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BRAINHOLE TECHNOLOGY LIMITED

脑洞科技有限公司

(formerly known as Top Dynamic International Holdings Limited

泰邦集團國際控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2203)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST CAPITAL OF
GUANGZHOU WEAVING COMMUNICATION**

On 5 March 2019 (after trading hours of the Stock Exchange), the Purchaser (an indirectly wholly-owned subsidiary of the Company), Guangzhou Chong Dong and the Target entered into the Acquisition Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to acquire and Guangzhou Chong Dong conditionally agreed to sell the Sale Shares, which shall represent the entire equity interest of the Target as at the Completion Date, at the Consideration of RMB68.0 million in cash (equivalent to approximately HK\$78.2 million) which is subject to adjustments.

The Target Group is principally engaged in broadband infrastructure construction for residential properties and providing integrated solution for smart communities and smart cities projects. Its smart community and smart city solution include hardware for security and identification purposes, software for residence management and community services. The Target Group aims to be a leading player in the industry in the Greater Bay Area. Upon Completion, the Target will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

Guangzhou Chong Dong is wholly beneficially owned by Mr. Zhang, the chairman and an executive Director of the Company, as at the date of this announcement. Accordingly, Guangzhou Chong Dong is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Acquisition Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Zhang and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder.

Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder. By virtue of interests of Mr. Zhang in the Acquisition Agreement, he had abstained from voting in respect of the relevant board resolution relating to the Acquisition Agreement and the transactions contemplated thereunder. Save for the aforesaid, no other Directors has a material interest in the Acquisition Agreement and was required to abstain from voting on the Board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and that the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement.

The EGM will be held and convened for considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) further information of the Group and the Target Group; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 23 April 2019, as additional time is required by the Company for the preparation of certain information for inclusion in the circular.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 October 2018 in relation to the entering into of the memorandum of understanding between the Company and two of the shareholders of the Target (the “**MOU**”) indicating, among others, their intention to enter into a definitively and legally binding agreement in respect of a possible acquisition of 88% of equity interest in the Target. Pursuant to subsequent further negotiation among the parties to the MOU, it was agreed that the Company shall acquire the entire equity interest of the Target.

The Board is pleased to announce that, on 5 March 2019 (after trading hours of the Stock Exchange), the Purchaser, Guangzhou Chong Dong and the Target entered into the Acquisition Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to acquire and Guangzhou Chong Dong conditionally agreed to sell the Sale Shares, which represents the entire equity interest of the Target as at the Completion Date, at the Consideration of RMB68.0 million in cash (equivalent to approximately HK\$78.2 million) which is subject to adjustments.

Details of the terms and conditions of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date: 5 March 2019

Parties: (i) the Purchaser: Brainhole Technology Investments Limited

(ii) the Vendor: Guangzhou Chong Dong, the legal and beneficial owner of the entire equity interest in the Target as at the date of this announcement

(iii) the Target: Guangzhou Weaving Communications Telecommunications Technology Limited

Guangzhou Chong Dong is wholly beneficially owned by Mr. Zhang, the chairman and an executive Director of the Company, as at the date of this announcement. Guangzhou Chong Dong is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire, and Guangzhou Chong Dong conditionally agreed to sell, the Sale Shares. The Sale Shares shall represent the entire equity interest of the Target as at the Completion Date. Details of the Target Group are set out in the section headed “Information on the Target Group” below.

Consideration

The Consideration of RMB68.0 million (equivalent to approximately HK\$78.2 million) (subject to adjustments as described under the paragraphs headed “Profit guarantee” below) shall be paid by the Purchaser (or its nominee(s)) to Guangzhou Chong Dong (or its nominee(s)) on the Payment Date. The Consideration will be funded by the internal resource and/or external financing if necessary.

The Consideration was determined after arm's length negotiations between the Purchaser and Guangzhou Chong Dong with reference to, among other things, the preliminary valuation of the Target Group as at 31 October 2018, which ranges from RMB62.0 million (equivalent to approximately HK\$71.3 million) to RMB74.0 million (equivalent to approximately HK\$85.1 million), as prepared by an independent professional valuer.

Profit guarantee

Pursuant to the Acquisition Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that the aggregate consolidated net profit after tax as shown in the audited reports of the Target Group for the two years ending 31 December 2019 (the “**Aggregate Guaranteed Profit**”) shall not be less than RMB10 million. In the event that the actual aggregate consolidated net profit after tax for the year ended 31 December 2018 and the year ending 31 December 2019 (the “**Actual Profit**”) does not meet the Aggregate Guaranteed Profits, the Consideration should be adjusted as follows:

$$\text{Adjusted consideration} = \text{RMB68 million} - \frac{(\text{Aggregate Guaranteed Profit} - \text{Actual Profit})}{\text{Aggregate Guaranteed Profit}} \times \text{Consideration}$$

For avoidance of doubt, in the event that the Target Group records net loss for 2018 or 2019, the consolidated net profit after tax for the relevant loss-making year shall be regarded as zero when calculating and adjusting the Consideration. In any case, the total Consideration shall not be less than approximately RMB30.3 million (equivalent to HK\$34.8 million), which is determined with reference to the 2017 audited net asset value of the Target.

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Purchaser being satisfied, at its sole discretion, with the results of the due diligence review on the Target (if applicable);

- (ii) all relevant, necessary, internal (including but not limited to the Independent Shareholders' approval) consents, filings and approvals, or any such consents, filings and approvals to be obtained from any third parties (including but not limited to the Stock Exchange, the counterparty(ies) of the Target in any agreements signed before the Completion Date), and from any related governmental organisations, which are required to be obtained on the part of the transaction in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iii) between the date of signing the Acquisition Agreement and the Completion Date, no material adverse effects have occurred or may occur to the Target Group or any of its business licenses; and
- (iv) the scope of the business licenses of the Target Group have been amended for the purpose of the transaction, such that the business scope of the Target Group does not contain businesses that are prohibited or restricted by the applicable laws of the PRC from having foreign investors to invest in.

The Purchaser may at any time at its absolute and sole discretion waive any of the conditions precedent set out above by notice in writing to Guangzhou Chong Dong. From the date of this announcement to the Completion Date, Guangzhou Chong Dong must comply with and procure the Target to strictly abide by the above conditions precedent, unless the Purchaser's prior written consent is obtained.

Completion

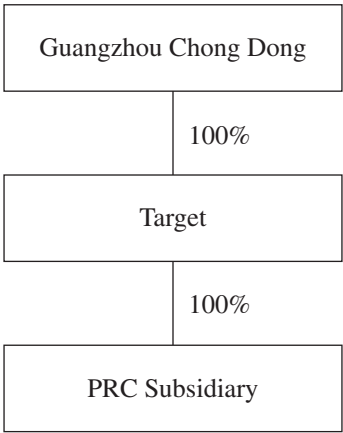
Completion shall take place on the date on which the new business license of the Target is issued for the purpose of the Completion and change in shareholding is completed (or such other date as the Purchaser and Guangzhou Chong Dong may agree in writing).

Upon Completion, the Target will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group.

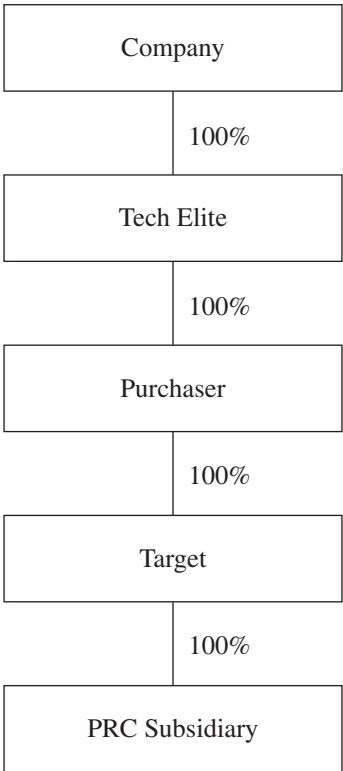
INFORMATION ON THE TARGET GROUP

Group structure

Set out below is the shareholding structure of the Target Group immediately before Completion:



Set out below is the shareholding structure of the Target Group immediately after Completion:



Background of the Target Group

The Target is wholly owned by Guangzhou Chong Dong as at the date of this announcement. The PRC Subsidiary, which is indirectly wholly owned by the Target, is a wholly owned enterprise established in the PRC. The Target Group is principally engaged in broadband infrastructure construction for residential properties, and providing integrated solution for smart communities and smart cities projects. Its smart community and smart city solution includes hardware for security and identification purposes, software for residence management and community services. The Target Group aims to be a leading player in the industry in the Greater Bay Area.

Since the incorporation of the Target in June 2015, Mr. Zhang has been ultimate beneficial owner of the controlling shareholder of the Target. As at 24 October 2018 being the date of the memorandum of understanding announcement of the Company, Mr. Zhang was the ultimate beneficial owner of 83.6% equity interest of the Target. As at the date of this announcement, Mr. Zhang is the ultimate beneficial owner of the entire equity interest of the Target following acquisitions of 16.4% equity interest of the Target held by the minority shareholders of the Target at an aggregate consideration of approximately RMB21.6 million (equivalent to approximately HK\$24.8 million) from November 2018 to January 2019.

Financial information of the Target Group

Set out below is the audited financial information of the Target for each of the two financial years ended 31 December 2016 and 2017 as prepared in accordance with the accounting principles generally accepted in the PRC:

	For the year ended	
	31 December	
	2016	2017
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
	(audited)	(audited)
Profit before taxation	2,131	3,817
Profit after taxation	2,131	2,979

The unaudited net asset value of the Target amounted to approximately RMB42.6 million (equivalent to approximately HK\$49.0 million) as at 31 October 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the assembly, packaging and sales of self-manufactured discrete semiconductors and trading of semiconductors sourced from third-party suppliers.

The Group has been looking for opportunity for diversifying and proactively seeking potential investment opportunities.

As smart living including smart home solutions and smart city services has become increasingly popular, the Company believes there to be potential for growth of smart living-related business. As such, the Company is focusing on the business opportunities in development of technology applications around smart living and smart cities related business, including by way of acquisition. In light of the business prospects and experienced management team of the Target Group, the Company is confident that the Acquisition will allow the Group to capture the opportunities arising from the potential growth in smart living related business.

In addition to smart living related business, the Target Group which is located in the Greater Bay Area aims to be a leading player in the industry in the region. Having considered the future development of the Greater Bay Area, the Company considers that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to tap into the smart living-related business in the Greater Bay Area with growth potential and to generate diversified income and additional cashflow through the Acquisition.

In light of the aforesaid, the Board (excluding the independent non-executive Directors whose views will be included in the circular after taking into consideration of the advice from the Independent Financial Adviser) considers that the terms of the Acquisition Agreement are fair and reasonable, and that the entering into of the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

Guangzhou Chong Dong is wholly beneficially owned by Mr. Zhang, the chairman and an executive Director of the Company. Yoho Bravo, a company which is wholly owned by Mr. Zhang, is interested in approximately 75.0% of the issued share capital of the Company as at the date of this announcement and is therefore the controlling shareholder of the Company. Accordingly, Guangzhou Chong Dong is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Acquisition Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Zhang, no Shareholder has any material interest in the Acquisition Agreement and the transactions contemplated thereunder. Mr. Zhang and his associates will abstain from voting at the EGM to be convened to consider, and if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. Save for the foregoing, no other Shareholder is required to abstain from voting on the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

EGM

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement.

The EGM will be convened for considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) further information of the Group and the Target Group; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 23 April 2019, as additional time is required by the Company for the preparation of certain information for inclusion in the circular.

Completion is conditional upon the fulfillment or waiver (as the case may be) of the conditions precedent as set out in the paragraph headed “Conditions precedent” under the section headed “The Acquisition Agreement” in this announcement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the Acquisition Agreement dated 5 March 2019 entered into among the Purchaser, Guangzhou Chong Dong and the Target in respect of the Acquisition
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal number 8 or above or a “black” rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited 泰邦集團國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2203)
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition in the maximum amount of RMB68.0 million (subject to adjustments)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the Independent Shareholders to consider, and if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group upon Completion
“Group”	the Company and its subsidiaries
“Guangzhou Chong Dong”	Guangzhou Chong Dong Technology Co., Ltd. (廣州蟲洞科技有限公司), a company established in the PRC and is wholly beneficially owned by Mr. Zhang
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Xu Liang, Mr. Chen Johnson Xi and Ms. Zhang Yibo, which has been established to make recommendations to the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Zhang, Yoho Bravo and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Liang Johnson, the chairman and an executive Director of the Company
“Payment Date”	the date ending on the tenth Business Day after the audited report of the Target for the year ending 31 December 2019 have been made (solely based on the discretion of the Purchaser)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC Subsidiary”	湖南華馬建設工程有限公司 (Hunan Huama Construction Engineering Co., Ltd.*), a company established in the PRC and is wholly-owned by the Target
“Purchaser”	Brainhole Technology Investments Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Sale Shares”	the entire equity interest of the Target to be sold by the Guangzhou Chong Dong and to be acquired by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Guangzhou Weaving Communications Telecommunications Technology Limited (廣州織網通訊科技有限公司), a company established in the PRC
“Target Group”	the Target and its subsidiaries
“Yoho Bravo”	Yoho Bravo Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Zhang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this announcement, amounts in RMB are translated to HK\$ on the basis of RMB1 = HK\$1.15. The conversion is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at other rates or at all.

By order of the Board
Brainhole Technology Limited
Zhang Liang Johnson
Chairman and Executive Director

Hong Kong, 5 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Liang Johnson, Ms. Wan Duo and three independent non-executive Directors, namely Mr. Xu Liang, Mr. Chen Johnson Xi and Ms. Zhang Yibo.

** for identification purpose only*