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MAXNERVA
雲智匯科技服務

MAXNERVA TECHNOLOGY SERVICES LIMITED

雲智匯科技服務有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1037)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

SUMMARY AND HIGHLIGHTS

For the year ended 31 December 2022:

- Revenue increased by 40% to RMB832.5 million but reported net profit decreased by 19% to RMB27.8 million.
- If stripping out the net unrealized gains on investment and the share-based payment, core net profit was RMB25.8 million which was in line with RMB26.3 million of 2021.
- The Board does not recommend any payment of final dividend for the year ended 31 December 2022.

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 2022 together with comparative figures of the year ended 31 December 2021.

FINANCIAL REVIEW

We principally engage in industrial solution, smart office and new retail businesses. Our revenue increased by 40% to RMB832.5 million (2021: RMB596.3 million) but our reported net profit fell by 19% to RMB27.8 million (2021: RMB34.3 million) for the reporting year. If stripping out the unrealized net gains of our investments and the share-based payment expense, our core net profit was RMB25.8 million which was in line with that of 2021 (2021: RMB26.3 million).

Inventory and Trade Receivable

As at 31 December 2022, there were approximately RMB148.6 million in inventory (2021: RMB110.1 million) and they are primarily project-related hardware and software products pending to be delivered to our customers, and the finished goods of smart office equipment. Inventory turnover for the reporting year increased to 67 days from 50 days as compared to the year of 2021 mainly because of the delay in our project progress caused by the prolonged lockdowns in the People’s Republic of China (the “**PRC**”) and a pile up of the inventory of the smart office equipment in light of an early arrival of Chinese New Year in January 2023.

As at 31 December 2022, there were approximately RMB220.3 million in trade and lease receivables (2021: RMB195.1 million) which consisted of current and non-current portions of RMB215.4 million (2021: RMB182.4 million) and RMB4.9 million (2021: RMB12.7 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 91 days from 122 days as compared to the year of 2021 solely because the magnitude of the increase in revenue was much higher than that of the average trade and lease receivable balance.

Liquidity and Financial Resources

As at 31 December 2022, we had a net cash position while our cash and cash equivalents were RMB166.9 million (2021: RMB189.1 million). Our total assets of RMB726.3 million (2021: RMB641.9 million) were financed by total liabilities of RMB275.3 million (2021: RMB229.4 million) and shareholders' equity of RMB451.0 million (2021: RMB412.5 million). We had a current ratio of 2.2 (2021: 2.4). Trade payables were repayable within one year. No banking facilities were available to the Group (2021: RMB30.6 million) and we had no bank borrowing as well (2021: Nil).

Treasury Policy

We generally financed our operations with internally generated resources. We have adopted a prudent management approach to 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, Hong Kong, Taiwan, the United States of America (the "US"), Europe and Southeast Asia with most of the transactions settled in Chinese yuan, US dollars, New Taiwanese dollars, Hong Kong dollars, Euro, British pounds and Vietnamese dong. We are exposed to foreign exchange risk from various currencies, primarily with respect to US dollars and Euro. We have a policy to require 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

In face of the outbreak of Russo-Ukrainian War, the pandemic-induced lockdowns in the PRC, and the aggressive tightening of monetary policy in major world's economies in response to the concerns of surging inflation rates, business sentiments, in general, had been rapidly deteriorating during the reporting year.

Industrial Solution Business

The industrial solution business was growing but profit margins of the executed projects, on average, were lower during the reporting year. As a result, segment profit fell by 5% to RMB42.0 million in spite of a 28% increase in segment revenue to RMB427.3 million when compared to the year of 2021. Our business footprints spun across the PRC, Americas and Southeast Asia region in 2022 and we conducted a number of key projects including Teamcenter PLM software implementation for a lighthouse factory¹ at Wuhan city of the PRC, the design, sourcing and installation of lines of automation equipment for a client in Americas, SAP software upgrade for another lighthouse factory at Zhengzhou city of the PRC, MES software implementation for a potential lighthouse factory at Tianjin municipality of the PRC, the completion of the layout design and IT infrastructure project for a PRC leading manufacturer of drinking water purifiers at its greenfield factory at Shaoxing city of the PRC, SAP, PLM and WMS implementation for a semiconductor packaging and testing company at Qingdao city of the PRC, advisory and IT infrastructure project for a factory manufacturing printers and peripheral products at Weihai city of the PRC etc. All these projects are prudently analyzed beforehand and expected to achieve substantial savings or/and higher efficiency for our clients with satisfactory returns of investment.

It is worthwhile to note that we have taken a SAP software implementation project for an electric vehicle manufacturing plant in the US since mid 2022. It is an important milestone for us since it is our first project in the automobile industry and it will provide us with the essential know-hows to enter this sector in the future.

Smart Office Business

Segment revenue and profit increased by 68% and 41% to RMB396.5 million and RMB4.6 million respectively during the year when compared to the year of 2021.

¹ The Global Lighthouse Network is a World Economic Forum initiative in collaboration with McKinsey & Company. This community of manufacturers shows leadership in using Fourth Industrial Revolution technologies to transform factories, value chains and business models, for compelling financial and operational returns. To date, only 114 lighthouse factories worldwide have been identified from different industry sectors in 75 regions.

We launched new and enhanced products for Personify business during the reporting year and successfully added a number of global video conference players and social media companies into our client portfolio. Since research and development expenses were peaked in the first quarter of 2022 and had been returned to normal level throughout the rest of 2022, profitability of this business was improved during the reporting year.

Sales climbed in all major regions for smart office equipment business and we did particularly well in Europe and Southeast Asia as we took advantages of the withdrawal of our competitors and gained market shares in a European country and we also had a breakthrough in one of the largest Southeast Asia markets. Revenue grew significantly by 76% during the reporting year on a year-on-year basis.

New Retail Business

We completed the phase II project of installing our proprietary digital signage solutions into over 400 supermarket stores of a preeminent player in Taiwan in 2022. With affirmative feedback for the solutions, we have been granted the phase III project from the same customer and installing the rest of their 60 stores in Taiwan. With fewer stores installing the solutions, segment revenue and profit dropped by 68% and 97% to RMB8.7 million and RMB0.1 million respectively during the reporting year when compared to the year of 2021.

BUSINESS PROSPECT

Market believes the pandemic era is finally behind us after major countries in the world have adopted border opening and virus co-existence policy. There are signs showing that private consumption and business confidence are recovering from their troughs despite a number of unfavorable factors, such as Russo-Ukrainian War, risk of recession in major Western economies, the turmoil in the property sector of the PRC and the contagion risk on the global financial sector caused by the collapse of a number of small and medium sized banks in the US, persist.

Industrial Solution Business

Our key clients are either in the midst of their digital transformations or thrusting into completely new high growth areas. We shall benefit from this favourable development and we are likely to secure a number of new digital transformation and automobile related projects in Americas and Asia in 2023. With growing project pipeline, we are cautiously positive about the performance of this business in 2023.

Smart Office Business

We shall continue to dedicate sales and marketing efforts to develop the Personify business because video conferences were widely used during the pandemic and it is believed that they will continue to be a meaningful way of business communication going forward. We are expanding our smart office equipment business into new countries in Asia and Americas as well as consolidating our market positions in the EMEA region in 2023. Overall, we are cautiously optimistic about the outlook of this business in 2023.

New Retail Business

We shall complete our phase III digital retail signage project in Taiwan in 2023 and we are actively exploring other retail solutions and business opportunities in Greater China region in a bid to nurture this business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business risks are mainly the following:

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Investment in SigmaSense, LLC (“SigmaSense”)

We invested US\$2 million and US\$0.5 million in the preferred shares of SigmaSense in 2019 and 2020 respectively and our investment accounted for approximately 1.99% of the total shareholding of SigmaSense as at 31 December 2022. SigmaSense was founded in 2015 focusing on display related touch sensing technology for a wide range of products, from laptops, tablets and smartphones to large format interactive displays, gaming and automotive etc. With the success of raising new round of funding by SigmaSense in early 2023, the valuation of our investment in SigmaSense increased to approximately US\$6.4 million, about 6.1% of the total asset value of the Group as at 31 December 2022. The unrealized gain of the investment was approximately RMB5.6 million during the reporting year. The investment is expected to generate capital appreciations to the Group in the medium to long term.

Investment in GRC SinoGreen Fund V, L.P. (“GRC Fund”)

On 9 June 2021, the Company announced that Maxnerva (Shenzhen) Technology Services Limited, a wholly owned subsidiary of the Company, entered into the limited partnership agreement as a limited partner with GRC SinoGreen Capital Co., Ltd. on 8 June 2021, in relation to the investment in the GRC SinoGreen Fund V, L.P. Pursuant to the limited partnership agreement, we have committed to contribute RMB30 million which size is expected to account for approximately 6% of the capital contribution committed by the partners of the GRC Fund. The GRC Fund is established on 18 June 2021 and intends to invest in strategic emerging industries, future industries and other industries including but not limited to semiconductor, biomedicine, new energy, new materials, high-end intelligent manufacturing and other high-tech industries. Entering into the limited partnership agreement is a disclosable transaction and details are set out in the announcement and supplementary announcement of the Company dated 9 June 2021 and 13 July 2021 respectively. We invested RMB9 million and RMB21 million in 2021 and 2022 respectively. As at 31 December 2022, the valuation of our investment in GRC Fund was approximately RMB30.2 million, about 4.2% of the total asset value of the Group as at 31 December 2022. The unrealized gain of the investment was approximately RMB0.3 million during the reporting year. The investment is expected to generate capital appreciations to the Group in the long term.

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

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

As at 31 December 2022, there were no charges on the Group's assets and contingent liabilities (2021: Nil) and there were no capital commitment (2021: RMB26 million).

There were no material events after 31 December 2022.

CAPITAL STRUCTURE AND DIVIDENDS

As at 31 December 2022, the Company has a total of 701,543,448 issued shares with a par value of HK\$0.1 each (2021: 701,543,448 shares).

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the reporting year of 2021 and 2022.

The Board does not recommend any payment of a final dividend in respect of the reporting year (31 December 2021: Nil).

EMPLOYEES, ENVIRONMENTAL POLICIES AND COMPLIANCE

As at 31 December 2022, we employed a total of 588 employees (2021: 543 employees) located in the PRC, Taiwan, Vietnam, the US and Hong Kong. We believe that our remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individuals. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target and account receivables collection. General staff are offered year-end discretionary bonuses, which are based on the divisional performance and individual appraisals.

We are 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.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	832,461	596,349
Cost of sales	5	<u>(705,313)</u>	<u>(482,232)</u>
Gross profit		127,148	114,117
Other income	4	2,662	1,968
Other gains, net	4	4,782	4,796
Fair value gains on financial assets at fair value through profit or loss, net		2,017	18,461
Share-based payment		–	(10,482)
Loss allowance for financial assets		(3,347)	(2,951)
Selling and distribution expenses	5	(36,964)	(25,689)
General and administrative expenses	5	(53,760)	(47,091)
Research and development expenses	5	<u>(10,142)</u>	<u>(16,985)</u>
Operating profit		32,396	36,144
Finance income – net	6	1,404	1,463
Share of results of associates		<u>(3,317)</u>	–
Profit before income tax		30,483	37,607
Income tax expense	7	<u>(2,653)</u>	<u>(3,346)</u>
Profit for the year		<u>27,830</u>	<u>34,261</u>
		2022 <i>RMB cents</i>	2021 <i>RMB cents</i>
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic earnings per share	8	<u>3.97</u>	<u>4.96</u>
Diluted earnings per share	8	<u>3.97</u>	<u>4.96</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>27,830</u>	<u>34,261</u>
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(2,747)	(2,216)
<i>Item that may not be reclassified to profit or loss</i>		
Currency translation differences	<u>13,126</u>	<u>(4,675)</u>
Other comprehensive income/(loss) for the year	<u>10,379</u>	<u>(6,891)</u>
Total comprehensive income for the year	<u><u>38,209</u></u>	<u><u>27,370</u></u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Intangible assets		16,552	19,641
Property, plant and equipment		8,395	10,450
Right-of-use assets		12,232	25,793
Investments in associates		7,138	–
Financial assets at fair value through profit or loss		74,560	47,777
Trade and lease receivables	9	4,869	12,698
Deferred income tax assets		4,952	2,010
Prepayments and rental deposits		721	271
Total non-current assets		129,419	118,640
Current assets			
Inventories		148,556	110,126
Contract assets		17,099	561
Trade and lease receivables	9	215,432	182,430
Prepayments, deposits and other receivables		48,967	41,109
Cash and cash equivalents		166,866	189,064
Total current assets		596,920	523,290
Total assets		726,339	641,930

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		68,447	68,447
Share premium		213,865	213,865
Reserves		168,721	130,173
Total equity		451,033	412,485
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		2,603	4,263
Lease liabilities		945	9,544
Total non-current liabilities		3,548	13,807
Current liabilities			
Trade payables	<i>10</i>	168,081	121,310
Accruals and other payables		49,858	41,910
Contract liabilities		37,015	35,453
Lease liabilities		8,548	12,482
Tax payables		8,256	4,483
Total current liabilities		271,758	215,638
Total liabilities		275,306	229,445
Total equity and liabilities		726,339	641,930

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 2022, 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 industrial, office and retail customers.

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

2 BASIS OF PREPARATION

(a) Compliance with HKFRS and HKCO

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

(b) Historical cost convention

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

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

(c) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2022:

Annual improvements project	Annual improvements to HKFRSs 2018-2020
HKFRS 16 (Amendments)	COVID-19-related rent concessions beyond 2021
HKFRS 3 (Amendments)	Reference to the conceptual framework
HKAS 16 (Amendments)	Property, plant and equipment – proceeds before intended use
HKAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract
AG 5 (revised)	Revised accounting guideline 5 merger accounting for common control combinations

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

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

The following Amendments have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies ¹
HKAS 8 (Amendments)	Definition of accounting estimates ¹
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction ¹
HKFRS 17	Insurance contracts ¹
HKFRS 17 (Amendments)	Amendments to HKFRS 17 ¹
HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – comparative information ¹
HKAS 1 (Amendments)	Classification of liabilities as current or non-current ²
HKAS 1 (Amendments)	Non-current liabilities with covenants ²
HKFRS 16 (Amendments)	Lease liability in a sale and leaseback ²
HK Int 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ³

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective for annual periods beginning on or after 1 January 2024*

³ *A date to be determined*

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

3 REVENUE AND SEGMENT INFORMATION

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

1. Industrial Solution Business

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

2. Smart Office Business

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

3. New Retail Business

- The provision of digital retail signage solutions.

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

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

	For the year ended 31 December 2022			
	Industrial	Smart		
	Solution	Office	New Retail	
	Business	Business	Business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (Note a)	<u>427,268</u>	<u>396,509</u>	<u>8,684</u>	<u>832,461</u>
Results of reportable segments	<u>41,954</u>	<u>4,572</u>	<u>109</u>	<u>46,635</u>
A reconciliation of results of reportable segments to profit for the year is as follows:				
Results of reportable segments				46,635
Unallocated income/(expenses) (Note b)				<u>(18,805)</u>
Profit for the year				<u>27,830</u>
Other segment information:				
Capital expenditures	1,646	35	–	1,681
Depreciation of property, plant and equipment	3,318	212	–	3,530
Depreciation of right-of-use assets	8,140	–	–	8,140
Amortisation of intangible assets	1,055	3,414	–	4,469
Loss allowance for financial assets	<u>3,016</u>	<u>331</u>	–	<u>3,347</u>

For the year ended 31 December 2021

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

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 2022			
	Industrial			Total
	Solution	Smart Office	New Retail	
	Business	Business	Business	
Timing of revenue recognition	RMB'000	RMB'000	RMB'000	RMB'000
I.T. projects				
– At a point of time	172,998	46,446	8,342	227,786
– Over time	165,856	20,077	342	186,275
Maintenance and consulting services				
– Over time	50,676	265	–	50,941
Sales of goods				
– At a point of time	33,787	329,721	–	363,508
Finance lease income	351	–	–	351
Operating lease income (note)	3,600	–	–	3,600
	427,268	396,509	8,684	832,461

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

Note:

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

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	370,610	338,561
Europe	157,711	54,233
The Americas	79,325	50,215
Singapore	103,005	73,330
Taiwan	81,149	58,081
Other countries	40,661	21,929
	832,461	596,349

For the year ended 31 December 2022, revenue of approximately RMB98,807,000 (2021: RMB94,819,000), representing 12% (2021: 16%) of the Group's total revenue, is derived from a single customer. For the year ended 31 December 2022, sales to the five largest customers of the Group in total accounted for approximately 40% (2021: 44%) of the Group's total revenue.

For the year ended 31 December 2022, revenue of approximately RMB335,935,000 (2021: RMB280,085,000), representing 40% (2021: 47%) of the Group's total revenue, is derived from related parties, Hon Hai Precision Industry Company Limited and its group companies.

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

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	46,635	51,332
Unallocated income/(expenses):		
– Government subsidies	2,196	1,653
– Finance income	1,918	2,313
– Fair value gains on financial assets at fair value through profit or loss, net	2,017	18,461
– Net exchange gains	5,854	2,056
– Share of results of associates	(3,317)	–
– Depreciation of property, plant and equipment	(229)	(2,330)
– Depreciation of right-of-use assets	(2,794)	(3,745)
– Legal and professional fees	(1,910)	(2,139)
– Employment benefit expenses	(13,936)	(13,349)
– Share-based payment	–	(10,482)
– Auditors' remuneration	(2,138)	(1,810)
– Income tax expense	(2,653)	(3,346)
– Others	(3,813)	(4,353)
	<hr/>	<hr/>
Profit for the year	<u>27,830</u>	<u>34,261</u>

During the year ended 31 December 2022 and 2021, all capital expenditure were incurred in the PRC, Taiwan and the United States.

	As at 31 December 2022			
	Industrial Solution Business RMB'000	Smart Office Business RMB'000	New Retail Business RMB'000	Total RMB'000
Segment assets				
Segment assets	<u>272,643</u>	<u>188,552</u>	<u>2,868</u>	<u>464,063</u>
Other unallocated assets (<i>Note a</i>)				<u>262,276</u>
Total assets per consolidated balance sheet				<u><u>726,339</u></u>
Segment liabilities				
Segment liabilities	<u>117,006</u>	<u>98,366</u>	<u>10,019</u>	<u>225,391</u>
Other unallocated liabilities (<i>Note b</i>)				<u>49,915</u>
Total liabilities per consolidated balance sheet				<u><u>275,306</u></u>

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

Notes:

- (a) As at 31 December 2022 and 2021, other unallocated assets mainly included cash and cash equivalents, property, plant and equipment, right-of-use assets, prepayments and other receivables, investments in associates, financial assets at fair value through profit or loss and deferred income tax assets for corporate usage.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets for reportable segments	464,063	394,542
Unallocated assets		
– Cash and cash equivalents	166,866	189,064
– Property, plant and equipment	934	1,088
– Right-of-use assets	3,147	5,903
– Prepayments and other receivables	4,679	1,546
– Investments in associates	7,138	–
– Financial assets at fair value through profit or loss	74,560	47,777
– Deferred income tax assets	4,952	2,010
	<hr/>	<hr/>
Total assets per consolidated balance sheet	<u>726,339</u>	<u>641,930</u>

During the year, the addition to property, plant and equipment in unallocated assets was RMB66,000 (2021: RMB68,000) and there was no addition to right-of-use assets in unallocated assets in 2022 (2021: RMB 8,549,000).

At 31 December 2022 and 2021, 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 2022 and 2021, other unallocated liabilities mainly included accruals, other payables, lease liabilities, deferred income tax liabilities and tax payables for corporate usage.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities for reportable segments	225,391	183,570
Unallocated liabilities		
– Accruals and other payables	36,019	31,415
– Lease liabilities	3,037	5,714
– Tax payables	8,256	4,483
– Deferred income tax liabilities	2,603	4,263
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	<u>275,306</u>	<u>229,445</u>

4 OTHER INCOME AND OTHER GAINS, NET

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	2,196	1,653
Others	466	315
	<hr/>	<hr/>
Other income	<u>2,662</u>	<u>1,968</u>
Loss on disposals of property, plant and equipment	–	(2)
Net exchange gains	4,735	2,803
Others	47	1,995
	<hr/>	<hr/>
Other gains, net	<u>4,782</u>	<u>4,796</u>

5 EXPENSES BY NATURE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Costs of hardware and software for I.T. projects and cost of goods sold	593,666	377,984
Employment benefit expenses (including directors' emoluments)	133,901	121,098
Sub-contracting fee	1,088	450
Depreciation of property, plant and equipment	3,759	6,068
Depreciation of right-of-use assets	10,934	13,062
Expenses relating to short term leases	64	578
Travelling expenses	5,089	2,586
Legal and professional fees	2,564	7,239
Consultancy fees	17,750	16,239
Office expenses	3,898	4,123
Amortisation of intangible assets	4,469	2,776
Auditors' remuneration – Audit services	2,138	1,810
Provision for impairment of inventories	1,824	–
Advertising expenses	1,718	458
Logistic and warehouse expenses	12,045	6,992
Other expenses	11,272	10,534
	<u>806,179</u>	<u>571,997</u>
Representing:		
Cost of sales	705,313	482,232
Selling and distribution expenses	36,964	25,689
General and administrative expenses	53,760	47,091
Research and development expenses	10,142	16,985
	<u>806,179</u>	<u>571,997</u>

6 FINANCE INCOME – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income		
Interest income from bank deposits	1,918	2,313
Finance cost		
Interest expenses for lease liabilities	<u>(514)</u>	<u>(850)</u>
Net finance income	<u><u>1,404</u></u>	<u><u>1,463</u></u>

7 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. Group companies established and operating in the PRC, Taiwan and the United States are subject to corporate income tax at the rate of 25%, 20% and 30% (2021: same) respectively, for year ended 31 December 2022, except for those specified in below.

Two of the subsidiaries in the PRC were approved by the relevant local tax bureaus under the preferential tax policy for the high and new technology enterprises, and were entitled to a preferential corporate income tax rate of 15% from 2020 until 2022 and 2021 until 2023, respectively.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current taxation		
– Current year	9,304	3,988
– Over provision in prior year	<u>(1,820)</u>	<u>(2,904)</u>
	7,484	1,084
Deferred income tax expenses	<u>(4,831)</u>	<u>2,262</u>
	<u><u>2,653</u></u>	<u><u>3,346</u></u>

8 EARNINGS PER SHARE

(a) Basic

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

	2022	2021
Profit attributable to equity holders of the Company (RMB'000)	<u>27,830</u>	<u>34,261</u>
Weighted average number of ordinary shares in issue ('000)	<u>701,543</u>	<u>691,312</u>
Basic earnings per share (rounded to RMB cents)	<u>3.97</u>	<u>4.96</u>

(b) Diluted

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

For the years ended 31 December 2022 and 2021, 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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
– third parties	145,179	147,082
– related parties	<u>137,602</u>	<u>101,032</u>
	----- 282,781	----- 248,114
Finance leases receivables – total	<u>6,051</u>	<u>7,178</u>
Trade and lease receivables – gross	288,832	255,292
Less: loss allowance	<u>(68,531)</u>	<u>(60,164)</u>
Trade and lease receivables – net	220,301	195,128
Less: trade and lease receivables – non-current portion	<u>(4,869)</u>	<u>(12,698)</u>
Trade and lease receivables – current portion	<u><u>215,432</u></u>	<u><u>182,430</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 60 days	113,552	148,643
60 days to 120 days	47,901	30,977
121 days to 360 days	52,141	10,582
Over 360 days	<u>69,187</u>	<u>57,912</u>
	----- <u><u>282,781</u></u>	----- <u><u>248,114</u></u>

10 TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
– third parties	164,587	118,775
– related parties	<u>3,494</u>	<u>2,535</u>
	<u>168,081</u>	<u>121,310</u>

The majority of the suppliers grant credit period ranging from 30 to 75 days (2021: same).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 60 days	107,471	117,918
60 days to 120 days	12,767	2,671
Over 120 days	<u>47,843</u>	<u>721</u>
	<u>168,081</u>	<u>121,310</u>

11 DIVIDENDS

During the year ended 31 December 2022 and 2021, the Company did not recommend the payment of dividend.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the year ended 31 December 2022, save for the following deviations:

Code Part 2 C.3.3

Under Code Part 2 C.3.3 issuers should have formal letters of appointment for directors setting out the key terms and conditions for their appointment. The independent non-executive directors of the Company are appointed for a specific term of office of one year while all non-executive directors and all executive directors of the Company have not entered into any service agreements or letters of appointment (as the case may be) with the Company for their directorship and have no fixed term of service therewith. However, they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s bye-laws. As such the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those set out in the Code.

Code Part 2 C.6.1

Mr. TSANG Hing Bun (“**Mr. Tsang**”) was appointed as company secretary of the Company (the “**Company Secretary**”) with effect from 3 November 2015. Although Mr. Tsang is not an employee of the Company as required under Code Part 2 C.6.1, 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 Part 2 C.6.1. 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 2022, Mr. Tsang has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Code Part 2 F.2.2

The Chairman of the Company and all the independent non-executive directors did not attend the annual general meeting of the Company held on 2nd June 2022 due to their overseas and other commitments.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

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 the accounting policies and practices adopted by the Group with the management and discussed the risk management, internal control and financial reporting matters of the Company, including the review of the Group’s audited consolidated financial results for the reporting year.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and related notes hereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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, 29 March 2023

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. KIM Hyun Seok, and three independent non-executive directors, namely, Mr. TANG Tin Lok Stephen, Mr. KAN Ji Ran Laurie and Prof. ZHANG Xiaoquan.