BRAINHOLE
TECHNOLOGY

BRAINHOLE TECHNOLOGY LIMITED
脑洞科技有限公司

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*3*	**321,570**	261,809
Cost of sales		**(267,457)**	(228,294)
Gross profit		**54,113**	33,515
Other income		**7,163**	7,888
Selling and distribution costs		**(8,430)**	(7,705)
Administrative expenses		**(80,837)**	(60,566)
Impairment loss on plant and equipment and right-of-use assets		**(15,028)**	(34,879)
Impairment loss on non-current assets classified as held for sale		**–**	(2,011)
Finance costs		**(8,179)**	(3,355)
Loss before tax		**(51,198)**	(67,113)
Income tax (expense) credit	*4*	**(354)**	8,358
Loss for the year	*5*	**(51,552)**	(58,755)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**3,722**	7,201
Total comprehensive expense for the year		**(47,830)**	(51,554)
Loss per share			
– Basic and diluted *(HK cents)*	*6*	**(6.44)**	(7.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Non-current assets			
Plant and equipment		**93,306**	122,464
Right-of-use assets		**4,069**	6,987
Finance lease receivable		**–**	477
Intangible assets		**1,239**	2,425
Deferred tax assets		**14,264**	14,261
Prepayment for plant and equipment		**1,204**	4,687
		114,082	151,301
Current assets			
Inventories		**49,643**	28,016
Finance lease receivable		**491**	419
Trade and other receivables	*7*	**132,506**	97,971
Contract assets		**1,844**	1,487
Amounts due from related companies		**11,508**	9,162
Tax recoverable		**911**	485
Bank balances and cash		**42,644**	74,150
		239,547	211,690
Non-current assets classified as held for sale		**–**	7,349
		239,547	219,039
Current liabilities			
Trade and other payables	*8*	**120,183**	64,588
Lease liabilities		**2,340**	3,110
Deferred income		**796**	722
Loan from an immediate holding company		**–**	37,331
		123,319	105,751
Net current assets		**116,228**	113,288
Total assets less current liabilities		**230,310**	264,589

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**2,480**	4,685
Deferred tax liability		**313**	340
Deferred income		**5,086**	4,925
Loan from an immediate holding company		**25,100**	1,941
Loans from related companies		**55,007**	66,060
		87,986	77,951
		142,324	186,638
Capital and reserves			
Share capital		**8,000**	8,000
Reserves		**134,324**	178,638
		142,324	186,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Brainhole Technology Limited 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 ("Yoho"), a company incorporated in the BVI with limited liability and its ultimate controlling party is Mr. Zhang.

The Company is principally engaged in investment holding and the principal activities of its subsidiaries are the manufacturing and trading of electronic and electrical parts and components, provision of broadband infrastructure construction services, promotion of broadband services, smart domain solution services and operating leases for broadband infrastructure.

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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
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	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[2]

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

[2] Effective for annual periods beginning on or after 1 January 2022.

[3] Effective for annual periods beginning on or after 1 January 2023.

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

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

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 or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable 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.

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 different risks and returns. Accordingly, the Group's operating activities are attributable to manufacturing, trading and broadband infrastructure and smart domain segments.

Revenue represents revenue arising from the manufacturing and trading of electronic and electrical parts and components, provision of broadband infrastructure construction services, promotion of broadband services, smart domain solution services and operating leases for broadband infrastructure. An analysis of the Group's revenue for the year is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Manufacturing of electronic goods	**129,479**	122,169
Trading of electronic goods	**91,742**	70,671
Broadband infrastructure and smart domain:		
Broadband infrastructure construction services	**54,245**	39,006
Commission income	**13,741**	13,607
Provision of smart domain solution services	**27,158**	12,320
	316,365	257,773
Revenue from other sources		
Broadband infrastructure and smart domain:		
Rental income from broadband infrastructure under operating lease		
– Lease payments that are fixed at a rate	**5,205**	4,036
	321,570	261,809

Disaggregation of revenue from contracts with customers by timing of recognition

	2021	2020
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**262,120**	218,767
Over time	**54,245**	39,006
Total revenue from contracts with customers	**316,365**	257,773

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognition are, as follow:

	2021	2020
	HK$'000	*HK$'000*
Within one year	**18,393**	18,555
More than one year	**16,317**	9,309
	34,710	27,864

The above amounts represent revenue expected to be recognised in the future from broadband infrastructure construction services.

For other types of revenue, as those contracts with original expected duration of one year or less, no disclosure is made as a practical expedient.

Segment revenues and results

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

	Manufacturing		**Trading**		**Broadband infrastructure and smart domain**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**129,479**	122,169	**91,742**	70,671	**100,349**	68,969	**321,570**	261,809
Segment profit (loss)	**1,121**	(36,065)	**9,465**	5,734	**(9,856)**	4,692	**730**	(25,639)
Unallocated income							**1,395**	5,131
Unallocated expenses							**(53,323)**	(46,605)
Loss before tax							**(51,198)**	(67,113)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of certain administrative expenses, certain 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:

	2021	2020
	HK$'000	*HK$'000*
Segment assets		
Manufacturing	**138,100**	174,083
Trading	**27,503**	21,095
Broadband infrastructure and smart domain	**142,263**	128,917
Unallocated	**45,763**	46,245
Total assets	**353,629**	370,340
Segment liabilities		
Manufacturing	**22,546**	15,915
Trading	**20,634**	11,485
Broadband infrastructure and smart domain	**77,646**	40,726
Unallocated	**90,479**	115,576
Total liabilities	**211,305**	183,702

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 intangible assets, tax recoverable, 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, loan from an immediate holding company and loans from related companies.

4. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	15
The PRC	**–**	399
	–	414
Over provision in prior years:		
Hong Kong	**(16)**	–
The PRC	**(3)**	(306)
	(19)	(306)
Deferred tax	**373**	(8,466)
	354	(8,358)

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

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2021.

(c) Under the Law of the People's Republic of China 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 years ended 31 December 2021 and 2020, the PRC subsidiary, Guangzhou Weaving, was recognised by the PRC government as "High and New Technology Enterprises" and were eligible to a preferential tax rate of 15%.

No provision for Enterprise Income Tax has been made as the Group did not have any taxable profits subject to Enterprise Income Tax for the year ended 31 December 2021.

5. LOSS FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
Emoluments of the directors of the Company and chief executive:		
Salaries and allowances	**2,006**	3,513
Retirement benefits scheme contributions	**2**	18
Other staff costs:		
Salaries and allowances	**58,460**	52,704
Retirement benefits scheme contributions	**6,068**	2,922
Total staff costs	**66,536**	59,157
Auditors' remuneration	**778**	786
Amount of inventories recognised as expenses	**197,482**	179,340
Amortisation of intangible assets	**181**	238
Depreciation of plant and equipment	**19,765**	22,647
Depreciation of right-of-use assets	**3,455**	3,376
Research and development costs *(note)*	**13,481**	12,955
Impairment loss on inventories	**–**	1,759
Impairment loss (reversal of impairment loss) on trade receivables, net	**5,959**	(203)
Impairment loss (reversal of impairment loss) on contract assets	**410**	(1)
Gain on disposal of plant and equipment	**(2,599)**	(55)
Impairment loss recognised on plant and equipment	**15,028**	34,483
Impairment loss recognised on right-of-use assets	**–**	396
Loss on disposal of non-current assets classified as held for sale	**766**	759
Write-off of plant and equipment	**49**	3
Impairment loss recognised on amounts due from related companies (trade nature)	**2,933**	–
Gain on disposal of intangible asset	**(90)**	–
Write-off of intangible asset	**1,058**	–
Write-off of other receivables	**367**	–

Note: Included in research and development costs were staff cost of approximately HK$9,427,000 (2020: HK$7,886,000), which were included in other staff costs disclosure above.

6. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(51,552)**	(58,755)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**800,000**	800,000

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

7. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**113,554**	90,332
Less: allowance for impairment of trade receivables	**(8,060)**	(1,965)
	105,494	88,367
Deposits and other receivables	**1,781**	4,064
Receivables for disposal of plant and equipment and non-current assets classified as held for sale	**10,843**	–
Value-added tax recoverable	**10,329**	1,783
Prepayments	**4,059**	3,757
Total trade and other receivables	**132,506**	97,971

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers and operating leases amounted to approximately HK$109,116,000 (2020: HK$87,156,000) and HK$4,438,000 (2020: HK$3,176,000) respectively.

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

The Group allows a credit period up 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.

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**50,762**	41,710
31 to 90 days	**25,476**	32,462
91 to 365 days	**23,633**	8,930
Over 365 days	**5,623**	5,265
	105,494	88,367

8. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**97,120**	46,131
Payables for acquisition of plant and equipment	**5**	211
Accruals of costs for contract works	**265**	610
Accrued staff costs	**6,548**	4,754
Payable for commission	**1,795**	1,925
Accruals and other payables	**14,450**	10,957
	120,183	64,588

Included in other payables, amount of approximately HK$1,031,000 represented interest payable to loan from an immediate holding company as at 31 December 2021 (2020: HK$380,000).

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

	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**62,650**	32,602
4 to 6 months	**14,293**	6,263
7 to 12 months	**15,431**	3,684
Over 1 year	**4,746**	3,582
	97,120	46,131

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

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 recent 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 are dominated by several giant multinational companies, while the market of assembly and packaging of discrete semiconductors included 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 14.7% as compared to the previous financial year.

During the Period, the revenue from the manufacturing business of semiconductors increased by approximately 6.0% as compared to 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 29.8% as compared to the previous financial year.

However, the outbreak of another wave of Omicron 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 put continuous downward pressure to the global economy. The Group's customers of semiconductors generally slowed down their new order placing when compared to that before the outbreak of COVID-19. The full recovery of the orders from the customers remains uncertain.

(ii) Broadband infrastructure and smart domain business

Guangzhou Weaving, the wholly-owned subsidiary of the Group, is principally engaged in 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 the smart domain solution together, especially for the smart campus projects. The contribution from these smart domain solution projects gave rise to the increase of revenue from this business segment during the Period.

However, certain policies implemented by the PRC government also brought challenges to the Group. The state policy on "Facilitating Fast and More Affordable Internet Connection" continues to put downward pressure on the profitability of the broadband infrastructure industry and in the long run affects the commission income shared from telecom operators for the promotion of broadband.

Moreover, some customers of Guangzhou Weaving, which are the property developers in the PRC, were adversely affected by the more stringent deleveraging policy in the PRC real estate industry since the second half of 2021. The tight liquidity of the customers in the real estate industry led to the longer completion period of construction service projects and the increase of trade receivable turnover days. The Group will closely monitor the risk exposure and credit risk of the customers, by continuous update of the operating situation of them.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$321.5 million during the Period, as compared to the revenue of approximately HK$261.8 million for the year ended 31 December 2020. The increase in revenue was approximately HK$59.7 million or 22.8% when compared to 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$129.5 million from sales of its self-manufactured semiconductors, representing an increase of approximately HK$7.3 million or 6.0% as compared to that of approximately HK$122.2 million for the year ended 31 December 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$91.7 million, representing an increase of approximately HK$21.0 million or 29.8% as compared to that of approximately HK$70.7 million for the year ended 31 December 2020.

On the other hand, the revenue of broadband infrastructure and smart domain segment contributed by Guangzhou Weaving Group amounted to approximately HK$100.3 million during the Period, compared to the revenue of approximately HK$68.9 million for the year ended 31 December 2020. The increase of approximately HK$31.4 million or 45.5% 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$54.1 million for the Period, representing an increase of approximately HK$20.6 million or 61.5% from approximately HK$33.5 million for the year ended 31 December 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$12.5 million for the year ended 31 December 2020 to approximately HK$30.5 million for the Period.

Moreover, Guangzhou Weaving Group also contributed gross profit of approximately HK$23.6 million for the Period, while recorded gross profit of approximately HK$21.0 million for the year ended 31 December 2020.

The Group's overall gross profit margin for the Period was approximately 16.8%, representing an increase of approximately 4.0 percentage points, as compared with gross profit margin of approximately 12.8% for the year ended 31 December 2020. Such increase was primarily due to the increase of gross profit margin of the semiconductor business, which increased from approximately 6.5% for the year ended 31 December 2020 to approximately 13.8% 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 23.5% and 30.5% respectively for the Period and for the year ended 31 December 2020. The decrease was mainly attributable to more competitive price offered for the broadband infrastructure construction and smart domain solution 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$8.4 million, representing an increase of approximately HK$0.7 million or 9.4% from approximately HK$7.7 million for the year ended 31 December 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 semiconductors during the Period as discussed above.

Administrative Expenses

Administrative expenses mainly included auditor's remuneration, 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$80.8 million, increased by approximately HK$20.2 million or 33.5%, as compared to that of approximately HK$60.6 million for the year ended 31 December 2020.

The increase was primarily attributable to, among others, (i) the increase of staff costs for approximately HK$4.2 million; (ii) the increase of social insurance for approximately HK$2.4 million, resulting from 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; (iii) the write-off of intangible assets of approximately HK$1.1 million; (iv) the loss on disposal of non-current assets classified as held for sale of approximately HK$0.8 million; and (v) the impairment loss on trade receivables, contract assets and amounts due from related companies, totaling approximately HK$9.3 million.

Impairment loss on trade receivables, contract assets and amounts due from related companies for the year ended 31 December 2021

In accordance with the HKFRS 9 requirements, the management performed the impairment assessment and measured the expected credit loss ("ECL") on trade receivables, contract assets and amounts due from related companies based on the simplified approach as at 31 December 2021 and 2020. Consistent with the previous financial year, the loss allowance for ECL on trade receivables, contract assets and amounts due from related companies are estimated by using a provision matrix to measure the ECL and with reference to a valuation on ECL performed by an independent qualified professional valuer, Valtech Valuation Advisory Limited ("Valtech"). Valtech has appropriate qualifications and has recent experience on the assessment on ECL of similar financial instruments.

In assessing the loss allowance for ECL, the management has taken into consideration the period that the amounts were past due, the repayment history, the profile of debtors, the communication with the debtors about their financial conditions, the general economic conditions of the industry in which the debtors operate, as well as the results of any collection efforts.

During the Period, the Group has recorded the impairment loss on trade receivables, contract assets and amounts due from related companies in aggregate of approximately HK$9.3 million, which consisted of impairment loss on trade receivables of approximately HK$6.0 million, impairment loss on contract assets of approximately HK$0.4 million and impairment loss on amounts due from related companies of approximately HK$2.9 million.

The difficulty of debt collection in relation to the impairment loss for the Period is mainly attributable to the adverse effect on the liquidity of some customers of broadband infrastructure and smart domain segment, which are the property developers in the PRC, caused by the more stringent deleveraging policy in real estate industry implemented by the PRC government since the second half of 2021.

In view of the above, the management has conducted debt collection procedure to minimise the credit risk, which includes (i) closely monitoring the progress of repayment by following up on the overdue debts by way of telephone calls and other electronic means; (ii) staying in touch with the customers on a more frequent basis; (iii) sending collection statement to the customers to remind them of the outstanding balances status; (iv) delegating a team to determine credit limit and credit approval; and (v) discussing with legal advisor about the appropriateness of taking further legal actions.

Based on the above, the Directors are of the view that the amount of the impairment loss was fair and reasonable.

Impairment loss on plant and equipment and right-of-use assets for the years ended 31 December 2021 and 2020

Given the adverse impact on the performance of the Group's manufacturing business of semiconductors as a result of the COVID-19 pandemic and in accordance with the HKAS 36 requirements, the management performed impairment assessment for the relevant segment. The recoverable amount of the relevant assets is determined by value-in-use calculation using discounted cashflow projection, based on the financial forecasts prepared by the management and with reference to a valuation performed by Valtech, the independent qualified professional valuer. Valtech has appropriate qualifications and has recent experience in the valuation of similar assets in the relevant industries.

As a result of the impairment assessment, provision for impairment loss of approximately HK$15.0 million (2020: HK$34.5 million) and nil (2020: HK$0.4 million) have been made on the plant and equipment and right-of-use assets respectively during the Period. The non-cash provision for impairment loss will reduce the net carrying amount of plant and equipment and right-of-use assets, reducing the depreciation charge over the remaining lease terms.

Allowance for inventories for the year ended 31 December 2020

During the year ended 31 December 2020, the management reviewed the condition of inventories of the Group and allowance for impairment loss of approximately HK$1.8 million had been made against the aged inventory items including finished goods and raw materials, which were considered obsolete and slow-moving (other than the Specific Types of Semiconductors mentioned in the following section headed "Impairment loss on plant and equipment and inventories for the year ended 31 December 2019"), based on the assessment of the net realisable value. The management estimated the net realisable value, with reference to the ageing analysis and considering the movement and saleability of the inventories.

The allowance for impairment loss of inventories for the year ended 31 December 2020 had been recognised in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

In 2021, the management considered there is no realistic prospect of selling these impaired obsolete inventory. In order to optimize the use of storage space in the warehouse, the Group has fully written off these impaired obsolete inventory during the year ended 31 December 2021.

Impairment loss on plant and equipment and inventories for the year ended 31 December 2019

In September 2019, the Group received complaints from a few customers about certain types of semiconductors (the "Specific Types of Semiconductors") manufactured by a wholly-owned subsidiary of the Group, Dongguan Jia Jun Electronic Technology Company Limited ("Dongguan Jia Jun") and stated that they would refuse to accept the Specific Types of Semiconductors in the future if the technical standard of semiconductors have not yet improved. Dongguan Jia Jun, therefore, discussed with the relevant customers about the reason for the complaints of the Specific Types of Semiconductors and commenced its internal review procedure.

After due investigation and review by the R&D department of Dongguan Jia Jun in November 2019, it was concluded that the electrical defective parts per million ("DPPM") level of the Specific Types of Semiconductors was unsatisfactory according to the customers' technical standard for the production of electronic devices with more advanced technological functions, and the specific machineries (the "Specific Machineries") were unable to manufacture semiconductors that can meet such technical standard of DPPM required by customers.

The Group has been producing the Specific Types of Semiconductors to fulfil the continuous order demand from its customers. It is a flowing process of production of Specific Types of Semiconductors by the Group and the application of the Specific Types of Semiconductors by the customers into the production of various electronic devices. In some circumstances and as requested by the customers, the Specific Types of Semiconductors would be delivered within a short lead time after receiving the customers' orders.

The Specific Types of Semiconductors delivered to the customers were not defective products. The failure of Specific Types of Semiconductors to meet the DPPM standard during the production process of customers, was only due to the fact that the customers applied the Specific Types of Semiconductors to produce electronic devices with more advanced technological functions and such Specific Types of Semiconductors were no longer up to the technical standard of current market. From the customers' perspective, the use of Specific Types of Semiconductors, which could not meet the technical standard of DPPM, would result in quality issue during the manufacturing process of the electronic devices with more advanced technological functions.

As a result, the customers stated that they would not accept the Specific Types of Semiconductors in the future and requested semiconductors with higher technical standard to maintain the DPPM standard during the production process of electronic devices with more advanced technological functions.

In this regard, the Company would like to emphasis that there was no return of Specific Types of Semiconductors which has been delivered to the customers. There were only complaints from a few customers and requests for the Group to deliver semiconductors with better technical standard in the future.

In order to establish and maintain long-term and good relationship with its customers, the Group has communicated with customers that the Group will supply the semiconductors that can meet the DPPM standard in the future.

In fact, the Group generated revenue from the sale of the Specific Types of Semiconductors manufactured by the Specific Machineries since 2013. From 2013 to 2019, the Group had also incurred additional capital expenditure to increase the production capacity of the Specific Machineries, so as to fulfil the increasing demand from customers for the Specific Types of Semiconductors. During these years, the Specific Types of Semiconductors manufactured had been accepted by customers and met the customers' technical standard of DPPM for the production process of electronic devices.

However, the semiconductor industry and its downstream industries are characterised by rapid technological changes and evolving industry standards. During these years, the Group's R&D department had put effort to improve the quality in order to meet the continuous increasing technological standard required by its customers.

Hence, the failure of Specific Types of Semiconductors manufactured by the Specific Machineries to meet the customers' technical standard for the production process of electronic devices with more advanced technological functions, was neither due to the fault of the Company nor the relevant suppliers of the Specific Machineries. There is no breach of warranty or compensation in respect of the Specific Machineries by the relevant suppliers.

In December 2019, the Group had further conducted an analysis for the cost-effectiveness of modification and enhancement of the Specific Machineries. It was found that the additional costs of modifying the Specific Machineries go beyond the benefits for the fulfilment of customers' technological requirements. Moreover, the Group does not have the expertise nor sufficient space to re-equip or re-assemble the Specific Machineries. The Group can only outsource the re-equipment or re-assembly of the Specific Machineries, which involves monetary cost and time cost. This is less cost efficient compared with the sale of the Specific Machineries and acquisition of new machineries to produce semiconductors that can meet the customers' technical standard. As a result, the Specific Machineries remained idle.

Future economic benefit of the Specific Machineries that can bring to the Group would likely be adversely affected. The Group regarded this condition as an indication that the Specific Machineries may be impaired. In view of this, in December 2019, the Group engaged Valtech, the independent qualified professional valuer, to evaluate the recoverable amounts of the Specific Machineries, which were based on the fair value less costs of disposal. Valtech has appropriate qualifications and has recent experience in the valuation of similar machineries in the relevant industries.

In determining the fair value less costs of disposal, the market approach was mainly adopted by Valtech which considers prices recently paid for similar assets in an active market, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative, as well as quotations from second-hand traders. Valtech had assumed that the equipment is capable to be used in its present existing state and in normal working condition and had come to the conclusion that the fair value less costs of disposal of the Specific Machineries was approximately HK$15.3 million. As a result, impairment loss of approximately HK$22.5 million was recorded.

In order to assess the fairness and reasonableness of the impairments, the Directors had considered the fair value with reference to the second-hand market price quotation and Valtech's valuation report for the impaired Specific Machineries, and were of the view that the conclusion of the fair value of impaired Specific Machineries of approximately HK$15.3 million was fair and reasonable.

On the other hand, the Specific Types of Semiconductors manufactured by the Specific Machineries were tailor-made based on the customers' specifications. It requires lots of time and manpower to check and select the Specific Types of Semiconductors for testing and modification one by one, which are tiny in size (e.g. 1.0mm x 0.6mm x 0.38mm). From the economic perspective, it is not possible to modify and it is more cost efficient to manufacture a new batch of semiconductors. Therefore, the possibility of reselling them to the market is remote. The net realisable values of the respective inventories including finished goods and raw materials were anticipated to be minimal. As a result, these inventories with carrying amount of approximately HK$10.3 million were fully impaired as at 31 December 2019.

In conclusion, the impairment of inventories and plant and equipment was mainly due to technological advancement of electronic devices, and the Specific Machineries could no longer produce semiconductors up to the technical standard required by current market. As a result, the Specific Machineries and Specific Types of Semiconductors became obsolete.

All these circumstances were not anticipated by the Group at the time of acquisition of the Specific Machineries, most of which were already made by the Group for two to six years as at 31 December 2019.

The Company's plan on the Specific Machineries as at 31 December 2019

The Specific Machineries, mainly comprising of aluminum wire bonding machine, automatic dispensing machine, cutting machine, die bonding machine, high-speed die bonding machine, high-speed wire bonding machine, encapsulate molding machine, forming machine, laser label printing machine, laser marking machine, sorting machine, test handler, testing system and other production machinery, were acquired by the Group from over 20 suppliers, which were all third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), on arm's length basis. Most of the Specific Machineries had been purchased by the Group for two to six years as at 31 December 2019 and the transaction amount ranged from approximately HK$20,000 to HK$8 million.

The management believed that the Specific Machineries still have re-sale value in the second hand market for some manufacturers/recyclers of machinery and equipment, which have the ability to re-equip or re-assemble the Specific Machineries with relatively lower cost. Hence, the Group would seek opportunities to sell the Specific Machineries to these manufacturers/recyclers or other interested parties in the second-hand market. In view of this, the Specific Machineries were classified as "Non-current asset classified as held for sale" in the consolidated statement of financial position of the Group as at 31 December 2019.

Update on the Specific Types of Semiconductors

During the year ended 31 December 2020, the management has also attempted to sell the impaired inventory of Specific Types of Semiconductors and part of them, with allowance for impairment loss of approximately HK$5.8 million, have been disposed of as scrap materials to an electronic component trading company, which was a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), on arm's length basis. As a result, gain on disposal of approximately HK$0.6 million was recorded in other income in profit and loss for the year ended 31 December 2020. The disposal of impaired inventory of Specific Types of Semiconductors did not constitute any notifiable transaction under Chapter 14 of the Listing Rules.

Moreover, the management considered that there was no realistic prospect of selling the remaining portion of the impaired Specific Types of Semiconductors. Therefore, the Group has written off substantial part of the remaining impaired Specific Types of Semiconductors in 2020, which amounted to approximately HK$3.0 million, in order to optimise the use of storage space in the warehouse. As at 31 December 2020, the balance of allowance for impairment loss of Specific Types of Semiconductors remained approximately HK$1.4 million.

In 2021, the management considered there is no realistic prospect of selling the remaining impaired Specific Types of Semiconductors. In order to optimize the use of storage space in the warehouse, the Group has fully written off these impaired Specific Types of Semiconductors during the year ended 31 December 2021.

Update on the Specific Machineries

During the year ended 31 December 2020, the Specific Machineries with carrying amount of approximately HK$6.4 million have been sold in different tranches to a number of manufacturers in the second-hand market, which were all third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), on arm's length basis. As a result, net loss on disposals of approximately HK$0.8 million was recorded in profit and loss for the year ended 31 December 2020. The disposal of the Specific Machineries did not constitute any notifiable transaction under Chapter 14 of the Listing Rules.

During the year ended 31 December 2020, the management conducted a review of impairment of the remaining Specific Machineries and engaged Valtech, the independent qualified professional valuer, to evaluate the recoverable amounts of these Specific Machineries, which were based on fair value less costs of disposal.

In determining the fair value less costs of disposal, the market approach was mainly adopted by Valtech and was consistently applied for the years ended 31 December 2020 and 2019, which considered prices recently paid for similar assets in an active market, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative, as well as quotations from second-hand traders. Valtech had assumed that the equipment is capable to be used in its present existing state and in normal working condition and had come to the conclusion that the fair value less costs of disposal of the remaining Specific Machineries was approximately HK$7.3 million. As a result, impairment loss of approximately HK$2.0 million had been made on the remaining Specific Machineries and was recognised in the profit or loss for the the year ended 31 December 2020.

In order to assess the fairness and reasonableness of the impairments, the Directors had considered the fair value with reference to the second-hand market price quotation and Valtech's valuation report, and were of the view that the conclusion of the fair value of the remaining Specific Machineries of approximately HK$7.3 million was fair and reasonable.

As at 31 December 2020, the management remained committed to the plan to sell the Specific Machineries and would actively seek and communicate with the potential buyers in the second-hand market. Therefore, the remaining Specific Machineries with carrying amount of approximately HK$7.3 million continued to be classified as held for sale and was separately presented in the consolidated statement of financial position of the Group as at 31 December 2020.

During the year ended 31 December 2021, all remaining Specific Machineries with carrying amount of approximately HK$7.5 million have been sold in different tranches to a number of manufacturers in the second-hand market, which were all third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), on arm's length basis. As a result, net loss on disposals of approximately HK$0.8 million was recorded in profit and loss for the year ended 31 December 2021. The disposal of the Specific Machineries did not constitute any notifiable transaction under Chapter 14 of the Listing Rules. As at 31 December 2021, all non-current assets classified as held for sale were fully disposed of.

Income Tax (Expense) Credit

The Group's income tax expenses for the Period were approximately HK$0.4 million, as compared to income tax credit of approximately HK$8.4 million for the year ended 31 December 2020. Such movement of income tax was primarily attributable to less deferred tax impact recorded during the Period. This is because the deferred tax effect arising from the impairment loss on plant and equipment, trade receivables and amounts due from related companies has offset with the deferred tax effect arising from the disposal of non-current assets classified as held for sale and the written off of impaired inventory.

Loss for the Period

As a result of the foregoing, the Group's net loss for the Period was approximately HK$51.6 million, when compared to the net loss of approximately HK$58.8 million for the year ended 31 December 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 31 December 2021 amounted to approximately HK$8.5 million (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 31 December 2021, the Group had no outstanding bank borrowings.

Please refer to note 8 to the consolidated financial statements in this announcement for the ageing analysis in respect of the trade payables of the Group as at 31 December 2021 and 2020.

The Group's gearing ratio as at 31 December 2021 and 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 31 December 2021, the Group did not have any asset pledged (2020: Nil).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (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 years ended 31 December 2021 and 2020, approximately 36% and 41%, 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 4% and 6%, 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 31 December 2021 and 2020 are as follows:

	Assets		**Liabilities**	
	As at 31 December		**As at 31 December**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**29,498**	34,395	**2,668**	2,713
Renminbi	**96**	4,818	**–**	–
	29,594	39,213	**2,668**	2,713

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 2021, the Group had a workforce of 374 full-time employees (including the Directors but excluding the 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 2021 and 2020 amounted to approximately HK$66.5 million and HK$59.2 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.

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 did not receive any complaints from its customers or any other parties in respect of any environmental protection issues, and did not experience any material environmental incidents arising from its manufacturing activities. During the Period, no administrative sanctions or penalties were imposed on the Group for the violation of environmental laws or regulations which had a material adverse impact on its operations.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Period (2020: Nil).

BUSINESS PROSPECT

In the coming years, the global economic environment is expected to be complex and the prospect of the Group's semiconductors business will be full of challenges. There is still no clue when the global economy will be fully recovered from the impact of the COVID-19 pandemic. 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. Furthermore, the Group will also from time to time monitor the performance of the machineries so as to ensure to meet customers' requirement on technical standard.

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. We believe 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 those being encouraged and supported by the PRC government.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 provision set out in the CG Code, except for A.1.1 and E.1.2, during the Period.

Pursuant to A.1.1 of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Although only 2 regular Board meetings were held during the year ended 31 December 2021, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors.

In addition, senior management of the Group provided to the Directors the information in respect of the Group's business development and activities from time to time and the significant matters had been either duly reported, discussed and resolved at the 2 Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

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.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Friday, 10 June 2022. 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 Tuesday, 7 June 2022 to Friday, 10 June 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 6 June 2022 for registration.

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, 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:

"AGM"	the annual general meeting of the Company to be held on Friday, 10 June 2022
"Board"	the board of Directors

"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to 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
"Group"	the Company and its subsidiaries
"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 with limited liability
"Guangzhou Weaving Group"	Guangzhou Weaving and its subsidiary
"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
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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
"Mr. Zhang"	Mr. Zhang Liang Johnson
"Period"	the year ended 31 December 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
"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
Brainhole Technology Limited
Zhang Liang Johnson
Chairman and Executive Director

Hong Kong, 31 March 2022

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.