MAXNERVA
雲智匯科技服務

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

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1037)**

# ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

## SUMMARY AND HIGHLIGHTS

For the year ended 31 December 2020:

- Revenue and net profit increased 21% and 26% to RMB523.4 million and RMB14.6 million respectively for the year ended 2020.

- The execution of our business reposition strategy in early 2020 not only sheltered us, to large extent, from the pandemic but also set us to benefit from it.

- The Board does not recommend payment of any final dividend for the year ended 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "**Board**") of Maxnerva Technology Services Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("**Group**" or "**we**") for the year ended 31 December 2020 together with comparative figures of the year ended 31 December 2019.

# FINANCIAL REVIEW

The Group principally engages in smart office, industrial solution and new retail businesses. Our strategy of repositioning the businesses in early 2020 paid off. The Group now operates a more balanced business portfolio spun across the People's Republic of China (the "**PRC**") and the rest of the world as well as industrial sector and other verticals. The wide diversity of businesses enables the Group to better withstand the adverse impacts from the novel coronavirus ("**COVID-19**") pandemic and the decoupling between the PRC and the western countries in 2020. With the inclusion of new businesses in smart office and new retail segments, our revenue and net profit increased by 21% and 26% to RMB523.4 million (2019: RMB431.0 million) and RMB14.6 million (2019: RMB11.6 million) respectively for the reporting year when compared with those of 2019.

The repositioning strategy also reduces our reliance on the business from Hon Hai Precision Industry Company Limited ("**Hon Hai**") and its subsidiaries (collectively, the "**Hon Hai Group**"). Revenue generated from Hon Hai Group represents 40% of the total revenue during the reporting year, down from 55% for the year of 2019.

**Inventory and Trade Receivable**

As at 31 December 2020, there were approximately RMB23.2 million in inventory (2019: RMB30.7 million). The higher inventory balance in 2019 was mainly because there were large amount hardware and software products pending to be delivered to our customers by end of the year. Inventory turnover for the reporting year fell to 23 days from 29 days as compared to the year of 2019 mainly because non-project revenue, which has lower number of inventory turnover days, increased drastically during the reporting year which dragged down the number of inventory turnover days.

As at 31 December 2020, there were approximately RMB202.0 million in trade and lease receivables (2019: RMB226.4 million) which consisted of current and non-current portion of RMB181.4 million (2019: RMB198.0 million) and RMB20.6 million (2019: RMB28.4 million) respectively. Some of our projects have been structured as finance lease in which customers are eligible to pay in periodic instalments over a specific number of years. Trade and lease receivable turnover for the reporting year declined to 149 days from 194 days as compared to the year of 2019 solely due to our increasing efforts on debt collection and ageing debt monitoring under the current economic downturn.

**Liquidity and Financial Resources**

As at 31 December 2020, we had a net cash position and cash and cash equivalents as at 31 December 2020 were RMB212.4 million (2019: RMB183.8 million). Our total assets of RMB536.4 million (2019: RMB527.4 million) were financed by total liabilities of RMB181.6 million (2019: RMB184.2 million) and shareholders' equity of RMB354.8 million (2019: RMB343.2 million). We had a current ratio of 2.7 (2019: 2.7). Trade payables were repayable within one year. No banking facilities were available to the Group (2019: Nil) and we had no bank borrowing as well.

**Treasury Policy**

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

### Foreign Exchange Exposure

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

## BUSINESS REVIEW

The outbreak of COVID-19 at Wuhan City of the PRC in late 2019 and the widespread contagion of the disease in the PRC and the rest of the world throughout the reporting year certainly impacted our businesses. To slow the spread of the pandemic, the PRC government unprecedentedly prolonged the Chinese New Year holiday and halted the intercity transportation of major cities for a protracted period. The plague drastically distorted the normal operation of our customers and our office at Wuhan had been closed till late March 2020. Our two other PRC offices in Shenzhen and Chongqing were only able to resume operation in mid-February 2020. Our operations and business development activities in the PRC were being notably distorted in the first quarter of 2020. The World Health Organization declared the outbreak a global pandemic on 11 March 2020. Cities and countries in the globe were locked down one after another. Central banks and governments in the world loosened monetary policies and released stimulus packages respectively to shield the economies from the pandemic. However, the demand of video conference and related software application, virtual desktop infrastructure solutions, and other smart office equipment have increased tremendously during the outbreak and the performance of our overseas businesses has been satisfactory, which partly offset the adverse impact of COVID-19 on our business in the PRC in the first half of the reporting year. When overseas markets were ravaged by the pandemic in the second half of the reporting year, our operations in the PRC have been recovering and managed to relieve some of the negative impacts of COVID-19 from our overseas businesses.

**Smart Office Business**

Smart office business consists of video conference and related solutions, plus brand licensing and supply chain management of smart office equipment. Segment revenue and profit soared 40% and 142% to RMB233.2 million and RMB8.7 million respectively during the reporting year when compared with the year of 2019.

Since February 2020, we have commenced a trial run operation of Personify business through licensing the intellectual properties from Hon Hai Group. The business mainly develops and promotes two software applications, namely Presenter and ChromaCam, in US, Europe and selected Asia regions for the purpose of enhancing video conference or streaming services. Presenter uses sophisticated computer vision and deep learning technique to digitally extract users' face on top of any application or website running on the computer. It creates intimacy and surprise to the audience and improves engagement. ChromaCam creates a virtual "webcam" for PCs and Macs that can be used in any application to blur or replace the background. A US professor, who is the co-founder of the original business, has been appointed as adviser for Personify business since 2020. Under his leadership, Personify has built a team of over 30 technical experts in maintaining and developing the software applications and related platform. Personify serves two group of customers, namely B2C and B2B customers. B2C customers subscribe the software applications through periodic or one-off subscription while B2B customers subscribe the applications or embed the technology in their own existing software or web-based products on negotiated fees. Demand for the applications increased dramatically since video conferencing becomes a part of the new normal following the pandemic induced lockdown and people are largely required to work from home. The performance of this trial run attempt was above our expectation and we plan to devote more resources to further develop this business.

Although certain new market development and marketing plans have been postponed under the headwinds of COVID-19, the brand licensing and supply chain management business continued to perform well in 2020.

**Industrial Solution Business**

We provide full range of smart industrial solutions and services to our customers, including the implementation of a combination of software system and robotic automation equipment into the production lines to enable smart processes that lower costs and increase operational effectiveness and efficiency, as well as the implementation of facility monitor and control system for monitoring the efficiency of the usage of water, power and gas for production plants, and facial recognition system for labour and security management. We also provide daily I.T. operating services and after-installation maintenance work in relation to those industrial solutions. Due to the adverse impact of COVID-19 in our operation in the PRC, segment revenue and profit fell 5% and 4% to RMB250.5 million and RMB31.6 million respectively during the reporting year when compared with 2019. Despite the challenges of travelling under the pandemic, we expanded our footprints beyond the PRC market and delivered our industrial solutions to our clients in Vietnam and Mexico during the year according to their global production capacity diversification strategy.

**New Retail Business**

Trial runs of our interactive marketing platform in the liquor stores in US, one of our new retail advertising initiatives, were halted during the lockdown in the first quarter of 2020. Fortunately, there were only minor delays in our digital retail signage project in Taiwan and we completed the installation of our proprietary solutions into 600 retail stores operated by a preeminent supermarket player in Taiwan during the reporting year. Segment revenue and profit were RMB39.7 million and RMB5.5 million respectively.

## BUSINESS PROSPECT

There have been over 127 million COVID-19 confirmed cases and over 2.7 million fatalities officially reported worldwide up until the reporting date. The good news is a number of vaccines, which are proven to be effective to immunize COVID-19, have been developed and gone through the phase 3 efficacy trials. Massive vaccination programs have been rolled out in western countries in the first quarter of 2021 and over 410 million shots have been administrated across over 132 countries worldwide until the reporting date. We believe vaccination programs will eventually rollout to the rest of the world after the vaccine production is able to ramp up to sufficiently meet the global demand. Market expects the pandemic will be largely under control in the developed countries by the end of 2021 and economies in those countries will be stabilized by that time.

### Smart Office Business

We may have seen the light at the end of the dark tunnel but market anticipates that the ways to work and conduct business meetings will change fundamentally after the pandemic. We shall devote more R&D and sales and marketing efforts to develop our Personify business in a bid to cater for the business needs under the new normal. We announced our decision to acquire the intellectual properties related to Personify business from Hon Hai Group on 27 December 2020 and the transaction was approved by the independent shareholders of the Company (the "**Independent Shareholders**") in the special general meeting (the "**SGM**") held on 15 March 2021. By owning those assets, we are eligible to derive new business model, and have more incentives and less uncertainties to deploy resources for developing new software products from the existing technology.

For the brand licensing and supply chain management business, we will accelerate the global market development efforts when there are signs that the pandemic has been stabilized. We remain cautiously positive on its overall performance in 2021.

### Industrial Solution Business

The economy in the PRC has been recovering in the second half of 2020. Market does not expect the new US government will immediately remove the previous tariffs imposed on China goods and is still observing the policies on China of the new administration of the US government. With labour shortage, constant rising labour costs and geopolitical risk, sizable manufacturers are moving their production capacities from the PRC to overseas to mitigate risks and regain cost competitiveness. There are the new opportunities for the industrial solution business although the PRC market will remain the core market for this segment in the near future.

### New Retail Business

We are delving into new opportunities for our digital signage solutions in retail sector in Taiwan. With the rollout of the vaccination programs, the overall retail sector is expected to gradually improve in the second half of 2021. We, together with our business partners, shall continue to seek other retail opportunities in the Greater China regions in a bid to grow this business in the forthcoming years.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company’s business risks are mainly the following:

(i) macroeconomic conditions of the globe and the PRC which in turn will affect the general demand of I.T. solutions, services and products;

(ii) market acceptance of our industrial, smart office and new retail solutions;

(iii) rapid technological changes that may disrupt our existing solutions and products unpredictably; and

(iv) greater foreign exchange risk exposure due to the expansion of our overseas businesses and higher volatility in major functional currencies in recent years.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, SIGNIFICANT INVESTMENTS, CHARGES ON GROUP'S ASSETS, CAPITAL COMMITMENT, CONTINGENT LIABILITIES, EVENTS AFTER REPORTING DATE

On 27 December 2020, the Company, Personify Inc. (the "**Buyer**"), our wholly owned subsidiary, and Foxconn (Far East) Limited (the "**Seller**"), a wholly owned subsidiary of Hon Hai, announced that all the three parties entered into an acquisition agreement ("**Acquisition Agreement**") on 24 December 2020 for the Buyer to acquire a basket of intellectual properties ("**Target Assets**"), which included (i) 13 patents in 6 categories including 3D segmentation and immersive video; (ii) trademark of Personify; (iii) 26 software components including "Presenter" and "ChromaCam"; and (iv) 11 domain names, from the Seller at a consideration of HK$23.34 million. The consideration would be settled by the issuance of 46.68 million new shares, representing 6.65% enlarged shareholding of the Company, to the Seller at HK$0.5 per share upon completion of the transaction. It is a disclosable and connected transaction and requires the application for a whitewash waiver from the Securities and Future Commission of Hong Kong. Details are set out in the announcement of the Company dated 27 December 2020 and the circular of the Company dated 22 February 2021. The acquisition of the Target Assets was approved by the Independent Shareholders in the SGM of the Company on 15 March 2021 and was completed on 22 March 2021.

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

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

Saved as disclosed above, there were no material events after 31 December 2020.

As at 31 December 2020, there were no charges on the Group's assets and no significant capital commitment and contingent liabilities (31 December 2019: Nil).

## CAPITAL STRUCTURE AND DIVIDENDS

As at 31 December 2020, the Company has a total of 654,863,448 issued shares with a par value of HK$0.1 each (2019: 654,863,448 shares). Upon the completion of the acquisition of the Target Assets on 22 March 2021, the Company issued 46.68 million new shares, representing 6.65% of the enlarged shareholding of the Company, at HK$0.5 per share to the Seller on 22 March 2021 for the settlement of the acquisition proceeds of HK$23.34 million. Total number of issued shares of the Company increased to 701,543,448 as at the reporting date of 31 March 2021.

One of our subsidiaries repurchased 1,748,000 shares of the Company listed on The Stock Exchange of Hong Kong Limited in January 2019 at an aggregate consideration (excluding expenses) of approximately HK$1.3 million and the purchased shares were cancelled in April 2019. Saved as disclosed above, neither the Company nor its subsidiaries had sold and redeemed any of the Company's listed securities during the reporting year of 2020 and 2019.

The Board does not recommend any payment of a final dividend in respect of the reporting year (31 December 2019: Nil).

## EMPLOYEES, ENVIRONMENTAL POLICIES AND COMPLIANCE

As at 31 December 2020, we employed a total of 498 employees (2019: 469 employees) located in the PRC, Taiwan, Vietnam and Hong Kong.

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

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

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

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2020*

| | Note | **2020** *RMB'000* | 2019 *RMB'000* |
|---|---|---|---|
| **Revenue** | *3* | **523,417** | 430,995 |
| Cost of sales | *5* | **(429,153)** | (353,790) |
| Gross profit | | **94,264** | 77,205 |
| Other income | *4* | **4,755** | 3,743 |
| Other (losses)/gains, net | *4* | **(3,419)** | 584 |
| Loss allowance for financial assets | | **(3,492)** | (1,429) |
| Selling and distribution expenses | *5* | **(11,458)** | (11,278) |
| General and administrative expenses | *5* | **(48,833)** | (50,471) |
| Research and development expenses | *5* | **(10,953)** | (4,557) |
| **Operating profit** | | **20,864** | 13,797 |
| Finance income – net | *6* | **1,516** | 1,384 |
| Share of results of a joint venture and an associate | | **(4)** | (353) |
| **Profit before income tax** | | **22,376** | 14,828 |
| Income tax expense | *7* | **(7,742)** | (3,253) |
| **Profit for the year** | | **14,634** | 11,575 |

| | | **2020** *RMB cents* | 2019 *RMB cents* |
|---|---|---|---|
| **Earnings per share for profit attributable to ordinary equity holders of the Company** | | | |
| Basic earnings per share | *8* | **2.23** | 1.77 |
| Diluted earnings per share | *8* | **2.23** | 1.77 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **14,634** | 11,575 |
| **Other comprehensive (loss)/income:** | | |
| *Item that may be reclassified to profit or loss* | | |
| Currency translation differences | **(3,413)** | 2,955 |
| **Other comprehensive (loss)/income for the year** | **(3,413)** | 2,955 |
| **Total comprehensive income for the year** | **11,221** | 14,530 |

## CONSOLIDATED BALANCE SHEET

*As at 31 December 2020*

| | Note | **2020** | 2019 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **1,262** | 2,090 |
| Property, plant and equipment | | **14,474** | 12,011 |
| Right-of-use assets | | **31,818** | 41,646 |
| Investments in an associate and a joint venture | | **–** | – |
| Financial assets at fair value through profit or loss | | **16,318** | 17,529 |
| Trade and lease receivables | *9* | **20,557** | 28,353 |
| Prepayments and rental deposits | | **199** | 373 |
| Total non-current assets | | **84,628** | 102,002 |
| **Current assets** | | | |
| Inventories | | **23,181** | 30,728 |
| Contract assets | | **528** | 1,523 |
| Trade and lease receivables | *9* | **181,443** | 198,001 |
| Prepayments, deposits and other receivables | | **34,212** | 11,388 |
| Cash and cash equivalents | | **212,436** | 183,786 |
| Total current assets | | **451,800** | 425,426 |
| **Total assets** | | **536,428** | 527,428 |

| | Note | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | | **64,479** | 64,479 |
| Share premium | | **187,511** | 187,511 |
| Reserves | | **102,803** | 91,195 |
| **Total equity** | | **354,793** | 343,185 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **17,108** | 28,389 |
| Total non-current liabilities | | **17,108** | 28,389 |
| **Current liabilities** | | | |
| Trade payables | *10* | **104,617** | 102,716 |
| Accruals and other payables | | **28,619** | 30,220 |
| Contract liabilities | | **13,306** | 5,883 |
| Lease liabilities | | **12,277** | 12,962 |
| Tax payables | | **5,708** | 4,073 |
| Total current liabilities | | **164,527** | 155,854 |
| **Total liabilities** | | **181,635** | 184,243 |
| **Total equity and liabilities** | | **536,428** | 527,428 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

As at 31 December 2020, the Group is principally engaged in sales of I.T. products and software applications, and the provision of system and network integration, information technology solutions development and implementation, and related maintenance services to office, industrial and retail customers.

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

## 2 BASIS OF PREPARATION

### (a) Compliance with HKFRS and HKCO

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

### (b) Historical cost convention

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

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

**(c) Amended standards and conceptual framework adopted by the Group**

The Group has applied the following amendments and conceptual framework for the first time for their annual reporting period commencing 1 January 2020:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of material |
| HKFRS 3 (Amendments) | Definition of a business |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting |
| HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) | Hedge accounting |

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

***(d) New and amendments to standards and interpretations (collectively "Amendments") which are not yet effective and have not been early adopted by the Group***

The following Amendments have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

| | |
|---|---|
| HKFRS 16 (Amendments) | COVID-19-related rent concessions[1] |
| HKSA 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest rate benchmark reform – phase 2[2] |
| Annual improvements project | Annual improvements to HKFRSs 2018 – 2020[3] |
| HKFRS 3, HKAS 16 and HKAS 37 (Amendments) | Narrow-scope amendments[3] |
| AG 5 (revised) | Revised accounting guideline 5 merger accounting for common control combinations[3] |
| HKAS 1 (Amendments) | Classification of liabilities as current or non-current[4] |
| HKFRS 17 | Insurance contracts[4] |
| HKFRS 17 (Amendments) | Amendments to HKFRS 17[4] |
| HK Int 5 (2020) | Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause[4] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture[5] |

[1] *Effective for annual periods beginning on or after 1 June 2020*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for annual periods beginning on or after 1 January 2022*
[4] *Effective for annual periods beginning on or after 1 January 2023*
[5] *A date to be determined*

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

## 3 REVENUE AND SEGMENT INFORMATION

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

To be consistent with the reposition strategy of the Group for the year ended 31 December 2020 and to align the segment presentation in the internal reports provided to the CODM, management determined to change its operating segment presentation into the three operating segments as follows:

**1. Smart Office Business**

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

**2. Industrial Solution Business**

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

**3. New Retail Business**

The provision of digital retail signage solutions.

The comparative figures for the year ended 31 December 2019 have been restated to conform with the current year's presentation.

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

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

| | **For the year ended 31 December 2020** | | | |
|---|---|---|---|---|
| | **Smart Office Business** | **Industrial Solution Business** | **New Retail Business** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Revenue** *(Note a)* | **233,215** | **250,482** | **39,720** | **523,417** |
| **Results of reportable segments** | **8,744** | **31,614** | **5,454** | **45,812** |
| A reconciliation of results of reportable segments to profit for the year is as follows: | | | | |
| **Results of reportable segments** | | | | **45,812** |
| Unallocated income/(expenses) *(Note b)* | | | | **(31,178)** |
| Profit for the year | | | | **14,634** |
| **Other segment information:** | | | | |
| Capital expenditures | **186** | **8,926** | **–** | **9,112** |
| Depreciation of property, plant and equipment | **45** | **3,653** | **–** | **3,698** |
| Depreciation of right-of-use assets | **–** | **9,443** | **–** | **9,443** |
| Amortisation of intangible assets | **79** | **828** | **–** | **907** |
| Loss allowance for financial assets | **440** | **3,037** | **15** | **3,492** |

| | For the year ended 31 December 2019 (Restated) | | | |
|---|---|---|---|---|
| | Smart Office Business | Industrial Solution Business | New Retail Business | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** *(Note a)* | 166,188 | 264,807 | – | 430,995 |
| **Results of reportable segments** | 3,618 | 32,930 | – | 36,548 |
| A reconciliation of results of reportable segments to profit for the year is as follows: | | | | |
| **Results of reportable segments** | | | | 36,548 |
| Unallocated income/(expenses) *(Note b)* | | | | (24,973) |
| Profit for the year | | | | 11,575 |
| **Other segment information:** | | | | |
| Capital expenditures | 45 | 25,579 | – | 25,624 |
| Depreciation of property, plant and equipment | 323 | 2,146 | – | 2,469 |
| Depreciation of right-of-use assets | – | 8,661 | – | 8,661 |
| Amortisation of intangible assets | 23 | 1,930 | – | 1,953 |
| Loss allowance for financial assets | – | 1,429 | – | 1,429 |

*Note:*

**(a) Disaggregation of revenue from contracts with customers**

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

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| **Timing of revenue recognition** | **Smart Office Business** *RMB'000* | **Industrial Solution Business** *RMB'000* | **New Retail Business** *RMB'000* | **Total** *RMB'000* |
| **I.T. projects** | | | | |
| – At a point of time | **33,764** | **63,695** | **8,828** | **106,287** |
| – Over time | **12,365** | **114,897** | **30,892** | **158,154** |
| **Maintenance and consulting services** | | | | |
| – Over time | **2,441** | **47,955** | **–** | **50,396** |
| **Sales of goods** | | | | |
| – At a point of time | **184,645** | **21,219** | **–** | **205,864** |
| **Finance lease income** | **–** | **404** | **–** | **404** |
| **Operating lease income** *(note)* | **–** | **2,312** | **–** | **2,312** |
| | **233,215** | **250,482** | **39,720** | **523,417** |

| | For the year ended 31 December 2019 (Restated) | | | |
|---|---|---|---|---|
| **Timing of revenue recognition** | Smart Office Business *RMB'000* | Industrial Solution Business *RMB'000* | New Retail Business *RMB'000* | Total *RMB'000* |
| **I.T. projects** | | | | |
| – At a point of time | 78,733 | 79,776 | – | 158,509 |
| – Over time | 33,274 | 101,468 | – | 134,742 |
| **Maintenance and consulting services** | | | | |
| – Over time | 2,026 | 55,587 | – | 57,613 |
| **Sales of goods** | | | | |
| – At a point of time | 52,155 | 25,525 | – | 77,680 |
| **Finance lease income** | – | 454 | – | 454 |
| **Operating lease income** *(note)* | – | 1,997 | – | 1,997 |
| | 166,188 | 264,807 | – | 430,995 |

*Note:*

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

Revenue by geographical location is determined by the destination where the services and products were delivered. Revenue from customers on the basis of customers' locations is analysed as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Hong Kong | **2,365** | 101 |
| The PRC | **254,393** | 323,536 |
| The United States | **195,830** | 43,888 |
| Taiwan | **70,595** | 63,130 |
| Others | **234** | 340 |
| | **523,417** | 430,995 |

For the year ended 31 December 2020, revenue of approximately RMB175,264,000 (2019: RMB54,022,000), representing 33% (2019: 13%) of the Group's total revenue, is derived from a single customer. For the year ended 31 December 2020, sales to the five largest customers of the Group in total accounted for approximately 59% (2019: 49%) of the Group's total revenue.

For the year ended 31 December 2020, revenue of approximately RMB210,480,000 (2019: RMB237,467,000), representing 40% (2019: 55%) of the Group's total revenue, is derived from related parties, Hon Hai Precision Industry Company Limited and its group companies. During the year, the Group also generated revenue of approximately RMB2,060,000 from its joint venture.

**(b)** Unallocated income/(expenses) mainly include government subsidies, finance income, employment benefit expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, legal and professional fees, income tax expense and other operating expenses incurred at corporate level.

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment results | **45,812** | 36,548 |
| Unallocated income/(expenses): | | |
| – Government subsidies | **4,349** | 3,370 |
| – Finance income | **2,729** | 3,126 |
| – Depreciation of property, plant and equipment | **(2,866)** | (3,730) |
| – Depreciation of right-of-use assets | **(3,280)** | (4,210) |
| – Amortisation of intangible assets | **(87)** | (481) |
| – Legal and professional fees | **(5,459)** | (3,808) |
| – Employment benefit expenses | **(9,889)** | (12,463) |
| – Auditors' remuneration | **(1,757)** | (1,400) |
| – Income tax expense | **(7,742)** | (3,253) |
| – Others | **(7,176)** | (2,124) |
| Profit for the year | **14,634** | 11,575 |

During the year ended 31 December 2020 and 2019, all capital expenditure were incurred in the PRC, Taiwan and the United States.

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

| | As at 31 December 2019 (Restated) | | | |
|---|---|---|---|---|
| | Smart Office Business | Industrial Solution Business | New Retail Business | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment assets** | | | | |
| Segment assets | 66,515 | 246,343 | – | 312,858 |
| Other unallocated assets *(Note a)* | | | | 214,570 |
| **Total assets per consolidated balance sheet** | | | | 527,428 |
| **Segment liabilities** | | | | |
| Segment liabilities | 46,168 | 101,976 | – | 148,144 |
| Other unallocated liabilities *(Note b)* | | | | 36,099 |
| **Total liabilities per consolidated balance sheet** | | | | 184,243 |

*Notes:*

(a) As at 31 December 2020 and 2019, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, and financial assets at fair value through profit or loss for corporate usage.

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment assets for reportable segments | **300,718** | 312,858 |
| Unallocated assets | | |
| – Cash and cash equivalents | **212,436** | 183,786 |
| – Property, plant and equipment | **3,372** | 6,074 |
| – Right-of-use assets | **2,644** | 4,472 |
| – Prepayments and other receivables | **940** | 2,621 |
| – Financial assets at fair value through profit or loss | **16,318** | 17,529 |
| – Others | **–** | 88 |
| Total assets per consolidated balance sheet | **536,428** | 527,428 |

During the year, the addition to property, plant and equipment and right-of-use assets in unallocated assets were RMB89,000 (2019: RMB13,000) and RMB3,070,000 (2019: RMB5,206,000), respectively.

At 31 December 2020 and 2019, majority of the Group's non-current assets were located in the PRC with others located in Hong Kong, Taiwan and the United States.

(b) As at 31 December 2020 and 2019, other unallocated liabilities mainly included accruals, other payables, lease liabilities and tax payables for corporate usage.

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Segment liabilities for reportable segments | **148,216** | 148,144 |
| Unallocated liabilities | | |
| – Accruals and other payables | **23,638** | 26,839 |
| – Lease liabilities | **4,073** | 4,519 |
| – Tax payables | **5,708** | 4,073 |
| – Others | **–** | 668 |
| Total liabilities per consolidated balance sheet | **181,635** | 184,243 |

## 4 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

| | 2020 | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Government subsidies | **4,349** | 3,370 |
| Others | **406** | 373 |
| Other income | **4,755** | 3,743 |
| Loss on disposals of property, plant and equipment | **(3)** | (41) |
| Fair value loss on financial assets at fair value through profit or loss | **(5,017)** | (728) |
| Net exchange gains/(losses) | **947** | (419) |
| Gain on disposal of financial assets at fair value through profit or loss *(Note (i))* | **–** | 1,570 |
| Gain on modification of lease | **–** | 1,341 |
| Gain on the investment in an associates | **–** | 353 |
| Provision for legal claim *(Note (ii))* | **–** | (1,383) |
| Others | **654** | (109) |
| Other (losses)/gains, net | **(3,419)** | 584 |

*Note:*

(i) During the year ended 31 March 2017, the Group acquired 1,002,673 shares of an unlisted company and the investment was fully impaired in the same year. On 15 May 2019, the Group entered into an agreement to sell all of its shares of the unlisted company at a consideration of RMB1,570,000 to a third party. The transaction was completed during the year ended 31 December 2019 and the Group recognised a gain on disposal of RMB1,570,000.

(ii) During the year ended 31 December 2019, the Group made a provision of legal claim of RMB1,383,000 regarding a loss case near year ended 31 December 2019. The case is currently under appeal.

## 5 EXPENSES BY NATURE

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Costs of hardware and software for I.T. projects and cost of goods sold | **359,819** | 263,966 |
| Employment benefit expenses (including directors' emoluments) | **86,012** | 94,307 |
| Sub-contracting fee | **7,739** | 15,325 |
| Depreciation of property, plant and equipment | **6,564** | 6,199 |
| Depreciation of right-of-use assets | **12,723** | 12,871 |
| Expenses relating to short term leases | **341** | 1,325 |
| Travelling expenses | **2,624** | 3,669 |
| Legal and professional fees | **9,054** | 7,338 |
| Consultancy fee | **1,657** | – |
| Office expenses | **2,855** | 2,233 |
| Amortisation of intangible assets | **994** | 2,434 |
| Auditors' remuneration | | |
| – Audit services | **1,757** | 1,400 |
| Provision for impairment of inventories | **580** | 2,287 |
| Advertising expenses | **183** | 162 |
| Other expenses | **7,495** | 6,580 |
| | **500,397** | 420,096 |
| Representing: | | |
| Cost of sales | **429,153** | 353,790 |
| Selling and distribution expenses | **11,458** | 11,278 |
| General and administrative expenses | **48,833** | 50,471 |
| Research and development expenses | **10,953** | 4,557 |
| | **500,397** | 420,096 |

## 6 FINANCE INCOME – NET

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Finance income | | |
| Interest income from bank deposits | **2,729** | 3,126 |
| | **2,729** | 3,126 |
| Finance cost | | |
| Interest expenses for lease liabilities | **(1,213)** | (1,742) |
| Net finance income | **1,516** | 1,384 |

## 7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in the PRC, Taiwan and the United States are subject to corporate income tax at the rate of 15%, 20% and 30% (2019: 15%, 20% and Nil) respectively, for year ended 31 December 2020.

Two of the subsidiaries in the PRC were approved by the relevant local tax bureaus under the preferential tax policy for the high and new technology enterprises, and were entitled to a preferential corporate income tax rate of 15% from 2020 until 2022 and 2018 until 2020, respectively.

One of the subsidiaries in the PRC was approved by the relevant local tax bureaus under the preferential tax policy for the western region of the PRC, and was entitled to a preferential corporate income tax rate of 15% from 2017 until 2020.

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current taxation | | |
| – Withholding tax | **2,105** | 1,958 |
| – PRC corporate income tax | **2,536** | 2,070 |
| – Taiwan income tax | **1,905** | 1,270 |
| – Others | **956** | – |
| Under/(over)-provision in prior year | **240** | (2,045) |
| | **7,742** | 3,253 |

## 8 EARNINGS PER SHARE

### (a) Basic

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

| | **2020** | 2019 |
|---|---|---|
| Profit attributable to equity holders of the Company *(RMB'000)* | **14,634** | 11,575 |
| Weighted average number of ordinary shares in issue *('000)* | **654,863** | 654,964 |
| Basic earnings per share *(rounded to RMB cents)* | **2.23** | 1.77 |

### (b) Diluted

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

For the years ended 31 December 2020 and 2019, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive.

## 9 TRADE AND LEASE RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | | |
| – third parties | **158,552** | 132,814 |
| – related parties | **97,349** | 146,577 |
| | **255,901** | 279,391 |
| Finance leases receivables – total | **8,253** | 9,277 |
| Trade and lease receivables – gross | **264,154** | 288,668 |
| *Less:* loss allowance | **(62,154)** | (62,314) |
| Trade and lease receivables – net | **202,000** | 226,354 |
| *Less:* trade and lease receivables – non-current portion | **(20,557)** | (28,353) |
| Trade and lease receivables – current portion | **181,443** | 198,001 |

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Less than 60 days | **131,277** | 170,493 |
| 60 days to 120 days | **37,324** | 23,997 |
| 121 days to 360 days | **17,330** | 23,344 |
| Over 360 days | **69,970** | 61,557 |
| | **255,901** | 279,391 |

## 10 TRADE PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | | |
| – third parties | **98,946** | 99,445 |
| – related parties | **5,671** | 3,271 |
| | **104,617** | 102,716 |

The majority of the suppliers grant credit period ranging from 30 to 75 days (2019: same).

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Less than 60 days | **90,912** | 89,514 |
| 60 days to 120 days | **12,390** | 12,244 |
| Over 120 days | **1,315** | 958 |
| | **104,617** | 102,716 |

## 11 DIVIDENDS

During the year ended 31 December 2020 and 2019, the Company did not recommend the payment of dividend.

## 12 EVENT AFTER THE REPORTING YEAR

On 24 December 2020, the Company and its wholly owned subsidiary entered into an acquisition agreement with a related company as seller to acquire intellectual properties related to Personify's business at a consideration of HK$23.34 million (equivalent to approximately RMB19.84 million). The consideration would be settled by allotment of 46,680,000 new shares of the Company to the related company at an issue price of HK$0.50 per share. The transaction was subsequently completed on 22 March 2021.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 December 2020, save for the following deviations:

### Code provisions A.4.1 and D.1.4

Under code provision A.4.1 of the Code, non-executive directors shall be appointed for a specific term and be subject to re-election while under Code provision D.1.4 issuers should have formal letters of appointment for directors setting out the key terms and conditions for their appointment. The independent non-executive directors of the Company are appointed for a specific term of office of one year while all non-executive directors and all executive directors of the Company have not entered into any service agreements or letters of appointment (as the case may be) with the Company for their directorship and have no fixed term of service therewith. However, they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's bye-laws. As such the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.

### Code provision F.1.1

Mr. TSANG Hing Bun ("**Mr. Tsang**") was appointed as company secretary of the Company (the "**Company Secretary**") with effect from 3 November 2015. Although Mr. Tsang is not an employee of the Company as required under code provision F.1.1 of the Code, the Company has assigned Mr. CHENG Yee Pun, the executive director, as the contact person with Mr. Tsang. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Tsang through the contact person assigned. Hence, all directors of the Company are still considered to have access to the advice and services of the Company Secretary in light of the above arrangement in accordance with code provision F.1.4 of the Code. Having in place a mechanism that Mr. Tsang will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Tsang as the Company Secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations. For the year ended 31 December 2020, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor its subsidiaries had sold and redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

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

## REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's results for the reporting year as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, 31 March 2021

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