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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE 2022 CONSTRUCTION SERVICES
FRAMEWORK AGREEMENT**

THE 2022 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement dated 14 June 2019 in relation to the continuing connected transactions under the Existing Construction Services Framework Agreement. As the Existing Construction Services Framework Agreement will expire on 31 December 2021, on 6 December 2021 (after trading hours of the Stock Exchange), Guangzhou Weaving entered into the 2022 Construction Services Framework Agreement with Seedland for a term of three years ending 31 December 2024, pursuant to which Guangzhou Weaving Group Companies shall provide Seedland Group Companies with certain communication construction and smart domain solution services, including but not limited to broadband infrastructure construction services for residential properties and projects and integrated solutions for smart community projects (including hardware for security and identification purposes, software for residential management and community services) and Guangzhou Weaving Group Companies shall receive construction service fees in return. The Proposed Annual Caps for the service fees under the 2022 Construction Services Framework Agreement shall not exceed RMB8.0 million (equivalent to approximately HK\$9.8 million) throughout the term thereof.

LISTING RULES IMPLICATION

As at the date of this announcement, Seedland is wholly and beneficially owned by Mr. Zhang, the chairman of the Board and an executive Director. Accordingly, Seedland is regarded as a connected person of the Company and the transactions contemplated under the 2022 Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the transactions contemplated under the 2022 Construction Services Framework Agreement are less than 25% and the Proposed Annual Caps is less than HK\$10 million, the transactions contemplated under the 2022 Construction Services Framework Agreement constitute de minimis transactions under Rule 14A.76 of the Listing Rules, and therefore are subject to reporting, annual review and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 14 June 2019 in relation to the continuing connected transactions under the Existing Construction Services Framework Agreement. As the Existing Construction Services Framework Agreement will expire on 31 December 2021, on 6 December 2021 (after trading hours of the Stock Exchange), Guangzhou Weaving entered into the 2022 Construction Services Framework Agreement with Seedland for a term of three years ending 31 December 2024, pursuant to which Guangzhou Weaving Group Companies shall provide Seedland Group Companies with certain communication construction and smart domain solution services, including but not limited to broadband infrastructure construction services for residential properties and projects and integrated solutions for smart community projects (including hardware for security and identification purposes, software for residential management and community services) and Guangzhou Weaving Group Companies shall receive construction service fees in return. The Proposed Annual Caps for the service fees under the 2022 Construction Services Framework Agreement shall not exceed RMB8.0 million (equivalent to approximately HK\$9.8 million) throughout the term thereof. The principal terms of the 2022 Construction Services Framework Agreement are set out below.

THE 2022 CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Date

6 December 2021 (after trading hours of the Stock Exchange)

Parties

- (a) Guangzhou Weaving (for itself and on behalf of Guangzhou Weaving Group Companies); and
- (b) Seedland (for itself and on behalf of Seedland Group Companies).

Duration

The 2022 Construction Services Framework Agreement is for a term from 1 January 2022 to 31 December 2024.

Either party, during the continuance of the 2022 Construction Services Framework Agreement, may terminate it by giving the other party not less than six (6) months' prior written notice. Such written notice of termination shall take effect on the date on which it is received by the receiving party.

Should the services under the 2022 Construction Services Framework Agreement cannot be fulfilled due to force majeure, the 2022 Construction Services Framework Agreement may be terminated in advance by the mutual agreement of both parties.

The 2022 Construction Services Framework Agreement will be terminated on the expiring date of the cooperation period and will not be automatically renewed.

Proposed Annual Caps

The aggregate service fees receivable from Seedland Group Companies by Guangzhou Weaving Group Companies under the 2022 Construction Services Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024 shall not exceed RMB8.0 million (equivalent to approximately HK\$9.8 million).

In arriving at the Proposed Annual Caps in respect of the service fees receivable from Seedland Group Companies, the Directors have considered the following factors:

- (i) the historical figures of the service fees receivable from Seedland Group Companies for the years ended 31 December 2019 and 2020 and for the period from 1 January 2021 to 31 October 2021, which were approximately RMB10.3 million, RMB8.3 million and RMB7.1 million respectively;
- (ii) contracts for construction services which have already been entered into between Guangzhou Weaving Group Companies and Seedland Group Companies; and
- (iii) the expected contract amount for construction services to be entered into between Guangzhou Weaving Group Companies and Seedland Group Companies for each of the three years ending 31 December 2024.

Pricing policy

The service fees receivable from Seedland Group Companies shall be determined based on prevailing market price with reference to prices charged by providers of, or prices paid by purchasers of, similar construction services who are Independent Third Parties.

The service fees receivable from Seedland Group Companies shall not be lower than service fees for similar construction services provided by Guangzhou Weaving Group Companies to property developers which are Independent Third Parties. If no prevailing market price could be referenced at that time or it is difficult to obtain the relevant market price, the parties will determine the service fees based on the reasonable cost and reasonable profit margin of the relevant services, as well as the service fees in the previous transactions between the parties.

Internal control procedures

In order to ensure that the service fees charged under the 2022 Construction Services Framework Agreement shall not be less favourable than those available to Independent Third Parties for similar quotation arrangement of similar services provided to Seedland Group Companies, the Company has adopted the following measures:

- the Company will supervise the 2022 Construction Services Framework Agreement in accordance with the procedures set forth in the Company's internal control manual on continuing connected transactions. Designated personnel of the operation department of the Group will conduct regular checks to review and assess whether relevant transactions are conducted in accordance with the terms of the 2022 Construction Services Framework Agreement;
- the Company's external auditors will conduct an annual review on the pricing and the annual caps of the 2022 Construction Services Framework Agreement;
- the Company's Audit Committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the 2022 Construction Services Framework Agreement by the Company; and
- the independent non-executive Directors will conduct an annual review of the implementation and enforcement of the 2022 Construction Services Framework Agreement.

Reasons and benefits for the 2022 Construction Services Framework Agreement

Since Guangzhou Weaving is well-acquainted with the businesses of Seedland and has been providing the communication construction and smart domain solution services to Seedland over the years, it is both time and cost effective from a continuity perspective for Guangzhou Weaving Group Companies to continue to supply Seedland Group Companies with communication construction and smart domain solution services in view of business needs and administrative convenience, and at the same time this arrangement would possibly generate steady income for the Group.

The Directors (including all independent non-executive Directors) are of the view that the 2022 Construction Services Framework Agreement is entered into in the ordinary and usual course of business of Guangzhou Weaving and on normal commercial terms negotiated on arm's length basis, and the 2022 Construction Services Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

As at the date of this announcement, Seedland is wholly and beneficially owned by Mr. Zhang, the chairman of the Board and an executive Director. Therefore, as at the date of this announcement, Mr. Zhang is deemed to be materially interested in the 2022 Construction Services Framework Agreement and the transactions contemplated thereunder. Mr. Zhang has abstained from voting on the relevant Board resolutions in relation to considering and approving the 2022 Construction Services Framework Agreement and the transactions contemplated thereunder at the Board meeting.

INFORMATION ABOUT THE PARTIES

The Group (excluding Guangzhou Weaving Group Companies) is principally engaged in the assembly, packaging and sales of self-manufactured discrete semiconductors with a primary focus on applications for smart consumer electronic devices, and trading of semiconductors sourced from third-party suppliers and Guangzhou Weaving Group Companies is principally engaged in broadband infrastructure construction for residential properties, and providing integrated solutions for smart communities and smart cities projects. Its smart community and smart city solutions include hardware for security and identification purposes, and software for residence management and community services.

Seedland is a comprehensive property developer focusing on the development of intelligent residential properties in the Greater Bay Area with a strategic presence in other cities with high growth potential in the PRC.

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Brainhole Technology Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2203)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“2022 Construction Services Framework Agreement”	the construction services framework agreement entered into between Guangzhou Weaving and Seedland on 6 December 2021 in relation to the provision of communication construction and smart domain solution services for three years ending 31 December 2024
“Director(s)”	the director(s) of the Company
“Existing Construction Services Framework Agreement”	the construction services framework agreement entered into between Guangzhou Weaving and Seedland on 13 June 2019 in relation to the provision of communication construction and smart domain solution services for three years ending 31 December 2021

“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 an indirect wholly-owned subsidiary of the Company
“Guangzhou Weaving Group Companies”	Guangzhou Weaving and its subsidiary(ies)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Zhang and his associates (as defined under the Listing Rules)
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Liang Johnson, the chairman of the Board and an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Regions and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the 2022 Construction Services Framework Agreement in the amount of RMB8.0 million (equivalent to approximately HK\$9.8 million) for each of the three years ending 31 December 2024
“Seedland”	實地地產集團有限公司 (Seedland Real Estate Group Co., Ltd.*), a limited liability company established in the PRC and wholly and beneficially owned by Mr. Zhang
“Seedland Group Companies”	Seedland, its subsidiaries and their joint ventures and associated companies

“Shareholders”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purpose only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.22.

* 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, 6 December 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.