance Framework Agreement, the 2023 Build-Own-Operate and IT Project Framework Agreement, the 2023 Procurement Framework Agreement and the 2023 Sales Framework Agreement
“2023 IT System Operation and Maintenance Framework Agreement”	the agreement dated 4 December 2023 entered into between the Company and Hon Hai as referred to under the subsection headed “(A) 2023 IT System Operation and Maintenance Framework Agreement” of the section headed “PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS” of this circular
“2023 Build-Own-Operate and IT Project Framework Agreement”	the agreement dated 4 December 2023 entered into between the Company and Hon Hai as referred to under the subsection headed “(B) 2023 Build-Own-Operate and IT Project Framework Agreement” of the section headed “PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS” of this circular
“2023 Procurement Framework Agreement”	the agreement dated 4 December 2023 entered into between the Company and Hon Hai as referred to under the subsection headed “(C) 2023 Procurement Framework Agreement” of the section headed “PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS” of this circular
“2023 Sales Framework Agreement”	the agreement dated 4 December 2023 entered into between the Company and Hon Hai as referred to under the subsection headed “(D) 2023 Sales Framework Agreement” of the section headed “PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS” of this circular

DEFINITIONS

“Ancillary IT Products”	peripheral IT products and equipment including but not limited to video cameras, monitors, networking devices and storage devices
“Announcement”	the Company’s announcement dated 4 December 2023, which disclosed, among others, the entering into of the 2023 Framework Agreements and the terms and conditions of the transactions contemplated under the 2023 Framework Agreements which constitute continuing connected transactions for the Company under the Listing Rules
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Build-Own-Operate”	a service model in which the Group builds, owns and operates a project, facility or structure for a specified period. The ownership of the IT system and the associated intellectual property rights remains with the Company during the specified period
“Company”	Maxnerva Technology Services Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 1037)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FDG Fund”	FDG Fund, L.P., a fund holding 71,813,581 Shares, representing approximately 10.24% of the issued share capital of the Company, FSK Holdings is its limited partner contributing to about 75% of its total commitment
“FSK Holdings”	FSK Holdings Limited, a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company

DEFINITIONS

“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2023 Framework Agreements and the proposed annual caps thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hon Hai”	Hon Hai Precision Industry Company Limited, a company incorporated in Taiwan with limited liability and the shares of which are listed on the Taiwan Stock Exchange Corporation
“Hon Hai Group”	Hon Hai and its group companies
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the 2023 Framework Agreements and the proposed annual caps thereof
“Independent Shareholders”	Shareholders other than FSK Holdings, FDG Fund and its associates
“IIoT”	Industrial Internet-of-Things
“IT”	information technology
“IT Project”	a service model in which the Group provides project-based system integration service to its clients. Fees shall be paid primarily based on progress billing. The ownership of the IT system will be transferred to the customers. The ownership of the intellectual property rights produced under the project shall be determined in accordance with the terms of the purchase order of the project

DEFINITIONS

“Latest Practicable Date”	10 January 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be held to consider and approve the transactions contemplated under the 2023 Framework Agreements
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chien Yi-Pin (*Chairman*)
Mr. Cai LiTing (*Chief Executive Officer*)
Mr. Kao Chao Yang
Mr. Cheng Yee Pun

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Non-executive Director:

Mr. Kim Hyun Seok

*Head office and principal place
of business:*

Room 1001, 10/F
Houston Centre
63 Mody Road
Tsim Sha Tsui East, Kowloon
Hong Kong

Independent non-executive Directors:

Mr. Kan Ji Ran Laurie
Prof. Zhang Xiaoquan
Mr. Kam Chi Sing

15 January 2024

To the Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 4 December 2023 in respect of the 2023 Framework Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As the current term of each of the 2020 Framework Agreements had expired on 31 December 2023, the Company has on 4 December 2023 (after trading hours) entered into the 2023 Framework Agreements to renew the continuing connected transactions as contemplated under each of the 2020 Framework Agreements for a term of three financial years ending 31 December 2024, 2025 and 2026. Pursuant to the 2023 Framework Agreements, the Group agreed to (i) provide IT support and maintenance services to Hon Hai Group; (ii) provide Build-Own-Operate and IT Project services to Hon Hai Group; (iii) purchase enterprise-level products including but not limited to communication software, servers and related hardware equipment from Hon Hai Group to be used primarily for the provision of various IT services; and (iv) sell Ancillary IT Products to Hon Hai Group.

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the 2023 Framework Agreements and the transactions contemplated thereunder including the proposed annual caps thereof.

The purpose of this circular is to (i) provide the Shareholders further information in respect of the 2023 Framework Agreements and the proposed annual caps thereof; (ii) set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Framework Agreements and the proposed annual caps thereof; and (iii) give the Shareholders the notice of the SGM and other information as required under the Listing Rules.

PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS

The following sets out the principal terms of each of the 2023 Framework Agreements:–

(A) 2023 IT System Operation and Maintenance Framework Agreement

Date:	4 December 2023
Parties:	The Company; and Hon Hai
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive) and the 2020 IT system operation and maintenance framework agreement shall be terminated automatically on 1 January 2024.
Nature of Transactions:	The Group agreed to provide IT services to Hon Hai Group to support its existing IT infrastructure. The IT services include, among others, IT strategical planning, IT management, IT deployment and transfer, IT maintenance, IT system design and IT valued-added services.

LETTER FROM THE BOARD

Pricing basis:

The services to be provided under the 2023 IT System Operation and Maintenance Framework Agreement will be charged on a monthly basis. The following pricing basis shall apply to each type of IT services to be provided under the 2023 IT System Operation and Maintenance Framework Agreement. The service fees will be determined after arm's length negotiations between the Group and Hon Hai Group based on the following factors:

- (a) the number of IT technicians involved, their time spent for delivery of such IT services and their respective monthly charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;
- (b) the principle of cost plus a reasonable margin with regard to the purchase of any parts, software and products which is required for delivery of such IT services. Such margin, which normally does not exceed 25%, is to be determined by the management based on its experience with reference to the charge in the industry for similar products offered by independent third parties in the ordinary course of business and under normal commercial terms; and
- (c) the Group adopts the same principles of cost plus a reasonable margin for services to be provided to both Hon Hai Group and independent customers and hence, in any event the terms and prices offered by the Group to Hon Hai Group will be no more favourable than those offered to an independent third party for the same or similar type of services.

LETTER FROM THE BOARD

Payment terms:	The service fees shall be paid to the Group on the date agreed upon between the Group and Hon Hai Group under each individual project.
Condition precedent:	The agreement is conditional upon the Company obtaining Independent Shareholders' approval at the SGM in accordance with the Listing Rules.

Proposed Annual Cap

The table below sets out the proposed annual caps for the service fees payable by Hon Hai Group to the Group pursuant to the 2023 IT System Operation and Maintenance Framework Agreement for each of the three financial years ending 31 December 2024, 2025 and 2026:

	Financial year ending 31 December		
	2024	2025	2026
	RMB	RMB	RMB
Service fees payable by Hon Hai Group to the Group	106,458,259	127,749,910	153,299,893

Basis of determination of the proposed annual caps

The proposed annual caps are determined based on:

- (i) the historical transaction amount during the year ended 31 December 2022, being the latest available full year figure;
- (ii) new IT system operation and maintenance services to be provided to Hon Hai Group in the financial year ending 31 December 2023. Due to the rising demand for IT services from Hon Hai Group in 2023, the increase in provisions for IT services by the Group has led to significant larger transaction amounts of approximately RMB61.2 million for the nine months ended 30 September 2023 as compared to that of approximately RMB48.7 million for the year ended 31 December 2022, representing an increase of approximately 26%;

LETTER FROM THE BOARD

- (iii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for the financial year ending 31 December 2024 as anticipated by the management. The Directors are of the view that having the 10% buffer can enable the Group to continue to carry out the transactions in case the proposed annual cap becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the listing rules. Any disruption of or delay in transactions may lead to adverse impacts on the Group's business operation and reputation; and
- (iv) an expected growth of 20% on the proposed annual caps for the three financial years ending 31 December 2024, 2025 and 2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry relating to implementation of smart solutions, according to the research results from an independent research firm.

According to a market research report "*Industrial IoT Market Share, Size, Trends, Industry Analysis Report, By Deployment (On-premises and Cloud); By Component; By End-use; By Region; Segment Forecast, 2023 – 2032*" published by Polaris Market Research & Consulting LLP, a worldwide market research and consulting organization based in the United States in August 2023 relating to the future growth prospects of the IIoT industry (the "**Polaris Report**"), the revenue of global market for IIoT is forecasted to reach USD 2,581 billion in 2032 with a CAGR of 23.5% over the period from 2023 to 2032. Therefore, the Directors consider the expected annual growth rate of 20% to be fair and reasonable.

The Shareholders should note that the proposed annual caps represent the best estimate by the Directors of the amount of the relevant transactions based on the information currently available. Such caps bear no direct relationship to, nor should be taken to have any direct bearing to, the Group's financial or potential financial performance.

Existing annual caps and the actual transaction amounts

The table below sets out the existing annual caps and the actual transaction amounts of the service fees payable by Hon Hai Group to the Group pursuant to the 2020 IT system operation and maintenance framework agreement:

	Year ended/ending 31 December		
	2021	2022	2023
	RMB	RMB	RMB
Existing annual caps	91,859,453	110,231,344	132,277,613
Actual transaction amounts	43,972,210	48,650,196	61,187,976
			(Note)

Note: Up to 30 September 2023 and hence, the nine months ended 30 September 2023.

LETTER FROM THE BOARD

(B) 2023 Build-Own-Operate and IT Project Framework Agreement

Date:	4 December 2023
Parties:	The Company; and Hon Hai
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive) and the 2020 build-own-operate and IT project framework agreement shall be terminated automatically on 1 January 2024.
Nature of Transactions:	The Group agreed to provide project-based system integration service to Hon Hai Group, including but not limited to design and development of new systems, provision of application programming recommendations, installation, implementation, testing, auditing and integration of new systems within the IT environments; and providing cultural transitioning of workforces to new environments, including training of employees and other end users. These projects will be customized according to customer specifications and needs with reference to their corporate plan and development which include, among others, smart manufacturing, smart office and video conferencing, cloud computing, enterprise application and mobile application.

LETTER FROM THE BOARD

Pricing basis:

The Group shall provide the services based on the following pricing principles which shall be applicable to each type of services to be provided under the 2023 Build-Own-Operate and IT Project Framework Agreement:

- (a) where there are similar or comparable services in the market, with reference to the market rate for provision of project management services with comparable nature, scale or scope. When determining the relevant market rates, management of the Group shall take into account the number of IT technicians involved, their time spent for delivery of such IT services and their respective daily charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;

LETTER FROM THE BOARD

- (b) based on the principle of cost plus a reasonable margin. Such margin, which normally does not exceed 25%, is to be determined by the management based on its experience with reference to the charge in the industry for similar services and products offered by independent third parties in the ordinary course of business and under normal commercial terms. The cost will take into account of the required level of knowhow and technical expertise, the cost of equipment and software used in the project, cost of labour including but not limited to the number of IT technicians required and their time spent for the project and their respective charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;
- (c) the fees of individual projects will be arrived at after arm's length negotiations between the Group and Hon Hai Group based on the nature, scale and complexity of the projects and corresponding services and on normal commercial terms; and
- (d) the Group adopts the same principles of cost plus a reasonable margin for services to be provided to both Hon Hai Group and independent customers and hence, in any event the terms and prices offered by the Group to Hon Hai Group will be no more favourable than those offered to an independent third party for the same or similar type of services.

LETTER FROM THE BOARD

Payment terms:	The consideration of individual projects shall be paid in accordance with the terms to be agreed prior to the commencement of such projects, with reference to terms commonly adopted in the market such as payment based on progress billing or by monthly payment.
Condition precedent:	The agreement is conditional upon the Company obtaining Independent Shareholders' approval at the SGM in accordance with the Listing Rules.

Proposed annual caps

The table below sets out the proposed annual caps for the service fees payable by Hon Hai Group to the Group pursuant to the 2023 Build-Own-Operate and IT Project Framework Agreement for each of the three financial years ending 31 December 2024, 2025 and 2026:

	Financial year ending 31 December		
	2024	2025	2026
	RMB	RMB	RMB
Service fees payable by Hon Hai Group to the Group	364,073,796	436,888,555	524,266,267

Basis of determination of the proposed annual caps

The proposed annual caps are determined based on:

- (i) the historical transaction amount during the year ended 31 December 2022, being the latest available full year figure;
- (ii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for the financial year ending 31 December 2024 as anticipated by the management. The Directors are of the view that having the 10% buffer can enable the Group to continue to carry out the transactions in case the proposed annual cap becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the listing rules. Any disruption of or delay in transactions may lead to adverse impacts on the Group's business operation and reputation; and

LETTER FROM THE BOARD

- (iii) an expected growth of 20% on the proposed annual caps for the three financial years ending 31 December 2024, 2025 and 2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry, according to the research results from an independent research firm.

According to the Polaris Report, the revenue of global market for IIoT is forecasted to reach USD 2,581 billion in 2032 with a CAGR of 23.5% over the period from 2023 to 2032. Therefore, the Directors consider the expected annual growth rate of 20% to be fair and reasonable.

The Shareholders should note that the proposed annual caps represent the best estimate by the Directors of the amount of the relevant transactions based on the information currently available. Such caps bear no direct relationship to, nor should be taken to have any direct bearing to, the Group's financial or potential financial performance.

Existing annual caps and the actual transaction amounts

The table below sets out the existing annual caps and the actual transaction amounts of the service fees payable by Hon Hai Group to the Group pursuant to the 2020 build-own-operate and IT project framework agreement:

	Year ended/ending 31 December		
	2021	2022	2023
	RMB	RMB	RMB
Existing annual caps	300,195,192	360,234,231	432,281,077
Actual transaction amounts	230,346,656	275,813,482	177,840,899
			(Note)

Note: Up to 30 September 2023 and hence, the nine months ended 30 September 2023.

(C) 2023 Procurement Framework Agreement

Date:	4 December 2023
Parties:	The Company; and Hon Hai
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive) and the 2020 procurement framework agreement shall be terminated automatically on 1 January 2024.

LETTER FROM THE BOARD

Nature of Transactions:	The Company (as buyer) agreed to purchase enterprise-level products directly or via its subsidiaries including but not limited to communication software, servers and related hardware equipment from Hon Hai Group (as seller). The enterprise-level products, which are manufactured or developed by Hon Hai Group and also available in the market, will be used primarily by the Group for the provision of various IT services during the term of the 2023 Procurement Framework Agreement.
Pricing basis:	The prices for each purchase order are arrived at after arm's length negotiations, taking into account the then prevailing market conditions; provided that the terms and prices offered to the Group shall be no less favourable than those offered to the Group by an independent third party for the same or similar type of ancillary equipment and parts and on normal commercial terms. When determining the relevant market prices, management of the Group shall take into account the quotation of two independent third parties for the relevant products to be procured in the corresponding period to the extent independent-third-party suppliers are available.
Payment terms:	The price shall be paid to Hon Hai Group on the date agreed upon between the Group and Hon Hai Group under each individual order.
Condition precedent:	The agreement is conditional upon the Company obtaining Independent Shareholders' approval at the SGM in accordance with the Listing Rules.

LETTER FROM THE BOARD

Proposed annual caps

The table below sets out the proposed annual caps for the fees payable by the Group to Hon Hai Group pursuant to the 2023 Procurement Framework Agreement for each of the three financial years ending 31 December 2024, 2025 and 2026:

	Financial year ending 31 December		
	2024	2025	2026
	RMB	RMB	RMB
Fees payable by the Group to Hon Hai Group	37,316,525	44,779,830	53,735,797

Basis of determination of the proposed annual caps

The proposed annual caps are determined based on:

- (i) the historical transaction amounts during the year ended 31 December 2022, being the latest available full year figure;
- (ii) a buffer of 10% to allow for the increase in demand of purchases from Hon Hai Group for the financial year ending 31 December 2024 as anticipated by the management. The Directors are of the view that having the 10% buffer can enable the Group to continue to carry out the transactions in case the proposed annual cap becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the listing rules. Any disruption of or delay in transactions may lead to adverse impacts on the Group's business operation and reputation; and
- (iii) an expected growth of 20% on the proposed annual caps for the three financial years ending 31 December 2024, 2025 and 2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry, according to the research results from an independent research firm.

According to the Polaris Report, the revenue of global market for IIoT is forecasted to reach USD 2,581 billion in 2032 with a CAGR of 23.5% over the period from 2023 to 2032. Therefore, the Directors consider the expected annual growth rate of 20% to be fair and reasonable.

LETTER FROM THE BOARD

The Shareholders should note that the proposed annual caps represent the best estimate by the Directors of the amount of the relevant transactions based on the information currently available. Such caps bear no direct relationship to, nor should be taken to have any direct bearing to, the Group's financial or potential financial performance.

Existing annual caps and the actual transaction amounts

The table below sets out the existing annual caps and the actual transaction amounts of the fees payable by the Group to Hon Hai Group pursuant to the 2020 procurement framework agreement:

	Year ended/ending 31 December		
	2021	2022	2023
	RMB	RMB	RMB
Existing annual caps	163,127,028	195,752,433	234,902,920
Actual transaction amounts	13,989,336	28,270,095	16,638,181
			(Note)

Note: Up to 30 September 2023 and hence, the nine months ended 30 September 2023.

(D) 2023 Sales Framework Agreement

Date:	4 December 2023
Parties:	The Company; and Hon Hai
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive) and the 2020 sales framework agreement shall be terminated automatically on 1 January 2024.
Nature of Transactions:	The Company (as seller) agreed to sell Ancillary IT Products directly or via its subsidiaries to Hon Hai Group (as buyer) during the term of the 2023 Sales Framework Agreement. Leveraging on the Group's historical network and experience in the Ancillary IT Products, the Group considers that it may from time to time be approved or designated by Hon Hai Group to source the Ancillary IT Products in response to their needs.

LETTER FROM THE BOARD

Pricing basis:	The prices for each sales order are arrived at after arm's length negotiations, taking into account the then prevailing market conditions; provided that the terms and prices offered by the Group shall be no more favourable than those available to an independent third party for the same or similar type of ancillary equipment and parts and on normal commercial terms. When determining the relevant market prices, management of the Group shall take into account the quotation of two independent third parties for the relevant products to be procured in the corresponding period for reference.
Payment terms:	The price of the equipment/products shall be paid to the Group on the date agreed upon between the Group and Hon Hai Group under each individual order.
Condition precedent:	The agreement is conditional upon the Company obtaining Independent Shareholders' approval at the SGM in accordance with the Listing Rules.

Proposed annual caps

The table below sets out the proposed annual caps for the fees payable by Hon Hai Group to the Group pursuant to the 2023 Sales Framework Agreement for each of the three financial years ending 31 December 2024, 2025 and 2026:

	Financial year ending 31 December		
	2024	2025	2026
	RMB	RMB	RMB
Fees payable by Hon Hai Group to the Group	34,942,706	41,931,247	50,317,497

Basis of determination of the proposed annual caps

The proposed annual caps are determined based on:

- (i) the historical transaction amount during the year ended 31 December 2022, being the latest available full year figure;

LETTER FROM THE BOARD

- (ii) the estimated increasing sales orders from Hon Hai Group for the year ending 31 December 2024. In relation to the Group's sales forecast with Hon Hai Group, after preliminary discussion with the management of Hon Hai Group, the Directors envisage that demand from Hon Hai Group will increase because Hon Hai Group has been developing large-scale of green-field production capacities in oversea markets such as, Vietnam and India, due to the supply chain diversification strategy of its customers in such markets.

In addition, the Group is also planning to expand its market shares in South Asia by setting up subsidiaries in Vietnam and India for sourcing Ancillary IT Products from local suppliers for independent third party customers and Hon Hai Group;

- (iii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for the financial year ending 31 December 2024 as anticipated by the management. The Directors are of the view that having the 10% buffer can enable the Group to continue to carry out the transactions in case the proposed annual cap becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the listing rules. Any disruption of or delay in transactions may lead to adverse impacts on the Group's business operation and reputation; and
- (iv) an expected growth of 20% on the proposed annual caps for the three financial years ending 31 December 2024, 2025 and 2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry, according to the research results from an independent research firm.

According to the Polaris Report, the revenue of global market for IIoT is forecasted to reach USD 2,581 billion in 2032 with a CAGR of 23.5% over the period from 2023 to 2032. Therefore, the Directors consider the expected annual growth rate of 20% to be fair and reasonable.

The Shareholders should note that the proposed annual caps represent the best estimate by the Directors of the amount of the relevant transactions based on the information currently available. Such caps bear no direct relationship to, nor should be taken to have any direct bearing to, the Group's financial or potential financial performance.

LETTER FROM THE BOARD

Existing annual caps and the actual transaction amounts

The table below sets out the existing annual caps and the actual transaction amounts of the service fees payable by Hon Hai Group to the Group pursuant to the 2020 sales framework agreement:

	Year ended/ending 31 December		
	2021	2022	2023
	RMB	RMB	RMB
Existing annual caps	27,401,761	32,882,113	39,458,536
Actual transaction amounts	5,766,166	11,471,747	12,070,288
			(Note)

Note: Up to 30 September 2023 and hence, the nine months ended 30 September 2023.

Further requirement on the transactions contemplated under the 2023 Framework Agreements

The transactions as contemplated under the 2023 Framework Agreements between the Group and Hon Hai Group (except the 2023 Procurement Framework Agreement) are also subject to the requirement that the revenue attributable to Hon Hai Group will be less than 60% of the total revenue of the Group and the remaining 40% of the total revenue of the Group will not be attributable to the associates of Hon Hai for each of the financial years ending 31 December 2024, 2025 and 2026 (the “**Requirement**”). The calculation of the above percentages will be based on the year-end financial result of the Group. For details of the internal control measures on the compliance with the Requirement, please refer to the section headed “Internal Control” of this circular.

The bases for determining the Requirement above are as follows:

- (1) the expected transaction volumes with Hon Hai Group pursuant to the 2023 Framework Agreements (except for the 2023 Procurement Framework Agreement); and
- (2) the forecasted demand for the Group’s service by other independent customers following various discussions with them and the continuing market effort of the Group.

INTERNAL CONTROL

The Company has formulated the Management Measures for Connected Transactions to ensure the transactions contemplated under the 2023 Framework Agreements are conducted in accordance with the terms of the 2023 Framework Agreements and the annual caps thereof are not exceeded. The following guidelines and mechanisms are in place in the Management Measures for Connected Transactions:

LETTER FROM THE BOARD

- (1) The finance department of the Company should inform the relevant business departments of the Company, in writing, the approved annual caps for the continuing connected transactions.
- (2) Prior to entering into a transaction, the relevant business department of the Company should, where applicable and in accordance with the pricing basis under the corresponding 2023 Framework Agreements, collect information on the market rate for the service or comparable service; obtain quotation from independent third parties; and/or compare prices offered to independent third parties.
- (3) The relevant business department of the Company should submit a new project application form incorporating a profit/loss statement for every transaction for approval by the business department heads and finance department heads before order confirmation.
- (4) The finance department of the Company should calculate the revenue amount attributable to Hon Hai Group and to non-Hon Hai Group customers on a monthly basis. If the total accumulated revenue attributable to Hon Hai Group exceeds 50% of the total revenue of the Group for any given calendar month, the finance department will report to the chief financial officer to find out the reasons and collaborate with the business department on review of the business forecast of the relevant transactions. The Company will also explore new business opportunities and obtain new sales order from independent third party customers and gradually decrease the transaction amount between Hon Hai Group and the Company to ensure the Requirement is fulfilled by the end of such financial year.
- (5) The final price of each contract has to be reviewed and approved by the relevant department head of the Company.
- (6) The finance department of the Company should conduct checks quarterly to ensure the compliance of the terms of Framework Agreements and the Requirement.
- (7) The relevant business department of the Company shall report, at least once a month, the progress and implementation of the relevant transactions to the finance department, which should consolidate the information, perform auditing and report to the chief financial officer and the audit committee/independent non-executive Directors.
- (8) When the actual transaction amount under any one of the 2023 Framework Agreements exceeds 50% or 80% of the respective annual cap, the finance department of the Company shall promptly report to the chief financial officer. The chief financial officer should discuss monthly with the business department about the business forecast in order to avoid the possibility of exceeding respective annual caps.

LETTER FROM THE BOARD

- (9) The auditors of the Company should review the respective continuing connected transactions of the Company and confirm to the Board that the transactions have been entered into in accordance with the pricing policies as set forth in the relevant Framework Agreements governing such transactions. The auditors of the Company should also confirm that the annual caps applicable to the respective continuing connected transactions entered into between the Company and its connected persons have not been exceeded.
- (10) The independent non-executive Directors shall conduct annual review on the continuing connected transactions and confirm that the transactions are on normal commercial terms or better; or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or (if applicable) from independent third parties; and confirm that the transactions have been entered into in accordance with the relevant terms that are fair and reasonable and in the overall interests of the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 FRAMEWORK AGREEMENTS

The Group focuses on the provision of IT integration and solutions services through one-stop customized solutions services ranging from planning, sourcing, construction, consulting to maintenance and support for smart manufacturing, smart office and new retail businesses. While the Group is currently serving a wide range of clients, Hon Hai Group, a global leading electronics manufacturing services provider, remains one of the major clients of the Group.

The entering into of the 2023 Framework Agreements not only allows the Group to maintain a long term and strategic business relationship with Hon Hai Group but also continue to leverage such business relationship to showcase its services to the Group's potential clients.

Given Hon Hai Group is also a global leading supplier of enterprise-level products and communication software, servers and related hardware equipment are commonly adopted by the Group and its technicians during the provision of the IT integration and solutions services, the 2023 Framework Agreements allow the Group to continue to secure a stable source of supplies should those enterprise-level products fit the specifications required by the Group's clients.

In light of the above, the Directors (excluding the independent non-executive Directors whose view is subject to the advice from Gram Capital) consider that the 2023 Framework Agreements and the respective proposed annual caps thereof have been entered into/arrived at (a) in the ordinary and usual course of the business of the Company; (b) on normal commercial terms; and (c) on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the provision of system and network integration, IT solutions development and implementation, and related maintenance services.

Hon Hai Group is a global manufacturing services provider in the computer, communications and consumer electronics industry whose shares are listed on the Taiwan Stock Exchange Corporation.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, FSK Holdings is a substantial shareholder of the Company and has interests in 239,050,141 Shares directly and indirectly through FDG Fund, representing approximately 34.07% of the issued share capital of the Company. To the best knowledge of the Directors after having made all reasonable enquiries, Hon Hai, through Foxconn (Far East) Limited, Foxconn Technology Company Limited, Pan-International Industrial Corporation and its related parties, indirectly holds approximately 42% attributable equity interests in FSK Holdings. Despite Hon Hai does not fall within the ambit of an associate of FSK Holdings under the Listing Rules, the Company voluntarily complies with the reporting, announcement and Independent Shareholders' approval requirements for the transactions contemplated under the 2023 Framework Agreements as if Hon Hai is a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2023 Framework Agreements exceeds 5%, the transactions contemplated under the 2023 Framework Agreements are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on the transactions contemplated under the 2023 Framework Agreements and the proposed annual caps thereof. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The notice of SGM is set out on pages SGM-1 to SGM-4 of this circular. The SGM will be convened by the Company at 4 p.m. on 30 January 2024 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong, at which ordinary resolutions will be proposed and, if thought fit, passed to approve the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof by poll.

Any Shareholder with a material interest in the 2023 Framework Agreements and the transactions contemplated thereunder, shall not vote on the resolution in relation to the 2023 Framework Agreements proposed at the SGM.

LETTER FROM THE BOARD

The Company complies with the reporting, announcement and Independent Shareholders' approval requirements for the transactions contemplated under the Framework Agreements as Hon Hai is a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge and belief having made all reasonable enquiries, as at the Latest Practicable Date, save for FSK Holdings, FDG Fund, and their associates holding an aggregate of 285,730,141 Shares, representing 40.72 % of the issued shares capital of the Company, no other Shareholder is required to abstain from voting on the resolution for approving the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof at the SGM.

A form of proxy for use at the SGM is also enclosed herewith. Whether or not you intend to attend the SGM, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the SGM will be taken by poll and the announcement on the results of which will be published on the websites of the Company and of the Stock Exchange following the SGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders on the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof; and (ii) the letter of advice from Gram Capital as set out on pages 28 to 50 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof together with the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the appendix to this circular and the notice of the SGM.

Yours faithfully,
By Order of the Board
Maxnerva Technology Services Limited
CHIEN YI-PIN
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

15 January 2024

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 15 January 2024 of the Company (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof are fair and reasonable so far as the Independent Shareholders are concerned. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 25 of the Circular which contains, *inter alia*, information on the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof, as well as the letter from Gram Capital set out on pages 28 to 50 of the Circular which contains its advice in respect of the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Gram Capital, we consider that (i) the terms of the 2023 Framework Agreements are on normal commercial terms or better, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, (ii) the transactions contemplated under the 2023 Framework Agreements will be carried out in the ordinary and usual course of business of the Company, and (iii) the annual caps of the 2023 Framework Agreements for each of the three years ending on 31 December 2024, 2025 and 2026 are fair and reasonable, and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the 2023 Framework Agreements, the transactions contemplated thereunder and the proposed annual caps thereof.

Yours faithfully,

For and on behalf of

Independent Board Committee

Kam Chi Sing

*Independent non-executive
Director*

Kan Ji Ran Laurie

*Independent non-executive
Director*

Zhang Xiaoquan

*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 January 2024

*To: The independent board committee and the independent shareholders of
Maxnerva Technology Services Limited*

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the provision of IT support and maintenance services to Hon Hai Group as contemplated under the 2023 IT System Operation and Maintenance Framework Agreement (the “**IT System Transactions**”); (ii) the provision of Build-Own-Operate and IT project services to Hon Hai Group as contemplated under the 2023 Build-Own-Operate and IT Project Framework Agreement (the “**BOO-Project Transactions**”); (iii) the purchase of enterprise-level products (including but not limited to communication software, servers and related hardware equipment) from Hon Hai Group to be used primarily for the provision of various IT services as contemplated under the 2023 Procurement Framework Agreement (the “**Procurement Transactions**”); and (iv) the sale of Ancillary IT Products to Hon Hai Group as contemplated under the 2023 Sales Framework Agreement (the “**Sales Transactions**”, together with the IT System Transactions, BOO-Project Transactions and Procurement Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 January 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 December 2023, the Company entered into the 2023 Framework Agreements to renew the continuing connected transactions as contemplated under each of the 2020 Framework Agreements for a term of three years ending 31 December 2026.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kan Ji Ran Laurie, Prof. Zhang Xiaoquan and Mr. Kam Chi Sing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion before the date of SGM, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Hon Hai or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the provision of system and network integration, IT solutions development and implementation, and related maintenance services.

LETTER FROM GRAM CAPITAL

Set out below are the Group’s consolidated financial information for the two years ended 31 December 2022 and for the six months ended 30 June 2023 (together with comparative figures) as extracted from the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”) and interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”):

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Year-on-year change	For the year ended 31 December 2022	For the year ended 31 December 2021	Year-on-year change
	RMB'000 (<i>unaudited</i>)	RMB'000 (<i>unaudited</i>)	%	RMB'000 (<i>audited</i>)	RMB'000 (<i>audited</i>)	%
Revenue	353,815	359,002	(1.44)	832,461	596,349	39.59
– Industrial solution business	194,557	196,055	(0.76)	427,268	333,260	28.21
– Smart office business	155,526	156,867	(0.85)	396,509	235,950	68.05
– New retail	3,732	6,080	(38.62)	8,684	27,139	(68.00)
Gross profit	51,102	54,314	(5.91)	127,148	114,117	11.42
Profit for the year/period	5,696	6,343	(10.20)	27,830	34,261	(18.77)

As depicted in the above table, the Group’s revenue increased from RMB596.3 million for the year ended 31 December 2021 (“**FY2021**”) to approximately RMB832.5 million for the year ended 31 December 2022 (“**FY2022**”), representing an increase of approximately 39.59%, which was primarily caused by increase in revenue from the Group’s industrial solution business and smart office business.

Notwithstanding the aforesaid, the Group’s profit for FY2022 decreased by approximately 18.77% as compared to that for FY2021. With reference to the 2022 Annual Report, such decrease was mainly due to (i) decrease in gross profit margin; (ii) decrease in net fair value gains on financial assets at fair value through profit or loss; (iii) increase in selling and distribution expenses and general and administrative expenses, as partially offset by (i) absence of share-based payment for FY2022; and (ii) decrease in research and development expenses.

The Group’s revenue for the six months ended 30 June 2023 (“**1H2023**”) slightly decreased by approximately 1.44% as compared to that for the corresponding period in 2022; while the Group’s profit for 1H2023 decreased by approximately 10.20% as compared to that for the corresponding period in 2022. With reference to the 2023 Interim Report, decrease in the Group’s profit for 1H2023 was mainly due to (i) decrease in gross profit margin; (ii) increase in share of losses of associates; and (iii) increase in income tax expenses led by decrease in deferred income tax credits.

LETTER FROM GRAM CAPITAL

Information on Hon Hai Group

With reference to the Board Letter, Hon Hai Group is a global manufacturing services provider in the computer, communications and consumer electronics industry whose shares are listed on the Taiwan Stock Exchange Corporation. As at the Latest Practicable Date, FSK Holdings is a substantial shareholder of the Company, directly and indirectly interested in approximately 34.07% of the issued Shares. Hon Hai indirectly holds approximately 42% attributable equity interests in FSK Holdings.

With reference to the Board Letter, despite that Hon Hai does not fall within the ambit of an associate of FSK Holdings under the Listing Rules, the Company voluntarily complies with the relevant requirements of the Listing Rules for the Transactions as if Hon Hai is a connected person of the Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Transactions

With reference to the Board Letter, the Group focuses on the provision of IT integration and solutions services through one-stop customized solutions services ranging from planning, sourcing, construction, consulting to maintenance and support for smart manufacturing, smart office and new retail businesses. While the Group is currently serving a wide range of clients, Hon Hai Group, a global leading electronics manufacturing services provider, remains one of the major clients of the Group. The entering into of the 2023 Framework Agreements not only allows the Group to maintain a long term and strategic business relationship with Hon Hai Group but also continue to leverage such business relationship to showcase its services to the Group's potential clients. Given Hon Hai Group is also a global leading supplier of enterprise-level products and communication software, servers and related hardware equipment are commonly adopted by the Group and its technicians during the provision of the IT integration and solutions services, the 2023 Framework Agreements allow the Group to continue to secure a stable source of supplies should those enterprise-level products fit the specifications required by the Group's clients.

Having considered the above and that (i) the IT System Transactions, the BOO-Project Transactions and the Sales Transactions are expected to generate revenue for the Group; and (ii) the Procurement Transactions are conducted to support the Group's business operations, we are of the view that the Transactions are in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of business of the Group.

LETTER FROM GRAM CAPITAL

Principal terms of the Transactions

1. *IT System Transactions*

Set out below are the principal terms of the 2023 IT System Operation and Maintenance Framework Agreement, details of which are set out in the Board Letter:

Date

4 December 2023

Parties

The Company; and Hon Hai

Terms

From 1 January 2024 to 31 December 2026 (both days inclusive)

Nature of transactions

The Group agreed to provide IT services to Hon Hai Group to support its existing IT infrastructure. The IT services include, among others, IT strategical planning, IT management, IT deployment and transfer, IT maintenance, IT system design and IT value-added services.

Pricing basis

The services to be provided under the 2023 IT System Operation and Maintenance Framework Agreement will be charged on a monthly basis. The following pricing basis shall apply to each type of IT services to be provided under the 2023 IT System Operation and Maintenance Framework Agreement. The service fees will be determined after arm's length negotiations between the Group and Hon Hai Group based on the following factors:

- a) the number of IT technicians involved, their time spent for delivery of such IT services and their respective monthly charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;
- b) the principle of cost plus a reasonable margin with regard to the purchase of any parts, software and products which is required for delivery of such IT services. Such margin, which normally does not exceed 25%, is to be determined by the management based on its experience with reference to the charge in the industry for similar products offered by independent third parties in the ordinary course of business and under normal commercial terms; and

LETTER FROM GRAM CAPITAL

- c) the Group adopts the same principles of cost plus a reasonable margin for services to be provided to both Hon Hai Group and independent customers and hence, in any event the terms and prices offered by the Group to Hon Hai Group will be no more favourable than those offered to an independent third party for the same or similar type of services.

For our due diligence purpose, we obtained lists of contracts entered into between the Group and Hon Hai Group during the three years ending 31 December 2023. From the lists of contracts, we randomly selected and obtained one individual contract in relation to IT System Transactions with Hon Hai Group for each of the three years ending 31 December 2023, together with one individual contract regarding the provision of similar services entered into between the Group and independent third parties for comparison. As the individual contracts cover various type of IT services (such as IT management, IT deployment and transfer, IT maintenance, IT system design and other IT value-added services) under the IT System Transactions and the historical transactions of the Group throughout the term of the 2020 IT system operation and maintenance framework agreement, we consider scope of services under the individual contracts to be comprehensive for our analysis and the documents reviewed to be fair and representative. We noted from the aforesaid documents that the monthly charging rates of the IT technician offered by the Group to Hon Hai Group were higher than those offered by the Group to independent third parties.

With reference to the Board Letter, the Company formulated the internal control measures for connected transactions (the “**IC Measures**”) to ensure the transactions contemplated under, among others, the IT System Transactions are conducted in accordance with, among others, the terms of the IT System Transactions and the annual caps thereof are not exceeded, details of the internal control measures are set out in the sub-sections headed “INTERNAL CONTROL” of the Board Letter. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the IT System Transactions. For our due diligence purpose, we obtained from the Company a set of internal control and transaction documents in respect of the IT System Transactions (including internal application and approval records, comparable contract with independent third party, profit estimates and transaction amount reports). Nothing from the aforesaid documents came to our attention which caused us to doubt the Group’s compliance with the IC Measures.

LETTER FROM GRAM CAPITAL

With reference to the 2022 Annual Report, the independent non-executive Directors reviewed and confirmed that all the continuing connected transactions (including the IT System Transactions) took place during FY2022 were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing the same on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole (the "INEDs' Confirmation"). In addition, the Company's auditors provided an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions (including the IT System Transactions) took place during FY2022 in accordance with Rule 14A.56 of the Listing Rules (the "Auditor's Confirmation").

Proposed annual caps

Set out below are (i) historical amounts and existing annual caps of the IT System Transactions for the three years ending 31 December 2023; and (ii) proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 RMB	For the year ended 31 December 2022 RMB	For the year ending 31 December 2023 ("FY2023") RMB
Historical transaction amounts	43,972,210	48,650,196	61,187,976 (Note)
Existing annual caps	91,859,453	110,231,344	132,277,613
Utilisation rate	47.87%	44.13%	Undetermined
	For the year ending 31 December 2024 ("FY2024") RMB	For the year ending 31 December 2025 ("FY2025") RMB	For the year ending 31 December 2026 ("FY2026") RMB
Proposed annual caps for the service fees payable by Hon Hai Group to the Group (the "IT System Cap(s)")	106,458,259	127,749,910	153,299,893

Note: the figure is for the nine months ended 30 September 2023.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the IT System Caps were determined based on (i) historical transaction amounts for FY2022; (ii) the new sizeable IT system operation and maintenance services to be provided to Hon Hai Group for FY2023; (iii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for FY2024 as anticipated by the management; and (iv) an expected growth of 20% on the proposed annual caps for each of FY2024, FY2025 and FY2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry.

As depicted from the table above, we noted that the relevant utilisation rates of the existing annual caps were approximately 47.87% and 44.13% for FY2021 and FY2022 respectively. As advised by the Directors, the difference between the existing annual caps and the actual transaction amounts was primarily an outcome of the Group's actual operations (i.e. the existing annual caps were determined based on the then expected demand of Hon Hai Group, yet (a) Hon Hai Group might also procure services from other service providers, (b) Hon Hai Group might have adjusted its proposal or budget, and (c) certain transactions might still be under negotiation and there might be delay in execution).

Possible demand for IT System Transactions by Hon Hai Group

As advised by the Directors, the increase in demand for IT system operation and maintenance services from Hon Hai Group for FY2023, which led to significantly higher (i.e. approximately 26%) transaction amount for the nine months ended 30 September 2023 (i.e. approximately RMB61.2 million) as compared to the that of approximately RMB48.7 million for FY2022. Based on the transaction amount for the nine months ended 30 September 2023, the annualised transaction amount would approximate to the possible demand for IT System Transactions for FY2024 (before the expected annual growth).

Expected annual growth rate

As aforementioned, the expected annual growth rate of 20% was adopted for each of the three years ending 31 December 2026 in determining the IT System Caps.

LETTER FROM GRAM CAPITAL

We understood from the Directors that the Group mainly engaged in the provision of system and network integration, IT solutions development and implementation, and related maintenance services for Hon Hai Group in the PRC, the Americas and Taiwan, which are categorized under the IIoT industry. Accordingly, to assess the fairness and reasonableness of the expected annual growth rate, we searched for the statistics regarding worldwide IIoT industry. Set out below are the worldwide revenue of IIoT for each of the five years ended 31 December 2022 (the “**Statistics**”) as published by Statista (according to the website of Statista, established in 2007, is a global data and business intelligence platform with an extensive collection of statistics, reports, and insight on over 80,000 topics from 22,500 sources in 170 industries (including IIoT industry which is categorized under the “Technology & Telecommunications” section by Statista)):

	2018	2019	2020	2021	2022
Worldwide revenue of IIoT					
(US\$ billion)	94.99	110.2	112.6	184.1	226.2
Annual growth rate		16.01%	2.18%	63.50%	22.87%

As illustrated in the table above, the worldwide revenue of IIoT increased for each of the year 2019, 2020, 2021 and 2022. The worldwide revenue of IIoT increased from approximately US\$94.99 billion for the year 2018 to approximately US\$226.2 billion for the year 2022, representing a compound annual growth rate of 24.22%. Furthermore, we noted from the website of Statista that the worldwide revenue of IIoT is estimated to further increase to approximately US\$425.5 billion in year 2026, representing a compound annual growth rate of approximately 17.11% as compared to the worldwide revenue of IIoT for the year 2022.

We also noted from the 2022 Annual Report that the Group’s revenue continuously increased for each of the four years ended 31 December 2022, with annual growth rate ranging from approximately 13.93% to 39.59% (the “**Revenue Growth**”).

In light of the above, we considered the expected annual growth rate of 20% to be justifiable.

LETTER FROM GRAM CAPITAL

Buffer of 10% for FY2024

As noted from the Board Letter, a 10% buffer was incorporated in the IT System Caps to allow for possible further increase in demand of services by Hon Hai Group for FY2024 which, in the view of the Directors, can enable the Group to continue to carry out the transactions in case the proposed annual caps becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the Listing Rules. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among Hong Kong listed companies. As such, we do not doubt the reasonableness of adopting a buffer of 10%.

In light of the above, we consider the IT System Caps for the three years ending 31 December 2026 are fair and reasonable.

2. BOO-Project Transactions

Set out below are the principal terms of the 2023 Build-Own-Operate and IT Project Framework Agreement, details of which are set out in the Board Letter:

Date

4 December 2023

Parties

The Company; and Hon Hai

Terms

From 1 January 2024 to 31 December 2026 (both days inclusive)

Nature of transactions

The Group agreed to provide project-based system integration service to Hon Hai Group, including but not limited to design and development of new systems, provision of application programming recommendations, installation, implementation, testing, auditing and integration of new systems within the IT environments; and providing cultural transitioning of workforces to new environments, including training of employees and other end users. These projects will be customized according to customer specifications and needs with reference to their corporate plan and development which include, among others, smart manufacturing, smart office and video conferencing, cloud computing, enterprise application and mobile application.

LETTER FROM GRAM CAPITAL

Pricing basis

The Group shall provide the services based on the following pricing principles which shall be applicable to each type of services to be provided under the 2023 Build-Own-Operate and IT Project Framework Agreement:

- a) where there are similar or comparable services in the market, with reference to the market rate for provision of project management services with comparable nature, scale or scope. When determining the relevant market rates, management of the Group shall take into account the number of IT technicians involved, their time spent for delivery of such IT services and their respective daily charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;
- b) based on the principle of cost plus a reasonable margin. Such margin, which normally does not exceed 25%, is to be determined by the management based on its experience with reference to the charge in the industry for similar services and products offered by independent third parties in the ordinary course of business and under normal commercial terms. The cost will take into account of the required level of knowhow and technical expertise, the cost of equipment and software used in the project, cost of labour including but not limited to the number of IT technicians required and their time spent for the project and their respective charging rate which is determined according to their skills, experience or grading, with reference to the market rates of IT technicians from at least two independent third parties;
- c) the fees of individual projects will be arrived at after arm's length negotiations between the Group and Hon Hai Group based on the nature, scale and complexity of the projects and corresponding services and on normal commercial terms; and
- d) the Group adopts the same principles of cost plus a reasonable margin for services to be provided to both Hon Hai Group and independent customers and hence, in any event the terms and prices offered by the Group to Hon Hai Group will be no more favourable than those offered to an independent third party for the same or similar type of services.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained lists of contracts entered into between the Group and Hon Hai Group during the three years ending 31 December 2023. From the lists of contracts, we randomly selected one individual contract in relation to BOO-Project Transactions with Hon Hai Group and obtained relevant transaction documents for each of the three years ending 31 December 2023, together with one set of transaction documents regarding the provision of similar services by the Group to independent third parties for comparison. As the transaction documents cover various types of project-based system integration services under BOO-Project Transactions and the historical transactions of the Group throughout the term of the 2020 Build-Own-Operate and IT project framework agreement, we consider such documents to be fair and representative. We noted from the aforesaid documents that the prices offered by the Group to Hon Hai Group were either the same or higher than those offered by the Group to independent third parties.

With reference to the Board Letter, the Company formulated the internal control measures for connected transactions to ensure the transactions contemplated under, among others, the BOO-Project Transactions are conducted in accordance with, among others, the terms of the BOO-Project Transactions and the annual caps thereof are not exceeded, details of the internal control measures are set out in the sub-sections headed “INTERNAL CONTROL” of the Board Letter. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the BOO-Project Transactions. For our due diligence purpose, we obtained from the Company a set of internal control and transaction documents in respect of the BOO-Project Transactions (including internal application and approval records, comparable contract with independent third party, profit estimates and transaction amount reports). Nothing from the aforesaid documents came to our attention which caused us to doubt the Group’s compliance with the IC Measures.

With reference to the 2022 Annual Report, the independent non-executive Directors provided the INEDs’ Confirmation on the Group’s continuing connected transactions (including the BOO-Project Transactions). In addition, the Company’s auditors also provided the Auditor’s Confirmation containing their findings and conclusions in respect of the Group’s continuing connected transactions (including the BOO-Project Transactions).

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amounts and existing annual caps of the BOO-Project Transactions for the three years ending 31 December 2023; and (ii) proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 RMB	For the year ended 31 December 2022 RMB	For the year ending 31 December 2023 RMB
Historical transaction amounts	230,346,656	275,813,482	177,840,899 <i>(Note)</i>
Existing annual caps	300,195,192	360,234,231	432,281,077
Utilisation rate	76.73%	76.57%	Undetermined
	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB
Proposed annual caps for the service fees payable by Hon Hai Group to the Group (the “ BOO-Project Cap(s) ”)	364,073,796	436,888,555	524,266,267

Note: the figure is for the nine months ended 30 September 2023.

With reference to the Board Letter, the BOO-Project Caps are determined based on (i) the historical transaction amounts for FY2022; (ii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for FY2024 as anticipated by the management; and (iii) an expected growth of 20% on the BOO-Project Caps for each of FY2024, FY2025 and FY2026 with reference to the Group’s sale forecast and future growth prospects of the IIoT industry.

As depicted from the table above, we noted that the relevant utilisation rates of the existing annual caps were approximately 76.73% and 76.57% for FY2021 and FY2022 respectively. As advised by the Directors, the difference between the existing annual caps and the actual transaction amounts was primarily an outcome of the Group’s actual operations (i.e. the existing annual caps were determined based on the then expected demand of Hon Hai Group, yet (a) Hon Hai Group might also procure services from other service providers, (b) Hon Hai Group might have adjusted its proposal or budget, and (c) certain transactions might still be under negotiation and there might be delay in execution).

LETTER FROM GRAM CAPITAL

Actual transaction amounts for FY2022

As advised by the Directors, the Company made reference to the actual transaction amount for FY2022, being the latest available full year figure of the BOO-Project Transactions, to determine the BOO-Project Caps.

Expected annual growth rate

Based on the Statistics and the Revenue Growth as details under the section headed “1. IT System Transactions” above, we consider the expected annual growth of 20% to be justifiable.

Buffer of 10% for FY2024

As noted from the Board Letter, a 10% buffer was incorporated in the BOO-Project Caps to allow for possible further increase in demand of services by Hon Hai Group for FY2024 which, in the view of the Directors, can enable the Group to continue to carry out the transactions in case the proposed annual caps becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the Listing Rules. We also noted from other Hong Kong listed companies’ circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among Hong Kong listed companies. As such, we do not doubt the reasonableness of adopting a buffer of 10%.

In light of the above, we consider the BOO-Project Caps for the three years ending 31 December 2026 are fair and reasonable.

3. Procurement Transactions

Set out below are the principal terms of the 2023 Procurement Framework Agreement, details of which are set out in the Board Letter:

Date

4 December 2023

Parties

The Company; and Hon Hai

Terms

From 1 January 2024 to 31 December 2026 (both days inclusive)

LETTER FROM GRAM CAPITAL

Nature of transactions

The Company (as buyer) agreed to purchase enterprise-level products directly or via its subsidiaries including but not limited to communication software, servers and related hardware equipment from Hon Hai Group (as seller). The enterprise-level products, which are manufactured or developed by Hon Hai Group and also available in the market, will be used primarily by the Group for the provision of various IT services during the term of the 2023 Procurement Framework Agreement.

Pricing basis

The prices for each purchase order are arrived at after arm's length negotiations, taking into account the then prevailing market conditions; provided that the terms and prices offered to the Group shall be no less favourable than those offered to the Group by an independent third party for the same or similar type of ancillary equipment and parts and on normal commercial terms. When determining the relevant market prices, management of the Group shall take into account the quotation of two independent third parties for the relevant products to be procured in the corresponding period to the extent independent-third-party suppliers are available.

For our due diligence purpose, we obtained lists of contracts entered into between the Group and Hon Hai Group during the three years ending 31 December 2023. From the lists of contracts, we randomly selected one individual contract in relation to Procurement Transactions entered into between the Group and Hon Hai Group and obtained the relevant internal approval record, for each of the three years ending 31 December 2023. As the transaction documents cover historical transactions of the Group throughout the term of the 2020 procurement framework agreement, we consider such documents to be fair and representative. We noted from the aforesaid internal approval records that the prices offered to the Group by Hon Hai Group were lower than those offered by independent third parties.

With reference to the Board Letter, the Company formulated the internal control measures for connected transactions to ensure the transactions contemplated under, among others, the Procurement Transactions are conducted in accordance with, among others, the terms of the Procurement Transactions and the annual caps thereof are not exceeded, details of the internal control measures are set out in the sub-sections headed "INTERNAL CONTROL" of the Board Letter. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the Procurement Transactions. For our due diligence purpose, we obtained from the Company a set of internal control and transaction documents in respect of the Procurement Transactions (including internal application and approval records, quotation from independent third party and transaction amount reports). Nothing from the aforesaid documents came to our attention which caused us to doubt the Group's compliance with the IC Measures.

LETTER FROM GRAM CAPITAL

With reference to the 2022 Annual Report, the independent non-executive Directors provided the INEDs' Confirmation on the Group's continuing connected transactions (including the Procurement Transactions). In addition, the Company's auditors also provided the Auditor's Confirmation containing their findings and conclusions in respect of the Group's continuing connected transactions (including the Procurement Transactions).

Proposed annual caps

Set out below are (i) historical amounts and existing annual caps of the Procurement Transactions for the three years ending 31 December 2023; and (ii) proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 RMB	For the year ended 31 December 2022 RMB	For the year ending 31 December 2023 RMB
Historical transaction amounts	13,989,336	28,270,095	16,638,181 <i>(Note)</i>
Existing annual caps	163,127,028	195,752,433	234,902,920
Utilisation rate	8.58%	14.44%	Undetermined
	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB
Proposed annual caps for the fees payable by the Group to Hon Hai Group (the "Procurement Cap(s)")	37,316,525	44,779,830	53,735,797

Note: the figure is for the nine months ended 30 September 2023.

With reference to the Board Letter, the Procurement Caps were determined based on (i) the historical transaction amounts for FY2022; (ii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for FY2024 as anticipated by the management; and (iii) an expected growth of 20% on the Procurement Caps for each of FY2024, FY2025 and FY2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry.

LETTER FROM GRAM CAPITAL

As depicted from the table above, we noted that the relevant utilisation rates of the existing annual caps were approximately 8.58% and 14.44% for FY2021 and FY2022 respectively. As advised by the Directors, the difference between the existing annual caps and the actual transaction amounts was primarily an outcome of the Group's actual operations (i.e. the existing annual caps were determined based on the then expected demand of the Group, yet (a) the Group might also procure products from other suppliers; (b) the Group might have adjusted its proposal or budget, and (c) certain transactions might still be under negotiation and there might be delay in execution).

Actual transaction amounts for FY2022

As advised by the Directors, the Company made reference to the actual transaction amount for FY2022, being the latest available full year figure of the Procurement Transactions, to determine the Procurement Caps.

Expected annual growth rate

Based on the Statistics and the Revenue Growth as details under the section headed "1. IT System Transactions" above, we consider the expected annual growth of 20% to be justifiable.

Buffer of 10% for FY2024

As noted from the Board Letter, a 10% buffer was incorporated in the Procurement Caps to allow for possible further increase in demand of purchases from the Group for FY2024 which, in the view of the Directors, can enable the Group to continue to carry out the transactions in case the proposed annual caps becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the Listing Rules. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among Hong Kong listed companies. As such, we do not doubt the reasonableness of adopting a buffer of 10%.

In light of the above, we consider the Procurement Caps for the three years ending 31 December 2026 are fair and reasonable.

LETTER FROM GRAM CAPITAL

4. *Sales Transactions*

Set out below are the principal terms of the 2023 Sales Framework Agreement, details of which are set out in the Board Letter:

Date

4 December 2023

Parties

The Company; and Hon Hai

Terms

From 1 January 2024 to 31 December 2026 (both days inclusive)

Nature of transactions

The Company (as seller) agreed to sell Ancillary IT Products directly or via its subsidiaries to Hon Hai Group (as buyer) during the term of the 2023 Sales Framework Agreement. Leveraging on the Group's historical network and experience in the Ancillary IT Products, the Group considers that it may from time to time be approved or designated by Hon Hai Group to source the Ancillary IT Products in response to their needs.

Pricing basis

The prices for each sales order are arrived at after arm's length negotiations, taking into account the then prevailing market conditions; provided that the terms and prices offered by the Group shall be no more favourable than those available to an independent third party for the same or similar type of ancillary equipment and parts and on normal commercial terms. When determining the relevant market prices, management of the Group shall take into account the quotation of two independent third parties for the relevant products to be procured in the corresponding period for reference.

For our due diligence purpose, we obtained lists of contracts entered into between the Group and Hon Hai Group during the three years ending 31 December 2023. From the lists of contracts, we randomly selected one individual contract in relation to Sale Transactions with Hon Hai Group and obtained relevant transaction documents for each of the three years ending 31 December 2023, together with one set of transaction documents regarding the sale of similar products by the Group to independent third parties for comparison. As the transaction documents cover historical transactions of the Group throughout the term of the 2020 sales framework agreement, we consider such documents to be fair and representative. We noted from the aforesaid documents that the prices offered by the Group to Hon Hai Group were higher than those offered by the Group to independent third parties.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Company formulated the internal control measures for connected transactions to ensure the transactions contemplated under, among others, the Sales Transactions are conducted in accordance with, among others, the terms of the Sales Transactions and the annual caps thereof are not exceeded, details of the internal control measures are set out in the sub-sections headed “INTERNAL CONTROL” of the Board Letter. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the Sales Transactions. For our due diligence purpose, we obtained from the Company a set of internal control and transaction documents in respect of the Sales Transactions (including internal application and approval records, comparable contracts with independent third party, profit estimates and transaction amount reports). Nothing from the aforesaid documents came to our attention which caused us to doubt the Group’s compliance with the IC Measures.

With reference to the 2022 Annual Report, the independent non-executive Directors provided the INEDs’ Confirmation on the Group’s continuing connected transactions (including the Sales Transactions). In addition, the Company’s auditors also provided the Auditor’s Confirmation containing their findings and conclusions in respect of the Group’s continuing connected transactions (including the Sales Transactions).

Proposed annual caps

Set out below are (i) historical amounts and existing annual caps of the Sales Transactions for the three years ending 31 December 2023; and (ii) proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 RMB	For the year ended 31 December 2022 RMB	For the year ending 31 December 2023 RMB
Historical transaction amounts	5,766,166	11,471,747	12,070,288 <i>(Note)</i>
Existing annual caps	27,401,761	32,882,113	39,458,536
Utilisation rate	21.04%	34.89%	Undetermined
	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB
Proposed annual caps for the fees payable by Hon Hai Group to the Group (the “Sales Cap(s)”)	34,942,706	41,931,247	50,317,497

Note: the figure is for the nine months ended 30 September 2023.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Sales Caps are determined based on (i) the historical transaction amounts for FY2022; (ii) the confirmed and anticipated sales orders from Hon Hai Group for FY2024; (iii) a buffer of 10% to allow for the increase in demand of services by Hon Hai Group for FY2024 as anticipated by the management; and (iv) an expected growth of 20% on the Sales Caps for each of FY2024, FY2025 and FY2026 with reference to the Group's sale forecast and future growth prospects of the IIoT industry.

As depicted from the table above, we noted that the relevant utilisation rates of the existing annual caps were approximately 21.04% and 34.89% for FY2021 and FY2022 respectively. As advised by the Directors, the difference between the existing annual caps and the actual transaction amounts was primarily an outcome of the Group's actual operations (i.e. the existing annual caps were determined based on the then expected demand of the Group, yet (a) Hon Hai Group might also procure products from other suppliers; (b) Hon Hai Group might have adjusted its proposal or budget, and (c) certain transactions might still be under negotiation and there might be delay in execution).

Actual transaction amounts for FY2022

As advised by the Directors, the Company made reference to the actual transaction amount for FY2022, being the latest available full year figure of the Sales Transactions, to determine the Sales Caps.

Anticipated sales orders from Hon Hai Group for FY2024

We understood from the Directors that Hon Hai Group has been aggressively building green-field production capacities in oversea markets due to demand from its customers; the Group expects to receive additional sales orders from Hon Hai Group for the sale of Ancillary IT Products for FY2024 of approximately RMB18 million in aggregate, that shall be used for their new production facilities under construction in Vietnam and India.

We noted from (i) Hon Hai's announcement dated 14 August 2023 that a subsidiary of Hon Hai Group was estimated to invest approximately US\$150 million (equivalent to approximately RMB1,089 million based on the exchange rate between United States dollars and RMB of 1:7.26) for the construction of production facilities in Vietnam; and (ii) Hon Hai's announcement dated 27 November 2023 that a subsidiary of Hon Hai Group was estimated to invest approximately Indian Rupees 128 billion (equivalent to approximately RMB10,898 million based on the exchange rate between Indian Rupees and RMB of 1:0.085) for the construction of production facilities in India.

Given the significance of the estimated investment amounts by subsidiaries of Hon Hai Group into the construction of production facilities, we do not doubt the reasonableness of the anticipated sales orders from Hon Hai Group for FY2024.

LETTER FROM GRAM CAPITAL

Expected annual growth rate

Based on the Statistics and the Revenue Growth as details under the section headed “1. IT System Transactions” above, we consider the expected annual growth of 20% to be justifiable.

Buffer of 10% for FY2024

As noted from the Board Letter, a 10% buffer was incorporated in the Sale Caps to allow for possible further increase in demand of purchases from Hon Hai Group for FY2024 which, in the view of the Directors, can enable the Group to continue to carry out the transactions in case the proposed annual caps becomes insufficient whereby the Group may be required to halt the transactions and to devote a considerable amount of time to revise the annual cap which will be subject to the approval requirements under the Listing Rules. We also noted from other Hong Kong listed companies’ circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among Hong Kong listed companies. As such, we do not doubt the reasonableness of adopting a buffer of 10%.

In light of the above, we consider the Sale Caps for the three years ending 31 December 2026 are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective proposed annual cap; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Transactions must be included in the Company’s subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) have exceeded the proposed annual caps. In the event that the total amounts of the Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 DISCLOSURE OF INTERESTS

1) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(a) Long positions in the Shares

Name of Director	Nature of interests	Number or attributable number of Shares held	Approximate percentage of total issued share capital
Mr. Chien Yi-Pin	Spouse interest (<i>Note 1</i>)	18,430,738	2.63%
Mr. Cai LiTing	Beneficial interest (<i>Note 2</i>)	800,000	0.11%
Mr. Cheng Yee Pun	Beneficial interest (<i>Note 3</i>)	1,300,000	0.19%

Notes:

- 18,430,738 Shares were beneficially owned by Ms. Kan Sachiko, who is the spouse of Mr. Chien, and hence, Mr. Chien is deemed to be interested in the Shares held by Ms. Kan Sachiko.
- Mr. Cai was granted a total of 800,000 share options which shall entitle him to subscribe for a total of 800,000 Shares.
- Mr. Cheng was granted a total of 1,300,000 share options which shall entitle him to subscribe for a total of 1,300,000 Shares.

As at the Latest Practicable Date, each of Mr. Chien Yi-Pin, Mr. Cai LiTing and Mr. Kao Chao Yang, being the executive Director, is an employee of Hon Hai Group. Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

2) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares

Name of Shareholder	Nature of interests	Number or attributable number of Shares held	Approximate percentage or attributable percentage of shareholding
FSK Holdings	Beneficial interests <i>(Note 1)</i>	239,050,141	34.07%
FDG Fund	Beneficial interests <i>(Note 1)</i>	71,813,581	10.24%
Foxconn (Far East) Limited	Beneficial interests <i>(Note 2)</i>	46,680,000	6.65%

Notes:

1. To the best knowledge of the directors of the company after having made all reasonable enquiries, Hon Hai indirectly holds approximately 42% attributable equity interests in FSK Holdings. FSK Holdings is a limited partner of FDG Fund contributing to about 75% of the total commitment.
2. Foxconn (Far East) Limited is a wholly-owned subsidiary of Hon Hai.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into, a service contract with any member of the Group which is expiring or be terminable by the Group within one year without payment of compensation, other than statutory compensation.

4 COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete with the business of the Group.

5 INTEREST OF DIRECTORS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Since 31 December 2022, the date to which the latest published audited accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

6 LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there had been no material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited financial statements of the Company were made up.

8 EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and statements in the form and context in which it appears.

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2022, being the date up to which the latest published audited consolidated accounts of the Company were made up.

The letters, recommendation and/or reports given by Gram Capital are given as at of the date of this circular for incorporation herein.

9 MISCELLANEOUS

- (a) The registered office the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the head office and principal place of business in Hong Kong is at Room 1001, 10/F, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Mr. Tsang Hing Bun ("**Mr. Tsang**"). Mr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries. He is also an associate member of the Institute of Chartered Secretaries and Administrators.
- (d) The English text of this circular shall prevail over the Chinese text.

10 DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.maxnerva.com) for 14 days from the date of this circular:

- (a) the 2023 IT System Operation and Maintenance Framework Agreement;
- (b) the 2023 Build-Own-Operate and IT Project Framework Agreement;
- (c) the 2023 Procurement Framework Agreement; and
- (d) the 2023 Sales Framework Agreement.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Maxnerva Technology Services Limited (the “**Company**”) will be held on 30 January 2024, at 4 p.m. at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong to consider and, if thought fit, approve with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

the framework agreement in relation to information technology (“**IT**”) system operation and maintenance dated 4 December 2023 (the “**2023 IT System Operation and Maintenance Framework Agreement**”) entered into between the Company and Hon Hai Precision Industry Company Limited (“**Hon Hai**”), details of which are described in the circular of the Company dated 15 January 2024 (the “**Circular**”) and a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, and the terms and conditions thereof, the proposed annual cap amounts related thereof, all the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved.”

NOTICE OF SGM

2. **“THAT:**

the framework agreement in relation to the build-own-operate and IT project dated 4 December 2023 (the **“2023 Build-Own-Operate and IT Project Framework Agreement”**) entered into between the Company and Hon Hai, details of which are described in the Circular and a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification, and the terms and conditions thereof, the proposed annual cap amounts related thereof, all the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved.”

3. **“THAT:**

the framework agreement in relation to the procurement of enterprise-level products dated 4 December 2023 (the **“2023 Procurement Framework Agreement”**) entered into between the Company and Hon Hai, details of which are described in the Circular and a copy of which has been produced to this meeting marked “C” and signed by the chairman of this meeting for the purpose of identification, and the terms and conditions thereof, the proposed annual cap amounts related thereof, all the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved.”

4. **“THAT:**

the framework agreement in relation to sales of ancillary IT products dated 4 December 2023 (the **“2023 Sales Framework Agreement”**) entered into between the Company and Hon Hai, details of which are described in the Circular and a copy of which has been produced to this meeting marked “D” and signed by the chairman of this meeting for the purpose of identification, and the terms and conditions thereof, the proposed annual cap amounts related thereof, all the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, ratified and approved.”

NOTICE OF SGM

5. “**THAT:**

any one director of the Company or any other person authorised by the directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company, and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with each of the 2023 IT System Operation and Maintenance Framework Agreement, 2023 Build-Own-Operate and IT Project Framework Agreement, 2023 Procurement Framework Agreement and 2023 Sales Framework Agreement and the transactions contemplated thereunder.”

By Order of the Board
Maxnerva Technology Services Limited
CHIEN YI-PIN
Chairman

Hong Kong, 15 January 2024

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:

Room 1001, 10/F
Houston Centre
63 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote on his behalf. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.

NOTICE OF SGM

2. Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased member of the Company in whose name any share stands shall, for the purposes of the bye-laws of the Company, be deemed joint holders thereof.
3. In order to be valid, the form of proxy, and if the proxy is signed by a person under a power of attorney or other authority (if any) on behalf of the appointor, a notarially certified copy of such power of attorney or authority, shall be delivered to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be) at which the person named in the form of proxy proposes to vote. Completion and return of the form of proxy appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the form of proxy previously submitted shall be deemed to be revoked.
4. The Register of Members of the Company will be closed from Monday, 29 January 2024 to Tuesday, 30 January 2024 (both days inclusive), during which period no transfer of Shares can be registered. Shareholders whose names appear in the Register of Members of the Company on Tuesday, 30 January 2024 are eligible to attend and vote at the SGM. All properly completed transfer forms accompanied by relevant share certificates must be lodged with Tricor Abacus Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 26 January 2024.
5. The resolutions will be voted by way of poll as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at the date of this notice, 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. KIM Hyun Seok, and three independent non-executive directors, namely, Mr. KAN Ji Ran Laurie, Prof. ZHANG Xiaoquan and Mr. KAM Chi Sing.