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**BRAINHOLE**  
TECHNOLOGY  
**BRAINHOLE TECHNOLOGY LIMITED**  
**脑洞科技有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 2203)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2021 together with the unaudited comparative figures for the corresponding period in 2020, as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>155,858</b>	111,565
Cost of sales		<u>(130,265)</u>	<u>(99,086)</u>
<b>Gross profit</b>		<b>25,593</b>	12,479
Other income		<b>1,252</b>	1,546
Selling and distribution costs		<b>(4,604)</b>	(3,586)
Administrative expenses		<b>(35,826)</b>	(30,722)
Finance costs	4	<u>(2,934)</u>	<u>(993)</u>
<b>Loss before tax</b>		<b>(16,519)</b>	(21,276)
Income tax expenses	5	<u>(2,844)</u>	<u>(222)</u>
<b>Loss for the period</b>	6	<u>(19,363)</u>	<u>(21,498)</u>

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2021</b>	<b>2020</b>
<i>Notes</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income (expense) for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
	Exchange difference arising on translation of foreign operations	<u>1,538</u>	<u>(3,773)</u>
<b>Total comprehensive expense for the period attributable to owners of the Company</b>		<u><b>(17,825)</b></u>	<u><b>(25,271)</b></u>
<b>Loss per share</b>			
	– Basic and diluted ( <i>HK cents</i> )	<u><b>7</b></u> <u><b>(2.42)</b></u>	<u><b>(2.69)</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	9	115,071	122,464
Right-of-use assets		5,726	6,987
Finance lease receivable		249	477
Intangible assets		2,363	2,425
Deferred tax assets		11,564	14,261
Prepayment for plant and equipment		2,201	4,687
		<u>137,174</u>	<u>151,301</u>
<b>Current assets</b>			
Inventories		28,378	28,016
Finance lease receivable		452	419
Trade and other receivables	10	116,179	97,971
Contract assets		6,259	1,487
Amounts due from related companies		9,397	9,162
Tax recoverable		1,038	485
Bank balances and cash		68,703	74,150
		<u>230,406</u>	<u>211,690</u>
Non-current assets classified as held for sale	11	<u>2,995</u>	<u>7,349</u>
		<u>233,401</u>	<u>219,039</u>
<b>Current liabilities</b>			
Trade and other payables	12	87,981	64,588
Lease liabilities		3,099	3,110
Deferred income		857	722
Loan from an immediate holding company		29,920	37,331
		<u>121,857</u>	<u>105,751</u>
<b>Net current assets</b>		<u>111,544</u>	<u>113,288</u>
<b>Total assets less current liabilities</b>		<u>248,718</u>	<u>264,589</u>

	<b>30 June</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>		
Lease liabilities	<b>3,491</b>	4,685
Deferred tax liability	<b>331</b>	340
Deferred income	<b>5,750</b>	4,925
Loan from an immediate holding company	<b>1,994</b>	1,941
Loans from related companies	<b>68,339</b>	66,060
	<u><b>79,905</b></u>	<u>77,951</u>
	<u><b>168,813</b></u>	<u>186,638</u>
<b>Capital and reserves</b>		
Share capital	<b>8,000</b>	8,000
Reserves	<b>160,813</b>	178,638
	<u><b>168,813</b></u>	<u>186,638</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020 (audited)	8,000	104,098	7,437	(11,140)	(14,926)	12,778	118,633	224,880
Loss for the period	-	-	-	-	-	-	(21,498)	(21,498)
Other comprehensive expense for the period:								
Exchange difference arising on translation of foreign operations	-	-	-	-	(3,773)	-	-	(3,773)
Total comprehensive expense for the period	-	-	-	-	(3,773)	-	(21,498)	(25,271)
<b>At 30 June 2020 (unaudited)</b>	<b>8,000</b>	<b>104,098</b>	<b>7,437</b>	<b>(11,140)</b>	<b>(18,699)</b>	<b>12,778</b>	<b>97,135</b>	<b>199,609</b>
At 1 January 2021 (audited)	8,000	104,098	8,282	2,172	(7,725)	12,778	59,033	186,638
Loss for the period	-	-	-	-	-	-	(19,363)	(19,363)
Other comprehensive income for the period:								
Exchange difference arising on translation of foreign operations	-	-	-	-	1,538	-	-	1,538
Total comprehensive income (expense) for the period	-	-	-	-	1,538	-	(19,363)	(17,825)
<b>At 30 June 2021 (unaudited)</b>	<b>8,000</b>	<b>104,098</b>	<b>8,282</b>	<b>2,172</b>	<b>(6,187)</b>	<b>12,778</b>	<b>39,670</b>	<b>168,813</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(16,519)	(21,276)
Adjustments for:		
Amortisation of intangible assets	90	150
Amortisation of deferred income	(775)	(148)
Bank interest income	(292)	(26)
Depreciation of plant and equipment	12,286	10,877
Depreciation of right-of-use assets	1,723	1,707
Finance costs	2,934	993
Gain on disposal of plant and equipment	–	(33)
Government grants	(17)	(545)
Interest income on finance lease	(53)	(71)
Loss on disposal of non-current assets classified as held for sale	436	641
Write-off of plant and equipment	47	–
Operating cash flows before movements in working capital	(140)	(7,731)
(Increase) decrease in inventories	(36)	2,150
(Increase) decrease in trade and other receivables	(17,252)	20,428
Increase in contract assets	(4,748)	(41)
Increase in amounts due from related companies	(130)	(775)
Increase (decrease) in trade and other payables	22,581	(14,612)
Decrease in finance lease receivable	259	225
Cash generated from (used in) operations	534	(356)
Hong Kong profits tax paid	–	(192)
PRC enterprise income tax paid	(548)	(80)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(14)</b>	<b>(628)</b>

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(1,001)	(3,700)
Prepayment for plant and equipment	(63)	(567)
Settlement of payables for plant and equipment	(211)	(5,129)
Bank interest received	292	26
Proceeds from disposal of plant and equipment	–	2,079
Proceeds from disposal of non-current assets classified as held for sale	3,996	4,950
	<u>3,013</u>	<u>(2,341)</u>
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Government grants received	1,686	1,416
Repayment of principal element of lease liabilities	(1,678)	(1,713)
Repayment of interest element of lease liabilities	(216)	(92)
Repayment to an immediate holding company	(8,000)	(13,630)
Loan obtained from an immediate holding company	–	14,000
Interest expenses paid	–	(370)
	<u>(8,208)</u>	<u>(389)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	<u>(5,209)</u>	<u>(3,358)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	74,150	56,018
Effect of foreign exchange rate changes	(238)	306
	<u>(238)</u>	<u>306</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>		
	<u><u>68,703</u></u>	<u><u>52,966</u></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

## 1. GENERAL INFORMATION

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 issued shares had been listed on the Stock Exchange since 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 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, a company incorporated in the British Virgin Islands with limited liability and its ultimate controlling party is Mr. Zhang Liang Johnson (“**Mr. Zhang**”).

The Company is principally engaged in investment holding. The principal activities of its subsidiaries are the manufacturing and trading of semiconductors, broadband infrastructure construction and the provision of integrated solution for smart domain application (including smart home, smart campus and smart communities).

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial results of the Group for the Period are presented in HK\$ which is the same as the functional currency of the Company.

The unaudited condensed consolidated financial results of the Group for the Period have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and the Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the HKICPA.

The unaudited condensed consolidated financial results have been prepared on the historical cost basis except for loan from an immediate holding company and loans from related companies that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial results for the Period are consistent with those adopted in the preparation of the Group’s annual report for the year ended 31 December 2020.

In the current period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

COVID-19-Related Rent Concessions beyond 30 June 2021



The adoption of the above new or revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early adopted any new and amendments to HKFRSs that have been issued but are not yet effective.

The unaudited condensed consolidated financial results have not been audited nor reviewed by the auditor of the Company, but have been reviewed by the audit committee of the Company.

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

### **3. REVENUE 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 *Operating Segments* are 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.
- c) Broadband infrastructure and smart domain segment engages in the provision of broadband infrastructure construction services, promotion of broadband services, smart domain solution services and operating leases for broadband infrastructure.

Segment revenue represents revenue derived from the manufacturing and trading of electronic and electrical parts and components, and provision of services for broadband infrastructure construction, promotion of broadband and integrated solution for smart domain application. An analysis of the Group's revenue for the Period from continuing operations is as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Manufacturing of electronic goods	62,601	55,857
Trading of electronic goods	42,416	24,851
Broadband infrastructure and smart domain:		
– Broadband infrastructure construction services	28,829	17,635
– Commission income	7,817	5,897
– Provision of smart domain solution services	11,313	6,827
	<u>152,976</u>	<u>111,067</u>
<b>Revenue from other sources</b>		
Broadband infrastructure and smart domain:		
Rental income from broadband infrastructure under operating lease		
– Lease payments that are fixed at a rate	2,882	498
	<u>155,858</u>	<u>111,565</u>

#### **Disaggregation of revenue from contracts with customers by timing of recognition**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Timing of revenue recognition</b>		
At a point in time	124,147	93,432
Over time	28,829	17,635
	<u>152,976</u>	<u>111,067</u>
Total revenue from contracts with customers	<u><u>152,976</u></u>	<u><u>111,067</u></u>

## Segment revenue and results

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

	Six months ended 30 June							
	Manufacturing		Trading		Broadband infrastructure and smart domain		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	<u>62,601</u>	<u>55,857</u>	<u>42,416</u>	<u>24,851</u>	<u>50,841</u>	<u>30,857</u>	<u>155,858</u>	<u>111,565</u>
Segment profit (loss)	<u>4,147</u>	<u>(3,809)</u>	<u>4,292</u>	<u>3,196</u>	<u>894</u>	<u>1,652</u>	<u>9,333</u>	<u>1,039</u>
Unallocated income							<u>115</u>	<u>959</u>
Unallocated expenses							<u>(25,967)</u>	<u>(23,274)</u>
Loss before tax							<u>(16,519)</u>	<u>(21,276)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of certain administrative expenses, finance costs 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:

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>SEGMENT ASSETS</b>		
Manufacturing	<b>150,617</b>	174,083
Trading	<b>22,418</b>	21,095
Broadband infrastructure and smart domain	<b>147,953</b>	128,917
Unallocated	<b>49,587</b>	46,245
	<hr/>	<hr/>
Total assets	<b>370,575</b>	370,340
	<hr/> <hr/>	<hr/> <hr/>
<b>SEGMENT LIABILITIES</b>		
Manufacturing	<b>21,489</b>	15,915
Trading	<b>13,680</b>	11,485
Broadband infrastructure and smart domain	<b>57,841</b>	40,726
Unallocated	<b>108,752</b>	115,576
	<hr/>	<hr/>
Total liabilities	<b>201,762</b>	183,702
	<hr/> <hr/>	<hr/> <hr/>

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 and right-of-use assets for administrative purpose, certain deferred tax assets, certain other receivables and prepayments, and certain 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, certain lease liabilities, deferred tax liability, loans from an immediate holding company and loans from related companies.

#### 4. FINANCE COSTS

	Six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Lease liabilities	216	92
Loans from an immediate holding company	918	901
Loans from related companies	1,734	–
Loss on early repayment of loan from an immediate holding company	66	–
	<u>2,934</u>	<u>993</u>

#### 5. INCOME TAX EXPENSES

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the unaudited condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Current tax:</b>		
Hong Kong	–	57
The PRC	1	259
	<u>1</u>	<u>316</u>
<b>Over provision in prior years:</b>		
Hong Kong	–	–
The PRC	–	(44)
	<u>–</u>	<u>(44)</u>
<b>Deferred tax</b>	<u>2,843</u>	<u>(50)</u>
	<u><u>2,844</u></u>	<u><u>222</u></u>

- (i) Pursuant to the rules and regulations of the British Virgin Islands and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions for the six months ended 30 June 2021 and 2020.
- (ii) For the six months ended 30 June 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of the qualifying corporation is taxed at 8.25%, and assessable profits of the qualifying corporation above HK\$2,000,000 is taxed at 16.5%. The assessable profits of the other entities of the Group not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.
- (iii) Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

For the six months ended 30 June 2021, Guangzhou Weaving was recognised by the PRC government as “High and New Technology Enterprise” (“**HNTE**”) and was eligible to a preferential tax rate of 15%, while Dongguan Jia Jun was subject to a tax rate of 25%. For the six months ended 30 June 2020, Guangzhou Weaving and Dongguan Jia Jun were both qualified as HNTE and eligible to a preferential tax rate of 15%.

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Amount of inventories recognised as expenses	<b>93,879</b>	77,963
Amortisation of intangible assets	<b>90</b>	150
Depreciation of plant and equipment	<b>12,286</b>	10,877
Depreciation of right-of-use assets	<b>1,723</b>	1,707
Research and development costs ( <i>Note (i)</i> )	<b>6,869</b>	6,936
Write-off of plant and equipment	<b>47</b>	–
Government grants ( <i>Note (ii)</i> )	<b>(17)</b>	(545)
Gain on disposal of plant and equipment	<b>–</b>	(33)
Gain on disposal of trademark	<b>(90)</b>	–
Loss on disposal of non-current assets classified as held for sale	<b>436</b>	641
Staff costs (including Directors’ emoluments)		
Salaries and allowances	<b>31,391</b>	27,235
Retirement benefits scheme contributions	<b>2,979</b>	1,539
	<b>34,370</b>	28,774
Total staff costs	<b>34,370</b>	28,774

*Notes:*

- (i) The research and development costs included staff cost of approximately HK\$4,483,000 (six months ended 30 June 2020: HK\$4,227,000) which has been included in staff costs disclosure above.
- (ii) Government grants were subsidies received from local government authorities and the Group has fulfilled all conditions attached to the subsidies. The grants were recognised as other income upon receipt for the six months ended 30 June 2021 and 2020.

**7. LOSS PER SHARE**

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

**Basic loss per share**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<b><u>HK\$(19,363,000)</u></b>	<b><u>HK\$(21,498,000)</u></b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>800,000,000</u></b>	<b><u>800,000,000</u></b>

**Diluted loss per share**

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2021 and 2020 as there were no dilutive potential ordinary shares outstanding during these periods.

**8. DIVIDEND**

No interim dividend was paid or proposed during the Period, nor has any interim dividend been proposed since the end of the reporting period (six months ended 30 June 2020: nil).

## 9. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately HK\$3,556,000 (six months ended 30 June 2020: HK\$22,104,000).

There was no plant and equipment which was disposed of by the Group during the Period (six months ended 30 June 2020: HK\$2,046,000).

Plant and equipment with a net carrying value of approximately HK\$47,000 were written off by the Group during the Period (six months ended 30 June 2020: nil).

## 10. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Receivables at amortised cost comprise:		
Trade receivables	<b>102,694</b>	90,332
Less: allowance for impairment loss of trade receivables	<b>(1,985)</b>	(1,965)
	<b>100,709</b>	88,367
Deposits and other receivables	<b>12,314</b>	5,847
Prepayments	<b>3,156</b>	3,757
Total trade and other receivables	<b>116,179</b>	97,971

As at 30 June 2021, the gross amount of trade receivables arising from contracts with customers and operating leases amounted to approximately HK\$98,371,000 (31 December 2020: HK\$87,728,000) and HK\$2,338,000 (31 December 2020: HK\$639,000) respectively.

The Group does not hold any collateral over its trade and other receivables.

The Group allows a credit period of 0 to 90 days (31 December 2020: 0 to 90 days) to its customers for manufacturing and trading segments. For customers for broadband infrastructure and smart domain segment, various credit periods are granted to its customers, and the credit period of individual customer is considered on a mutually-agreed basis and stipulated in the project contract, as appropriate.



The following is an aged analysis of trade receivables, net of allowance for impairment, presented based on the date of delivery/invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
0 to 30 days	<b>47,014</b>	41,710
31 to 90 days	<b>38,871</b>	32,462
91 to 365 days	<b>10,576</b>	8,930
Over 365 days	<b>4,248</b>	5,265
	<b><u>100,709</u></b>	<u>88,367</u>

#### 11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2019, the Directors committed to a plan to dispose certain machineries under the manufacturing segment and those machineries were therefore classified as non-current assets held for sale and presented separately in the consolidated statement of financial position as at and subsequent to 31 December 2019.

During the Period, the abovementioned machineries with the carrying amount of approximately HK\$4,432,000 (six months ended 30 June 2020: HK\$5,591,000) were disposed of, for cash proceeds of approximately HK\$3,996,000, resulting in a net loss on disposals of approximately HK\$436,000 (six months ended 30 June 2020: HK\$641,000) and recognised in profit and loss for the Period.

As at 30 June 2021, the management of the Group remains committed to its plans to sell the machineries with the carrying amount of approximately HK\$2,995,000 and has been actively communicating with the potential buyers, therefore, the remaining machineries continue to be classified as non-current assets held for sale as at 30 June 2021.

## 12. TRADE AND OTHER PAYABLES

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	64,593	46,131
Payables for acquisition of plant and equipment	5	211
Accruals of costs for contract works	3,842	610
Accrued staff costs	4,130	4,754
Payable for commission	–	1,925
Accruals and other payables	<u>15,411</u>	<u>10,957</u>
	<b><u>87,981</u></b>	<b><u>64,588</u></b>

The Group's accruals and other payables included interest payable to the loan from an immediate holding company of approximately HK\$722,000 as at 30 June 2021 (31 December 2020: HK\$380,000).

Included in the Group's accrued staff costs as at 30 June 2021 were accrued Directors' emoluments of approximately HK\$270,000 (31 December 2020: nil).

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

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Within 3 months	45,934	32,602
4 to 6 months	7,023	6,263
7 to 12 months	7,634	3,684
Over 1 year	<u>4,002</u>	<u>3,582</u>
	<b><u>64,593</u></b>	<b><u>46,131</u></b>

The credit period on purchases of goods ranged from 30 to 180 days (31 December 2020: 30 to 180 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### **13. CAPITAL COMMITMENTS**

As at 30 June 2021, the Group has contracted for but not provided in the unaudited condensed consolidated financial results in respect of acquisition of plant and equipment and broadband infrastructure construction of approximately HK\$11,257,000 (31 December 2020: HK\$11,024,000).

### **14. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS**

The unaudited condensed consolidated financial results were approved and authorised for issue by the Board on 31 August 2021.

### **15. EVENTS AFTER THE REPORTING PERIOD**

There was no significant event that took place after the reporting period and up to the date of this announcement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### *(i) Semiconductor business*

The strong adoption across a wide range of high technology from 5G networks, artificial intelligence, internet of things, cloud computing and big data processing around the world in the last few years drives the need of technologies with higher power efficiency, speed and more complex functionalities. This stimulated the global market demand for the semiconductor industry.

In general, semiconductor manufacturing consists of a series of processes, comprising of design of the integrated circuit (“IC”), preliminary testing of the viability of the design, wafer fabrication, assembly and packaging and final testing. 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. The assembly and packaging are one of and in the downstream of the whole manufacturing process transforming semiconductor chips into functional devices which are used in a variety of end-use applications.

The design of IC and wafer fabrication is dominated by several giant multinational companies, while the market of assembly and packaging of discrete semiconductors includes large players and smaller local players. Therefore, the Group, which is in the downstream of the supply chain of semiconductors, is facing more keen competition.

During the Period, with the launch of vaccines and the implementation of economic recovery measures, the global economy and the semiconductor market have gradually recovered from the adverse impact of COVID-19. Hence, the Group’s revenue from manufacturing and trading of semiconductors for the Period increased by approximately 30.1% as compared to the corresponding period of the previous financial year.

During the Period, the revenue from the manufacturing business of semiconductors increased by approximately 12.1% as compared to the corresponding period of the previous financial year. In addition to its manufacturing business, the Group continued to operate its trading business during the Period, primarily to supplement its sales of self-manufactured products. The Group acts as a solution kits integrator and is engaged in trading of semiconductors that its customers specifically require. These semiconductors, however, are not manufactured by the Group. The product mix required by customers varies from time to time. During the Period, the revenue from trading of semiconductors increased by approximately 70.7% as compared to the corresponding period of the previous financial year.

However, there is possibility of another wave of delta variant of COVID-19 and uncertainties caused by the continuous tension of the global trade dispute and tariff battle between China and the United States. The Group's customers of semiconductors generally slowed down their new order placing when compared to that before the outbreak of COVID-19. The recovery pace of the orders from the customers remains uncertain.

During the Period, the Group continued its ongoing efforts in research and development and innovations. Regarding the semiconductors business, the Group has registered 60 patent rights in the PRC in respect of its process innovation and product innovation as at 30 June 2021.

The number of customers of the Group's semiconductors business increased from 170 as at 30 June 2020 to 178 as at 30 June 2021.

**(ii) *Broadband infrastructure and smart domain business***

By completing the acquisition of Guangzhou Weaving in September 2019, the Group extended its business portfolio to broadband infrastructure construction and the provision of integrated solution for smart domain application (including smart home, smart campus and smart communities) in the PRC. Its smart domain solution includes hardware for security and identification purposes, software for residence management, energy saving and community services.

Due to its business nature, the broadband infrastructure construction and the provision of integrated solution for smart domain application were relatively less susceptible to the impact of the COVID-19 pandemic than the semiconductors business. Since 2020, the Group successfully partnered with the domestic high-tech leading players to explore the business opportunities on providing smart domain solution together, especially for the smart campus projects. In view of this, the Group has also expanded its workforce to develop into this business segment. As smart living has become increasingly popular, the Group believes that the contribution from this business segment can continue to enhance Shareholders' equity and diversify the Group's risk portfolio.

## FINANCIAL REVIEW

### *Revenue*

The Group recorded revenue of approximately HK\$155.8 million during the Period, as compared to the revenue of approximately HK\$111.6 million for the six months ended 30 June 2020. The increase in revenue was approximately HK\$44.2 million or 39.7% when compared to the corresponding period of the previous financial year. It was primarily attributable to the increase in the revenue of both semiconductor business and broadband infrastructure and smart domain business.

For semiconductor business, both manufacturing and trading segments also benefited from the recovery of the semiconductor market from the impact of COVID-19. During the Period, the Group recorded revenue of approximately HK\$62.6 million from sales of its self-manufactured semiconductors, representing an increase of approximately HK\$6.7 million or 12.1% as compared to that of approximately HK\$55.9 million for the six months ended 30 June 2020.

The Group's trading of semiconductors primarily complements sales of self-manufactured semiconductors when it provides solution kits services to its customers. During the Period, the Group's revenue derived from its trading of semiconductors amounted to approximately HK\$42.4 million, representing an increase of approximately HK\$17.5 million or 70.7% as compared to that of approximately HK\$24.9 million for the six months ended 30 June 2020.

On the other hand, the revenue of broadband infrastructure and smart domain segment contributed by Guangzhou Weaving Group amounted to approximately HK\$50.8 million during the Period, compared to the revenue of approximately HK\$30.8 million for the six months ended 30 June 2020. The increase of approximately HK\$20.0 million or 64.8% was mainly because there were more projects for the broadband infrastructure construction and smart domain solution during the Period.

### *Gross Profit and Gross Profit Margin*

The Group's gross profit amounted to approximately HK\$25.6 million for the Period, representing an increase of approximately HK\$13.1 million or 105.1% from approximately HK\$12.5 million for the six months ended 30 June 2020. It was mainly attributable to the increase in revenue and gross profit margin of semiconductors business, which led to the gross profit of semiconductor business having increased from approximately HK\$2.8 million for the six months ended 30 June 2020 to approximately HK\$12.3 million for the Period.

Moreover, Guangzhou Weaving Group also contributed gross profit of approximately HK\$13.3 million for the Period, while recorded gross profit of approximately HK\$9.7 million for the six months ended 30 June 2020.

The Group's overall gross profit margin for the Period was approximately 16.4%, representing an increase of approximately 5.2 percentage points, as compared with gross profit margin of approximately 11.2% for the six months ended 30 June 2020. Such increase was primarily due to the increase of gross profit margin of the semiconductor business, which increased from approximately 3.4% for the six months ended 30 June 2020 to approximately 11.7% for the Period. This was mainly attributable to the higher efficiency for the absorption of manufacturing overhead costs arising from the increase in revenue and sales volume of semiconductors during the Period, while there was temporary suspension of production of semiconductors for about one month after the Chinese New Year in 2020 due to the public health measures put in place to prevent the spread of the COVID-19 pandemic. Furthermore, there was also reduction in costs incurred for the anti-pandemic measures such as the quarantine, social distancing and other pandemic containment measures during the Period.

The gross profit margin of Guangzhou Weaving Group was recorded at approximately 26.2% and 31.4% respectively for the Period and for the six months ended 30 June 2020. The decrease was mainly attributable to more competitive price offered for the broadband infrastructure construction projects in order to capture the market share.

### ***Selling and Distribution Costs***

The Group's selling and distribution costs for the Period was approximately HK\$4.6 million, representing an increase of approximately HK\$1.0 million or 28.4% from approximately HK\$3.6 million for the six months ended 30 June 2020. The amount mainly represented the selling and distribution costs of semiconductors business and such increase was in line with the change of revenue of semiconductor business during the Period as discussed above.

### ***Administrative Expenses***

Administrative expenses mainly included staff costs, Directors' remuneration, legal and professional fees, depreciation, research and development expenditure, insurance, office expenses, rental expenses, travelling expenses, entertainment expenses and other miscellaneous operating expenses.

The Group's administrative expenses for the Period was approximately HK\$35.8 million, increased by approximately HK\$5.1 million or 16.6%, as compared to that of approximately HK\$30.7 million for the six months ended 30 June 2020.

The increase was primarily attributable to, among others, (i) the increase of staff costs; and (ii) the provisional reduction of employer's contribution of social insurance by the PRC government due to the outbreak of COVID-19 in 2020 while there was no such reduction for the Period.

### ***Income Tax Expenses***

The Group's income tax expenses for the Period were approximately HK\$2.8 million, as compared to income tax expenses of approximately HK\$0.2 million for the six months ended 30 June 2020. Such increase of income tax expenses was primarily attributable to the deferred tax impact arising from the disposal of non-current assets classified as held for sale during the Period as disclosed in note 11 to the unaudited condensed consolidated financial results.

### ***Loss for the Period***

As a result of the foregoing, the Group's net loss for the Period was approximately HK\$19.4 million, when compared to the net loss of approximately HK\$21.5 million for the six months ended 30 June 2020.

## **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 30 June 2021 amounted to approximately HK\$11.3 million (31 December 2020: HK\$11.0 million). Such commitments primarily related to the broadband infrastructure construction and purchase of equipment and machinery to meet the demand of the market 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 30 June 2021, the Group had no outstanding bank borrowings.

Please refer to note 12 to the unaudited condensed consolidated financial results in this announcement for the ageing analysis in respect of the trade payables of the Group as at 30 June 2021 and 31 December 2020.

The Group's gearing ratios as at 30 June 2021 and 31 December 2020, which were calculated by dividing its total bank borrowings by its total equity as at those dates, were both nil due to the absence of bank 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 30 June 2021, the Group did not have any pledged asset (31 December 2020: nil).

## SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group has not made any significant investments or material acquisitions and disposals of subsidiaries.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

## 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 six months ended 30 June 2021 and 2020, approximately 42.0% and 39.5%, respectively, of the Group's sales were denominated in currencies other than the functional currency of the relevant group entities making the sales, and approximately 3.5% and 8.2%, respectively, of purchases were not 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 30 June 2021 and 31 December 2020 are as follows:

	Assets		Liabilities	
	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
United States dollars ("US\$")	37,787	34,395	3,080	2,713
Renminbi ("RMB")	146	4,818	–	–
Total:	<u>37,933</u>	<u>39,213</u>	<u>3,080</u>	<u>2,713</u>

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 30 June 2021, the Group had a workforce of 406 full-time employees (including two executive Directors but excluding three independent non-executive Directors) of whom approximately 96.1% were employed in the PRC and approximately 3.9% in Hong Kong. The Group's staff costs (including Directors' emoluments) for the six months ended 30 June 2021 and 2020 amounted to approximately HK\$34.4 million and HK\$28.8 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, broadband infrastructure industry and smart domain 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.

## **RESERVES**

Movements in the reserves of the Group for the Period are set out in the unaudited condensed consolidated statement of changes in equity set out above.

## **DIVIDENDS**

The Board does not recommend the payment of any interim dividend for the Period (30 June 2020: nil).

## **BUSINESS PROSPECT**

In the coming years, the global economic environment is expected to be complex and the prospect of the Group's semiconductor business will be full of challenges. The possibility of another wave of delta variant of COVID-19 brings new uncertainty about the full recovery of the global economy. In addition, the ongoing trade tension between China and the United States will affect the global semiconductor supply chain and the semiconductor market. This may further affect the Group's customers of semiconductors to take a conservative approach for the plan of new order placing.

Although the accelerated innovation and development of 5G technology and related emerging applications bring the new business opportunities to the semiconductor industry, the Group also faces the challenges of higher technical standard from the customers and more competitive market regionally and globally. Nevertheless, the Group intends to continue its research and development to strengthen its production process and quality control and will closely monitor the changes in the macro environment and make timely strategic development to seize market opportunities.

On the other hand, under China's "14th Five-Year Plan", innovation and technology development have been elevated to core national priorities and strategic supporting pillar to its economic development. It is foreseeable that 5G networks, artificial intelligence, internet of things, cloud computing and big data processing will be benefited continuously from the PRC government's dedicated support in its development. The Group believes that the wide range of technological innovation will drive the emerging applications in the smart living sector. In view of this, the Group will capitalise on the fast-growing demand of technological application in the smart living sector.

Looking forward, Guangzhou Weaving is dedicated to be a smart domain solution integrator. The Group will keep searching for other acquisition or investment targets, primarily focusing on areas of smart living related technology and electronic parts for artificial intelligence and internet of things, which could have potential business synergy with Guangzhou Weaving and semiconductor business, or other area of technology which could improve the living standard of human beings. By leveraging the management team's expertise and network in the field of mobile telecommunication, networking and smart city, and our well-established relationship with telecom carriers and property developers (such as Seedland and R&F Properties), the Group is also vigorous to explore other business opportunities, including in the field of smart campus and smart parking.

## **CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Upon specific enquiry made with all the Directors, the Company was not aware of any non-compliance with the Model Code during the Period regarding securities transactions by Directors.

## **COMPETING INTERESTS**

None of the Directors or controlling shareholders of the Company and their respective close associates (as defined in the Listing Rules) has any interest in a business which competed or might compete with the business of the Group or has any other conflict of interests with the Group 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 provision set out in the CG Code, except for E.1.2, during the Period.

E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting. However, due to other business engagements, Mr. Zhang Liang Johnson, the chairman of the Board, was unable to attend the annual general meeting held on 11 June 2021. Ms. Wan Duo, an executive Director, was invited to take the chair and answer questions from Shareholders at the annual general meeting.

## **AUDIT COMMITTEE**

The Company established an audit committee on 23 September 2015 with written terms of reference in compliance with the Listing Rules.

The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, monitor the integrity of the financial statements, annual reports and interim reports, review significant financial reporting judgements contained in them, and oversee financial reporting system, risk management and internal control systems of the Group. The audit committee of the Company consists of three members, namely Mr. Xu Liang, Mr. Chen Johnson Xi and Ms. Zhang Yibo. Mr. Xu Liang, who has appropriate professional qualifications and experience in accounting matters, is the chairperson of the audit committee.

The audit committee has reviewed this announcement and the Group's unaudited condensed consolidated financial results for the Period and is of the opinion that the preparation of such results complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## DEFINITIONS

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

“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix 14 to 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, a company incorporated as an exempted company with limited liability in the Cayman Islands
“Director(s)”	the director(s) of the Company
“Dongguan Jia Jun”	東莞市佳駿電子科技有限公司(Dongguan Jia Jun Electronic Technology Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Weaving”	廣州織網通訊科技有限公司 (Guangzhou Weaving Communications Telecommunications Technology Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Guangzhou Weaving Group”	Guangzhou Weaving and its subsidiary
“HKFRS(s)”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$” or “HK dollar(s)” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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
“Model Code”	a code of conduct adopted by the Company regarding securities transactions by Directors and employees of the Group on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules
“Period”	for the six months ended 30 June 2021
“PRC”	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 Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	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  
**Brainhole Technology Limited**  
**Zhang Liang Johnson**  
*Chairman and Executive Director*

Hong Kong, 31 August 2021

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