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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the Period together with the audited comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Turnover	*3*	**348,255**	305,513
Cost of sales		**(257,468)**	(203,842)
Gross profit		**90,787**	101,671
Other income		**1,976**	1,928
Selling and distribution costs		**(13,636)**	(11,243)
Administrative expenses		**(40,329)**	(34,567)
Profit before tax		**38,798**	57,789
Income tax expenses	*4*	**(4,155)**	(12,435)
Profit for the year	*5*	**34,643**	45,354
Other comprehensive (expense) income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(6,930)**	9,834
Total comprehensive income for the year attributable to owners of the Company		**27,713**	55,188
Earnings per share			
– Basic and diluted *(HK cents)*	*6*	**4.33**	5.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Plant and equipment		**136,587**	131,481
Intangible asset		**–**	–
Prepayment for plant and equipment		**22,683**	5,434
		159,270	136,915
Current assets			
Inventories		**43,458**	38,476
Trade and other receivables	*7*	**87,121**	94,640
Tax recoverable		**2,377**	–
Pledged deposit		**5,127**	5,092
Bank balances and cash		**39,868**	42,135
		177,951	180,343
Current liabilities			
Trade and other payables	*8*	**56,861**	64,143
Amount due to immediate holding company		**1,100**	–
Deferred income		**226**	–
Tax payables		**–**	3,263
		58,187	67,406
Net current assets		**119,764**	112,937
Total assets less current liabilities		**279,034**	249,852
Non-current liabilities			
Deferred tax liability		**45**	70
Deferred income		**1,494**	–
		1,539	70
		277,495	249,782
Capital and reserves			
Share capital		**8,000**	8,000
Reserves		**269,495**	241,782
		277,495	249,782

1. GENERAL INFORMATION

Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (the "Company") was incorporated in the Cayman Islands on 10 September 2014 as an exempted company with limited liability under the Cayman Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its Shares had been listed on GEM of the Stock Exchange since 9 October 2015 and subsequently transferred its listing to the Main Board on 21 July 2017.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company in Hong Kong is Office A, 31st Floor, Billion Plaza II, 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong. Its immediate holding company is Yoho Bravo Limited ("Yoho"), a company incorporated in the BVI with limited liability and its ultimate controlling shareholder is Mr. Zhang Liang Johnson ("Mr. Zhang").

Pursuant to a special resolution passed at the Company's extraordinary general meeting held on 20 February 2019, the English name of the Company changed from Top Dynamic International Holdings Limited to Brainhole Technology Limited and the dual foreign name in Chinese of the Company charged from "泰邦集團國際控股有限公司" to "脑洞科技有限公司", both of which took effect on 21 February 2019.

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are manufacturing and trading of electronic and electrical parts and components.

The consolidated financial statements are presented in HK$, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* has been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information.

(a) Classification and measurements of financial instruments

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39. The financial assets of the Group are trade and other receivables, pledged deposit and bank balances and cash which are classified as loan and receivables under HKAS 39. They are classified as financial assets at amortised cost as at adoption of HKFRS 9.

(b) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different from the recognition under HKAS 39.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and Int(s) that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective for annual periods beginning on or after a date to be determined.

[5] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$3,807,000. It represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The Directors expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (the ''CODM''), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are manufacturing and trading as follows:

a) Manufacturing segment engages in selling of electronic and electrical parts and components manufactured by the Group.

b) Trading segment engages in trading of electronic and electrical parts and components sourced from third-party suppliers.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the method used to distribute the products and/or the nature of production processes.

Despite that all of the Group's products are of a similar nature, they are subject to dissimilar risks and returns. Accordingly, the Group's operating activities are attributable to manufacturing and trading segments.

Segment revenue represents revenue derived from the manufacturing and trading of electronic and electrical parts and components.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Manufacturing		**Trading**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**224,667****	233,672*	**123,588****	71,841*	**348,255****	305,513*
Segment profit	**64,788**	79,910	**13,730**	10,596	**78,518**	90,506
Unallocated income					**609**	1,850
Unallocated expenses					**(40,329)**	(34,567)
Profit before tax					**38,798**	57,789

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

** The amounts for the year ended 31 December 2018 are recognised at a point in time under HKFRS 15.

Segment profit represents the profit earned by each segment without allocation of administrative expenses and certain other income. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
Manufacturing	**258,333**	239,376
Trading	**29,533**	27,977
Unallocated	**49,355**	49,905
Total assets	**337,221**	317,258
Segment liabilities		
Manufacturing	**35,530**	37,609
Trading	**14,108**	19,972
Unallocated	**10,088**	9,895
Total liabilities	**59,726**	67,476

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment for administrative purpose, intangible asset, tax recoverable, certain other receivables and prepayments, pledged deposit and bank balances and cash as these assets are managed on a group basis; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to immediate holding company, tax payables and deferred tax liability.

Other segment information

	Manufacturing	Trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segments profit or segment assets				
Year ended 31 December 2018				
Gain on disposal of plant and equipment	**(87)**	**–**	**–**	**(87)**
Depreciation of plant and equipment	**16,254**	**–**	**2,872**	**19,126**
Additions to non-current assets	**51,527**	**–**	**129**	**51,656**
Year ended 31 December 2017				
Gain on disposal of plant and equipment	(78)	–	–	(78)
Depreciation of plant and equipment	13,466	–	1,891	15,357
Additions to non-current assets	61,338	–	441	61,779

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Hong Kong	The PRC (excluding Hong Kong)	Asia (excluding Korea, the PRC and Hong Kong)	Korea	Europe and other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers						
Year ended 31 December 2018	**45,828**	**108,929**	**28,033**	**140,296**	**25,169**	**348,255**
Year ended 31 December 2017	64,429	94,458	20,000	112,152	14,474	305,513
Non-current assets						
As at 31 December 2018	**8,804**	**150,466**	**–**	**–**	**–**	**159,270**
As at 31 December 2017	4,179	132,736	–	–	–	136,915

Information about major customers

Revenue from a customer of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	38,533	N/A*

[1] Customer of the Group's manufacturing and trading segments.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in 2017.

4. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**6,075**	8,346
The PRC	**428**	4,057
	6,503	12,403
(Over) under provision in prior years:		
Hong Kong	**–**	135
PRC	**(2,323)**	–
	(2,323)	135
Deferred tax	**(25)**	(103)
	4,155	12,435

(a) Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in these jurisdictions for both years.

(b) The Inland Revenue (Amendment) (No. 3) Ordinance 2018 was gazetted on 29 March 2018 to implement a two-tiered profits tax regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

(c) During the year ended 31 December 2018, the PRC subsidiary, Dongguan Jia Jun Electronic Technology Company Limited, was recognised by the PRC government as "High and New Technology Enterprise" and was eligible to a preferential tax rate of 15% since 2018 (2017: 25%).

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Emoluments of the Directors and chief executive:		
Fee, salaries and allowances	**1,833**	2,977
Retirement benefits scheme contributions	**16**	36
Other staff costs:		
Salaries and allowances	**35,312**	28,688
Retirement benefits scheme contributions	**3,982**	3,600
Total staff costs	**41,143**	35,301
Auditor's remuneration	**750**	720
Amount of inventories recognised as expenses	**257,468**	203,842
Depreciation of plant and equipment	**19,126**	15,357
Research and development costs *(Note)*	**12,062**	6,596
Operating lease rentals in respect of rented premises	**2,166**	1,941

Note: Included in research and development costs was staff cost of approximately HK$5,095,000 (2017: HK$2,199,000) which has been included in staff costs disclosure above.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
Earnings		
Profit for the purpose of basic and diluted earnings per share	**HK$34,643,000**	HK$45,354,000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**800,000,000**	800,000,000

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2018 and 2017.

7. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Receivables at amortised cost		
Trade receivables	**69,501**	70,597
Deposits and other receivables	**6,743**	8,898
Prepayments	**10,877**	15,145
	87,121	94,640

The Group does not hold any collateral over its trade and other receivables. No impairment of trade and other receivables had been recognised during the years ended 31 December 2018 and 2017.

The Group allows a credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the date of delivery, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**62,314**	67,828
Over 3 months but less than 6 months	**7,187**	2,769
	69,501	70,597

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$816,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Receivables that were past due but not impaired related to a number of independent customers with no recent history of default.

The following is an aged analysis of trade receivables presented based on the due date at the end of the Period.

	2017
	HK$'000
Current	69,781
Overdue within 3 months	816
	70,597

Since 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rate	**Carrying amount**
		HK$'000
Debtors with low credit risk		
Current to 1 month past due	0.23%	49,067
Debtors with medium credit risk		
Current to 1 month past due	1.22%	20,434
		69,501

8. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**42,960**	53,961
Payables for plant and equipment	**1,605**	972
Receipt in advance	**–**	57
Contract liabilities *(Note)*	**57**	–
Accruals and other payables	**12,239**	9,153
	56,861	64,143

Included in the Group's accruals and other payables as at 31 December 2018 were accrued directors' emoluments of approximately HK$601,000 (2017: HK$383,000). The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**40,918**	50,279
Over 3 months but less than 6 months	**2,042**	3,682
	42,960	53,961

The credit period on purchases of goods ranged from 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note:

	31.12.2018	1.1.2018*
	HK$'000	*HK$'000*
Receipts in advance	**57**	57

* *The amount in this column is after the reclassification from the application of HKFRS 15.*

Contract liabilities include advance received in respect of sales of goods. No revenue recognised during the year ended 31 December 2018 from amount included in the contract liabilities as at 1 January 2018.

9. EVENTS AFTER THE REPORTING PERIOD

On 5 March 2019, Brainhole Technology Investments Limited, an indirectly wholly-owned subsidiary of the Company incorporated after 31 December 2018, entered into a sale and purchase agreement with Guangzhou Chong Dong for the purchase of the entire equity interest in Guangzhou Weaving for a cash consideration of RMB68.0 million (equivalent to approximately HK$78.2 million) subject to adjustments. The acquisition was not yet completed as of the date of approval of this announcement. Further details of the proposed acquisition are set out in the Company's announcement dated 5 March 2019.

OVERVIEW

Overall, the Group has been faced with challenges in 2018 and the momentum of its growth has significantly slowed down in the second half of 2018, whereas material costs maintain a rising track. During the Period, the Group recorded a turnover of approximately HK$348.3 million for the year ended 31 December 2018, representing an increase of approximately 14.0% when compared to the previous year. The Group's net profit after tax for the Period was approximately HK$34.6 million, representing a drop of approximately 23.8% when compared to the previous year. We achieved earnings per share of approximately 4.33 HK cents, representing a decrease of approximately 23.6% when compared to the previous year (please refer to note 6 to the consolidated financial statements set out in this announcement for further details).

During the Period, the Group's manufacturing operations has recorded a slight decrease in revenue of approximately 3.9% as compared to last year and the Company believes that factors such as technological advancement, economic changes and consumer favour etc., have affected customer requirements and demand. With a view to adhering to market trends, the management has studied the market indication of interests in DFN packages and expanded the Group's existing production for its DFN packages such as DFN1006, DFN2010 and DFN2510. The Group has also expanded its self-manufactured product offerings to include DFN2020 during the Period.

In addition to its manufacturing operations, the Group continues to operate its trading business during the Period, primarily to complement sales of its self-manufactured products. The Group acts as a solution kits integrator and is engaged in trading of semiconductors that its customers specifically require, but which are not manufactured by the Group. The product mix required by its customers varies from time to time, and the Group's trading segment saw an increase in turnover and an improvement in the segment profit as compared to last year. It has also grown in terms of contribution to the Group's total turnover, as faced with the slight decline in sales attributable to the Group's manufacturing segment.

As at 31 December 2018, the Group had a total of 160 customers (2017: 143 customers) from the PRC, Hong Kong, Korea, Thailand, Vietnam, Taiwan, Europe and the United States, etc.

BUSINESS DEVELOPMENT

In 2018, the Group has continued its research and development effort to strengthen its production process and quality control, and the PRC subsidiary of the Group was granted the status of High and New-Technology Enterprise by the local tax authorities and is entitled to a reduced PRC Enterprise Income Tax rate at 15% for three years from 2017.

The Group has also continued to build its knowledge base of designs and engineering solutions to expand the range of value-added services to its customers. During the Period, the Group has increased its investment in the acquisition of additional reliability testing facilities and recruited additional industry experts to enhance its capability in research and development as well as new product development.

OUTLOOK

In 2019, the Group expects the principal uncertainties in the market would evolve around the Sino-American trade negotiations, the "Brexit" negotiations and other global geopolitical factors which are expected to affect consumers' behavior in turn. These factors will indirectly impact the Group's sales performance as the Group's products are targeted at appliances for the consumer market. Also the semiconductor industry is characterised by rapid technological changes and evolving industry standards and an effective quality assurance system is critical to the success of the Group.

To manage risks arising from these uncertainties, the Group intends to increase its investment in the quality assurance system, for example, acquisition of additional reliability testing facilities and upgrading the existing production facilities in order to respond to the technological development which is required by its customers and explore other possible business opportunities in expanding technology applications to the smart living sector with a view to diversifying the Group's product portfolio and expanding its business to enhance shareholders' equity.

As smart living including smart home solutions and smart city services has become increasingly popular, the Group believes that the growth of the smart living business is promising. As such, the Group is proactively expanding its business development effort in technology applications around smart living and smart cities related business.

As disclosed in the Company's announcement dated 5 March 2019, the Group entered into a sale and purchase agreement for the acquisition of Guangzhou Weaving. Guangzhou Weaving 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. Guangzhou Weaving enjoyed significant growth in the past two years as a result of the development of the property market and the continuous growth of the smart living sector. Leveraging on its well-established relationship with telecom carriers and property developers (such as Seedland and R&F Properties), Guangzhou Weaving aims to be a leading player in the smart living sector in the Greater Bay Area. Apart from the acquisition of Guangzhou Weaving, the Group will keep searching for other acquisition targets, primary focus on smart living related technology companies, which could have potential business synergy with Guangzhou Weaving. As the smart living sector has showed healthy double digit compounded growth in the past five years, the Group believes that the economic potential of the sector is still huge in the next decade.

BUSINESS REVIEW

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

During the Period, the Group's manufacturing operations has recorded a slight decrease in revenue of approximately 3.9% as compared to last year and the Company believes that factors such as technological advancement, economic changes and consumer favour etc., have affected customer requirements and demand. With a view to adhering to market trends, the management has studied the market indication of interests in DFN packages and expanded the Group's existing production for its DFN packages such as DFN1006, DFN2010 and DFN2510. The Group has also expanded its self-manufactured product offerings to include DFN2020 during the Period.

In addition to its manufacturing operations, the Group continues to operate its trading business during the Period, primarily to complement sales of its self-manufactured products. The Group acts as a solution kits integrator and is engaged in the trading of semiconductors that its customers specifically require, but which are not manufactured by the Group. The product mix required by its customers varies from time to time, and for 2018, the Group's trading segment saw an increase of approximately 72.1% in turnover to approximately HK$123.6 million and an improvement in the segment profit by approximately 29.2% to approximately HK$13.7 million as compared to last year. The proportion of turnover derived from the Group's trading segment accounted for approximately 35.5% for 2018, an increase from approximately 23.5% in 2017.

The Group also continues to provide tailor-made engineering solutions services that cater for its customers' product design needs during the Period. Although the Group amortises its value-added engineering solutions services into its unit sales prices and does not record them as separate sources of turnover, the Group believes that they have enabled it to create demand for its products. The Group believes that its understanding of its customers' needs and its ability to deliver high quality products and value-added solution kits services and engineering solutions services have been the key to its success in maintaining stable relationships with its existing customers and attracting new customers. The number of the Group's customers increased from 143 as at 31 December 2017 to 160 as at 31 December 2018.

The Group will remain cautious in evaluating and implementing its business strategies going forward in face of currency fluctuations and worldwide economic uncertainties, as well as rising costs of production.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties incidental to the Group's business operations include the following:

(i) as technology evolves and as part of the expansion of the Group's business, the Group may introduce additional products in its product offering range in the future, some of which may require more technologically advanced production facilities. The Group's existing production facilities and machinery may therefore become gradually obsolete, and the Group will be required to incur additional capital expenditure to invest in new production facilities and machinery;

(ii) the overall gross profit margin of the Group's self-manufactured products may experience fluctuations subject to different matrix of demands by its customers from time to time. In addition, when a more technologically advanced replacement product is introduced to the market, the demand for the existing products being replaced may decrease, and hence adversely affect the product's gross profit margin;

(iii) if the Group is unable to obtain additional packaging equipment or facilities in a timely manner and at a reasonable cost, its competitiveness and future profitability could be adversely affected;

(iv) the Group's production capacity may not correspond precisely to its production demands, and any significant increase in its idle or under-utilised production capacity during any particular period could adversely affect the Group's operating results in that period; and

(v) the Group relies on the stable operation of its production facilities and there is no assurance that its production would be free of disruptions in the future.

In addressing these risks and uncertainties, the Group will take a cautious approach when considering new purchases of equipment and machinery and will only do so if and when the Directors consider it to be in the interest of the Group to do so. The Group has also implemented a maintenance system for its facilities and equipment, which includes regular maintenance and repairs, and regular inspections of facilities and equipment. This allows the Group to operate its production lines at optimal levels. The Group carries out routine maintenance of its equipment to enhance its useful life. The Group also conducts major annual maintenance work. The Group's maintenance system aims to maintain operational efficiency and high-quality control standards. The Group has not experienced any material or prolonged interruptions to its manufacturing process due to equipment or machinery failure during the Period.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2018, the Group recorded turnover of approximately HK$348.3 million (2017: HK$305.5 million), representing an increase of approximately 14.0% when compared to the previous year. The increase in turnover was primarily attributable to the increase in the sales of the Group's trading segment as a result of customers purchasing proportionately more products sourced by the Group from third party suppliers during the Period.

The Group's turnover attributable to its self-manufactured products recorded a slight decrease of approximately 3.9% from approximately HK$233.7 million for the year ended 31 December 2017 to approximately HK$224.7 million for the year ended 31 December 2018. The Company believes that factors such as technological advancement, economic changes and consumer favour etc., have affected customer requirements and demand.

The Group's trading of products primarily complements sales of its self-manufactured products when it provides solution kits services to its customers. The turnover derived from the Group's trading business for the Period increased from approximately HK$71.8 million for the year ended 31 December 2017 to approximately HK$123.6 million for the year ended 31 December 2018 as a result of different product mix required by its customers, and increased marketing effort to brand the Group as not just a manufacturer, but also a solution kits integrator.

In terms of geographic coverage, the PRC and Korea remained as the Group's major target markets during the Period and they collectively accounted for approximately 71.5% (2017: 67.6%) of the Group's total turnover for the year ended 31 December 2018. The turnover derived from sales in the PRC market and the Korean market were approximately HK$108.9 million (2017: HK$94.5 million) and approximately HK$140.3 million (2017: HK$112.2 million) respectively, representing increase of approximately 15.2% and 25.0% when compared to the previous year. The Group's turnover from other Asian markets (i.e. Hong Kong, Thailand, Vietnam and Taiwan) has decreased by approximately 12.4% from approximately HK$84.4 million for the year ended 31 December 2017 to approximately HK$73.9 million for the year ended 31 December 2018. This reflects the uncertainties brought by the Sino-American trade negotiations during the Period.

The number of the Group's customers increased from 143 as at 31 December 2017 to 160 as at 31 December 2018. These increases reflect the Group's efforts in expanding its customer base during the Period.

Cost of Sales

The Group's cost of sales for the Period was approximately HK$257.5 million, representing an increase of approximately 26.3% from approximately HK$203.8 million in respect of the year ended 31 December 2017. Such increase was primarily attributable to an increase in material cost during the Period.

Gross Profit and Gross Profit Margin

Due to the proportionately higher rate of increase in costs of sales than the increase in turnover, the Group's gross profit for the Period was approximately HK$90.8 million, decreased by approximately 10.7% when compared to its gross profit of approximately HK$101.7 million for the year ended 31 December 2017. The Group's gross profit margin also exhibited a decrease from approximately 33.3% for the year ended 31 December 2017 to approximately 26.1% for the year ended 31 December 2018, which was primarily attributable to a decrease in the gross profit margin in the sales of the Group's self-manufactured products due to rising material cost.

For the Period, the average gross profit margin of the Group's self-manufactured products was approximately 32.1% (2017: 37.8%). The decrease was primarily due to a general trend of increasing material costs thereby driving down profit margins/the varying mix of products sold during the Period, where the Group sold more products that carry a lower gross profit margin than that in 2017. The average gross profit margin for trading of products sourced from third-party suppliers for the Period was approximately 15.0% (2017: 18.4%). Such difference was attributable to different product mix required by its customers from time to time.

Selling and Distribution Costs

The Group's selling and distribution costs for the Period was approximately HK$13.6 million, representing an increase of approximately 21.4% from that incurred for 2017. Such increase was primarily attributable to increased commission payment due to an increased number of products sold to customers referred by third-party agent during the Period.

Administrative Expenses

The Group's administrative expenses for the Period was approximately HK$40.3 million, representing an increase of approximately 16.5% over that of approximately HK$34.6 million for the year ended 31 December 2017. The increase was primarily attributable to, among others, (i) research and development expenses of approximately HK$12.1 million incurred for process innovation and product innovation; (ii) increase in staff-related expenses during the Period; and (iii) the expenses incurred by the Company in relation to a mandatory general offer which took place during the Period.

Income Tax Expenses

The Group's income tax expenses for the Period was approximately HK$4.2 million, representing a decrease of approximately 66.1% from approximately HK$12.4 million for the year ended 31 December 2017. Such decrease was primarily attributable to the over-provision of the PRC Enterprise Income Tax as the PRC subsidiary of the Group is entitled to a reduced PRC Enterprise Income Tax rate at 15% for the three years from 2017, and super-deduction of the research and development expenses for both periods.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit after tax for the Period was approximately HK$34.6 million, representing a decrease of approximately 23.8% when compared to the net profit of the Group of approximately HK$45.4 million for the year ended 31 December 2017. Given the sharp increase in material costs and research and development expenses during the Period, the net profit margin of the Group during the Period (which is calculated by dividing net profit for the relevant period by the turnover for the same period) has decreased from approximately 14.9% for the year ended 31 December 2017 to approximately 9.9% for the Period.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the operations of the Group were primarily funded by internally generated cash flows.

The Group's outstanding capital commitments as at 31 December 2018 amounted to approximately HK$19.8 million (2017: HK$4.4 million). Such commitments primarily related to purchase of equipment and machinery for those packages which the market showed indication of interests and quality control improvements in the production plant. Such outstanding commitments are expected to be funded by the Group's internally generated funds.

As at 31 December 2018, the Group had no outstanding bank borrowings.

Please refer to note 8 to the consolidated financial statements set out in this announcement for the ageing analysis in respect of the trade payables of the Group as at 31 December 2018 and 2017.

The Group's gearing ratio as at 31 December 2018 and 2017, which was calculated by dividing its total borrowings by its total equity as at those dates, were both nil due to the absence of borrowings as at those dates.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised with all bank deposits denominated either in HK$, US$ or RMB. The Group's liquidity and financing requirements are reviewed regularly. The Group will continue to maintain a prudent capital structure when considering financing for new investments.

CHARGES ON GROUP ASSETS

As at 31 December 2018, an amount of approximately HK$5.1 million (2017: HK$5.1 million) was pledged to a bank to secure short-term bank facilities granted to the Group.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals subsidiaries during the Period.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risks as several of its subsidiaries have foreign currency sales and purchases. For the years ended 31 December 2018 and 2017, approximately 73.6% and 71.3%, respectively, of the Group's sales were denominated in currencies other than the functional currency of the relevant group entities making the sale, and approximately 65.1% and 73.1%, respectively, of purchases were denominated in the relevant group entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2018 and 2017 are as follows:

	Assets		**Liabilities**	
	As at 31 December		**As at 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**74,994**	54,518	**6,123**	3,166
Renminbi	**7,155**	8,021	**90**	4,966
HK$	**–**	2,500	**–**	–
	82,149	65,039	**6,213**	8,132

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

As at 31 December 2018, the Group had a workforce of 376 full-time employees (including the two executive Directors but excluding the three independent non-executive Directors) of whom approximately 96.3% were employed in the PRC and approximately 3.7% in Hong Kong. The Group's staff costs (including Directors' emoluments) for the years ended 31 December 2018 and 2017 amounted to approximately HK$41.1 million and HK$35.3 million, respectively. The Group's employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which it is required to contribute a fixed percentage of the employees' payroll costs (up to a maximum of HK$1,500 per month) to the scheme. For the Group's employees in the PRC, the Group makes contributions to various government sponsored employee benefit funds, including housing provident fund, basic pension insurance fund, basic medical insurance, unemployment insurance, maternity insurance and work related injury insurance funds in accordance with applicable PRC laws and regulations.

The Group generally recruits employees from the open market. It actively pursues a strategy to recruit, develop and retain talented employees by (i) providing them with training programs on a regular basis to keep them abreast of their knowledge in the products it distributes, technology development and market conditions of the electronics industry; (ii) aligning employees' compensation and incentives with their performance; and (iii) providing them with a clear career path with opportunities for additional responsibilities and promotions.

ENVIRONMENTAL MATTERS

While the Group is subject to the PRC environmental laws and regulations including the Environment Protection Law of the PRC, which govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues, the Directors believe that the Group's production process does not generate environmental hazards which would pose a significant adverse effect on the environment and that the environmental protection measures undertaken by the Group are adequate to comply with all applicable current local and national PRC regulations.

During the Period and to the best of the Directors' knowledge, the Group had not received any complaints from its customers or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the Period, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

DIVIDEND

The Board does not recommend payment of any final dividend in respect of the Period. During the Period, no interim dividend was paid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continued growth of the Group and for safeguarding and maximising Shareholders' interests.

The Company has complied with the code provisions set out in the CG Code during the Period.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on 5 June 2019. Notice of the AGM will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 30 May 2019 for registration.

EVENTS AFTER THE REPORTING PERIOD

In light of the further development of the business of the Group and with a view to providing the Company with a more appropriate corporate identity and strategic direction, the Company announced on 11 January 2019 its proposal to change the English name of the Company from "Top Dynamic International Holdings Limited" to "Brainhole Technology Limited" and to change the dual foreign name in Chinese of the Company from "泰邦集團國際控股有限公司" to "脑洞科技有限公司". On 20 February 2019, the shareholders of the Company approved in an extraordinary general meeting the aforesaid name change and the name change was registered in the Cayman Islands on 21 February 2019. An announcement regarding the name change, the Company's stock short name and the Company's website will be made separately in due course.

On 5 March 2019, Brainhole Technology Investments Limited, an indirectly wholly-owned subsidiary of the Company incorporated after 31 December 2018, entered into a sale and purchase agreement with Guangzhou Chong Dong, for the purchase of the entire equity interest in Guangzhou Weaving, for a cash consideration of RMB68.0 million (equivalent to approximately HK$78.2 million) subject to adjustments. The acquisition was not yet completed as of the date of approval of this announcement. Further details of the proposed acquisition are set out in the Company's announcement dated 5 March 2019.

Save for the above, there is no material event undertaken by the Company or by the Group subsequent to 31 December 2018 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference that comply with the requirements of the CG Code. The audit committee currently comprises all independent non-executive Directors of the Company, namely Mr. Xu Liang, Mr. Chen Johnson Xi and Ms. Zhang Yibo, and is chaired by Mr. Xu Liang. The audit committee has reviewed the annual results of the Group in respect of the Period.

DEFINITIONS

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

"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	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), a company incorporated as an exempted company with limited liability in the Cayman Islands
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"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
"Guangzhou Weaving"	Guangzhou Weaving Communications Telecommunications Technology Limited(廣州織網通訊科技有限公司*), a company established in the PRC
"HK$" or "HK dollar(s)" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standard issued by the HKICPA
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
”Korea”	the Republic of Korea
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time as the context may require
“Main Board”	the Main Board of the Stock Exchange
“Period”	the year ended 31 December 2018
“PRC” or “China” or “Mainland China”	the People’s Republic of China, save that, for the purpose of this announcement and unless the context otherwise requires, references in this announcement do not include Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“%”	per cent

* *The English translation of the Company name is for reference only. The official name of this Company is in Chinese.*

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

Hong Kong, 22 March 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Liang Johnson and Ms. Wan Duo; and the independent non-executive Directors are Mr. Xu Liang, Mr. Chen Johnson Xi and Ms. Zhang Yibo.