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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 2023**

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022, as follows:

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

*For the six months ended 30 June 2023*

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2023</b>	<b>2022</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>132,855</b>	160,834
Cost of sales		<u><b>(109,274)</b></u>	<u>(131,996)</u>
<b>Gross profit</b>		<b>23,581</b>	28,838
Other income		<b>5,406</b>	3,747
Other losses	4	<b>(12,235)</b>	–
Selling and distribution costs		<b>(4,211)</b>	(4,885)
Administrative expenses		<b>(25,673)</b>	(28,676)
Finance costs	5	<u><b>(3,848)</b></u>	<u>(4,227)</u>

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss before tax</b>		<b>(16,980)</b>	<b>(5,203)</b>
Income tax expenses	6	<u>(1,437)</u>	<u>(2,592)</u>
<b>Loss for the period</b>	7	<u>(18,417)</u>	<u>(7,795)</u>
<b>Other comprehensive 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>(26)</u>	<u>(3,780)</u>
<b>Total comprehensive expense for the period attributable to owners of the Company</b>		<u><b>(18,443)</b></u>	<u><b>(11,575)</b></u>
<b>Loss per share</b>			
– Basic and diluted ( <i>HK cents</i> )	8	<u><b>(2.3)</b></u>	<u><b>(0.97)</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Plant and equipment	<i>10</i>	<b>48,235</b>	49,259
Right-of-use assets		<b>5,499</b>	2,500
Intangible assets		<b>891</b>	1,010
Deferred tax assets		<b>15,748</b>	17,670
Prepayment for plant and equipment		<b>905</b>	1,770
		<b>71,278</b>	72,209
<b>Current assets</b>			
Inventories		<b>38,915</b>	44,888
Trade and other receivables	<i>11</i>	<b>95,708</b>	94,982
Contract assets		<b>1,531</b>	4,946
Amounts due from related companies		<b>7,849</b>	8,470
Digital assets		<b>–</b>	11,189
Financial assets at fair value through profit or loss		<b>54,384</b>	70,582
Bank balances and cash		<b>44,825</b>	26,151
		<b>243,212</b>	261,208
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>83,124</b>	76,125
Contract liabilities		<b>–</b>	4,971
Bank borrowings		<b>5,537</b>	7,277
Lease liabilities		<b>2,394</b>	1,399
Deferred income		<b>387</b>	470
Loan from an immediate holding company		<b>486</b>	473
Loans from related companies		<b>52,973</b>	59,625
Income tax payables		<b>33</b>	34
		<b>144,934</b>	150,374

	<b>30 June</b>	31 December
	<b>2023</b>	2022
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Net current assets</b>	<u>98,278</u>	<u>110,834</u>
<b>Total assets less current liabilities</b>	<u>169,556</u>	<u>183,043</u>
<b>Non-current liabilities</b>		
Lease liabilities	3,474	1,407
Deferred tax liability	260	272
Deferred income	1,862	2,524
Loan from ultimate controlling party	<u>80,824</u>	<u>77,261</u>
	<u>86,420</u>	<u>81,464</u>
	<u><b>83,136</b></u>	<u><b>101,579</b></u>
<b>Capital and reserves</b>		
Share capital	8,000	8,000
Reserves	<u>75,136</u>	<u>93,579</u>
	<u><b>83,136</b></u>	<u><b>101,579</b></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2022 (audited)	8,000	104,098	8,459	5,688	(4,003)	12,778	7,304	142,324
Loss for the period	-	-	-	-	-	-	(7,795)	(7,795)
Other comprehensive expense for the period:								
Exchange difference arising on translation of foreign operations	-	-	-	-	(3,780)	-	-	(3,780)
Total comprehensive expense for the period	-	-	-	-	(3,780)	-	(7,795)	(11,575)
Deemed contribution from an immediate holding company and a related company	-	-	-	488	-	-	-	488
Transfer to statutory reserve	-	-	247	-	-	-	(247)	-
<b>At 30 June 2022 (unaudited)</b>	<b>8,000</b>	<b>104,098</b>	<b>8,706</b>	<b>6,176</b>	<b>(7,783)</b>	<b>12,778</b>	<b>(738)</b>	<b>131,237</b>
At 1 January 2023 (audited)	8,000	104,098	8,696	29,824	(11,272)	12,778	(50,545)	101,579
Loss for the period	-	-	-	-	-	-	(18,417)	(18,417)
Other comprehensive expense for the period:								
Exchange difference arising on translation of foreign operations	-	-	-	-	(26)	-	-	(26)
Total comprehensive expense for the period	-	-	-	-	(26)	-	(18,417)	(18,443)
Transfer to statutory reserve	-	-	2	-	-	-	(2)	-
<b>At 30 June 2023 (unaudited)</b>	<b>8,000</b>	<b>104,098</b>	<b>8,698</b>	<b>29,824</b>	<b>(11,298)</b>	<b>12,778</b>	<b>(68,964)</b>	<b>83,136</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(16,980)	(5,203)
Adjustments for:		
Amortisation of intangible assets	90	94
Amortisation of deferred income	(676)	(2,311)
Bank interest income	(53)	(105)
Depreciation of plant and equipment	3,230	7,325
Depreciation of right-of-use assets	1,438	1,731
Finance costs	3,709	4,227
Gain on disposal of plant and equipment	(4,006)	(744)
Government grants	(471)	(561)
Interest income on finance lease	–	(25)
Write-off of plant and equipment	7	–
Changes in fair value of digital assets	(3,243)	–
Changes in fair value of financial assets at fair value through profit or loss	15,478	–
Operating cash flows before movements in working capital	(1,477)	4,428
Decrease (increase) in inventories	4,740	(13,860)
(Increase) decrease in trade and other receivables	(2,817)	853
Decrease in contract assets	3,384	62
Decrease in amounts due from related companies	371	1,311
Increase in trade and other payables	8,815	7,964
Decrease in finance lease receivable	–	259
Decrease in contract liabilities	(4,971)	–
Decrease in digital assets	14,432	–
Decrease in financial assets at fair value through profit or loss	720	–
Cash generated from operations	23,197	1,017
Hong Kong profits tax paid	–	–
PRC enterprise income tax (paid) refund	(18)	265
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>23,179</b>	<b>1,282</b>

	Six months ended 30 June	
	2023	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
	(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(3,456)	(1,884)
Prepayment for plant and equipment	(455)	(1,847)
Settlement of payables for plant and equipment	–	(5)
Bank interest received	53	105
Proceeds from disposal of plant and equipment	5,071	10,442
Development costs paid for intangible assets	–	(57)
	<u>1,213</u>	<u>6,754</u>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Government grants received	471	561
Repayment of principal element of lease liabilities	(1,365)	(1,732)
Repayment of interest element of lease liabilities	(129)	(140)
Repayment to an immediate holding company	–	(16,370)
Repayment to related companies	(47,893)	(11,141)
Repayment of bank borrowings	(1,570)	–
Loan obtained from an immediate holding company	–	820
Loan obtained from a related company	43,138	6,017
	<u>(7,348)</u>	<u>(21,985)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<u>17,044</u>	<u>(13,949)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	26,151	42,644
Effect of foreign exchange rate changes	<u>1,630</u>	<u>2,043</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>		
	<u><u>44,825</u></u>	<u><u>30,738</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 Suites 1801-03, 18/F, One Taikoo Place, 979 King's Road, Quarry Bay, 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 financial assets at fair value through profit or loss and loan from ultimate controlling party 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 2022.

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 2023.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 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 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.
- d) Strategic investments segment engages in trading of digital assets and listed equity securities.

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, broadband infrastructure and smart domain segments and strategic investments segments.

Segment revenue represents revenue arising from the manufacturing and trading of electronic goods and electrical parts and components, and 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 Period is as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers</b>		
<b>within the scope of HKFRS 15</b>		
Manufacturing of electronic goods	<b>57,930</b>	68,267
Trading of electronic goods	<b>52,507</b>	72,136
Broadband infrastructure and smart domain:		
– Broadband infrastructure construction services	<b>9,797</b>	5,711
– Commission income from promotion of broadband services	<b>6,109</b>	6,547
– Provision of smart domain solution services	<b>4,599</b>	4,997
	<b>130,942</b>	157,658
<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	<b>1,913</b>	3,176
	<b>132,855</b>	160,834

Disaggregation of revenue from contracts with customers by timing of recognition

<b>Six months ended</b>	
<b>30 June</b>	
<b>2023</b>	2022
<b>HK\$'000</b>	HK\$'000
<b>(Unaudited)</b>	(Unaudited)

**Timing of revenue recognition**

At a point in time	<b>121,145</b>	151,947
Over time	<b>9,797</b>	5,711
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>130,942</b>	157,658
	<hr/> <hr/>	<hr/> <hr/>

**Segment revenue and results**

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

	<b>Six months ended 30 June</b>									
	<b>Manufacturing</b>		<b>Trading</b>		<b>Broadband infrastructure and smart domain</b>		<b>Strategic Investments</b>		<b>Total</b>	
	<b>2023</b>	2022	<b>2023</b>	2022	<b>2023</b>	2022	<b>2023</b>	2022	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Segment revenue	<b>57,930</b>	68,267	<b>52,507</b>	72,136	<b>22,418</b>	20,431	-	-	<b>132,855</b>	160,834
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment (loss) profit	<b>9,583</b>	10,668	<b>4,472</b>	6,347	<b>3,037</b>	2,339	<b>(12,235)</b>	-	<b>4,857</b>	19,354
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated income									<b>153</b>	526
Unallocated expenses									<b>(21,990)</b>	(25,083)
									<hr/>	<hr/>
Loss before tax									<b>(16,980)</b>	(5,203)
									<hr/> <hr/>	<hr/> <hr/>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by 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:

	As at <b>30 June</b> <b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>HK\$'000</i> (Audited)
<b>SEGMENT ASSETS</b>		
Manufacturing	94,566	95,810
Trading	16,772	17,401
Broadband infrastructure and smart domain	87,929	96,189
Strategic investments	54,384	81,771
Unallocated	60,839	42,246
	<hr/>	<hr/>
Total assets	<b>314,490</b>	333,417
	<hr/> <hr/>	<hr/> <hr/>
<b>SEGMENT LIABILITIES</b>		
Manufacturing	14,125	16,276
Trading	23,247	8,795
Broadband infrastructure and smart domain	53,193	61,465
Unallocated	140,789	145,302
	<hr/>	<hr/>
Total liabilities	<b>231,354</b>	231,838
	<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, loan from an immediate holding company, loans from related companies and loan from ultimate controlling party.

#### 4. OTHER LOSSES

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Changes in fair value of digital assets	(3,243)	–
Changes in fair value of financial assets at fair value through profit or loss	<u>15,478</u>	<u>–</u>
	<u><b>12,235</b></u>	<u><b>–</b></u>

#### 5. FINANCE COSTS

	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Lease liabilities	129	140
Bank borrowings	138	–
Loan from an immediate holding company	18	921
Loans from related companies	–	1,240
Loan from ultimate controlling party	3,563	–
Loss on early repayment of loan from an immediate holding company	–	971
Loss on early repayment of loan from a related company	<u>–</u>	<u>955</u>
	<u><b>3,848</b></u>	<u><b>4,227</b></u>

## 6. INCOME TAX EXPENSES

The Group calculates the income tax expenses for the Period 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:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax:</b>		
Hong Kong	–	–
The PRC	<u>18</u>	<u>202</u>
	<b>18</b>	202
<b>Under provision in prior years:</b>		
Hong Kong	–	18
The PRC	<u>–</u>	<u>–</u>
	–	18
<b>Deferred tax</b>	<u><b>1,419</b></u>	<u>2,372</u>
	<u><b>1,437</b></u>	<u>2,592</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 2023 and 2022.
- (ii) For the six months ended 30 June 2023 and 2022, 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 2023 and 2022, Guangzhou Weaving was recognised by the PRC government as a “High and New Technology Enterprise” and was eligible to a preferential tax rate of 15%.

## 7. LOSS FOR THE PERIOD

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

	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amount of inventories recognised as expenses	97,814	121,990
Amortisation of intangible assets	90	94
Depreciation of plant and equipment	3,230	7,325
Depreciation of right-of-use assets	1,438	1,731
Research and development costs ( <i>Note (i)</i> )	4,855	5,468
Write-off of plant and equipment	7	–
Government grants ( <i>Note (ii)</i> )	(471)	(561)
Gain on disposal of plant and equipment	(4,006)	(744)
Staff costs (including Directors' emoluments)		
Salaries and allowances	20,668	22,214
Retirement benefits scheme contributions	2,668	2,996
	<hr/>	<hr/>
Total staff costs	<b>23,336</b>	<b>25,210</b>

### Notes:

- (i) The research and development costs included staff cost of approximately HK\$3,085,000 (six months ended 30 June 2022: HK\$3,806,000) 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 2023 and 2022.

## 8. 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:

### Basic loss per share

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u><u>HK\$(18,417,000)</u></u>	<u><u>HK\$(7,795,000)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>800,000,000</u></u>	<u><u>800,000,000</u></u>

### Diluted loss per share

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2023 and 2022 as there were no dilutive potential ordinary shares outstanding during these periods.

## 9. 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 2022: nil).

## 10. PLANT AND EQUIPMENT

During the Period, the Group acquired plant and equipment of approximately HK\$4,746,000 (six months ended 30 June 2022: HK\$3,044,000).

During the Period, plant and equipment with a net carrying value of approximately HK\$1,065,000 (six months ended 30 June 2022: HK\$9,698,000) were disposed of by the Group, for cash proceeds of approximately HK\$5,071,000, resulting in a net gain on disposals of approximately HK\$4,006,000 (six months ended 30 June 2022: HK\$744,000).

Plant and equipment with a net carrying value of approximately HK\$7,000 were written off by the Group during the Period (six months ended 30 June 2022: nil).

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Receivables at amortised cost comprise:		
Trade receivables	91,673	91,083
Less: allowance for impairment of trade receivables	<u>(16,228)</u>	<u>(16,700)</u>
	75,445	74,383
Deposits and other receivables	11,144	2,000
Receivables for disposal of plant and equipment and non-current assets classified as held for sale	–	972
Value-added tax recoverable	2,659	5,793
Prepayments	<u>6,460</u>	<u>11,834</u>
Total trade and other receivables	<u><u>95,708</u></u>	<u><u>94,982</u></u>

Included in other receivables of approximately HK\$3,651,000 was due from a related company, Skynova International Limited, of the Group as at 30 June 2023 (31 December 2022: nil). The amount is unsecured, non-interest bearing and repayable on demand.

As at 30 June 2023, the gross amount of trade receivables arising from contracts with customers and operating leases amounted to approximately HK\$72,290,000 (31 December 2022: HK\$87,107,000) and HK\$3,155,000 (31 December 2022: HK\$3,976,000) 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.

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (Audited)</b>
0 to 30 days	37,671	25,535
31 to 90 days	18,008	20,121
91 to 365 days	11,960	16,676
Over 365 days	7,806	12,051
	<u>75,445</u>	<u>74,383</u>

## 12. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (Audited)</b>
Trade payables	66,452	59,129
Payables for acquisition of plant and equipment	1,798	13
Accruals of costs for contract works	93	2,685
Accrued staff costs	3,483	5,266
Payable for commission	2,114	1,114
Accruals and other payables	9,184	7,918
	<u>83,124</u>	<u>76,125</u>

Included in other payables, amount of approximately HK\$17,000 represented interest payable to loan from an immediate holding company as at 30 June 2023 (31 December 2022: HK\$12,000).

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

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	As at 31 December 2022 HK\$'000 (Audited)
Within 3 months	34,855	26,452
4 to 6 months	3,516	3,239
7 to 12 months	5,000	4,139
Over 1 year	<u>23,081</u>	<u>25,299</u>
	<u><b>66,452</b></u>	<u>59,129</u>

The credit period on purchases of goods ranged from 30 to 180 days (31 December 2022: 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 2023, 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\$3,909,000 (31 December 2022: HK\$7,056,000).

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

The unaudited condensed consolidated financial results were approved and authorised for issue by the Board on 30 August 2023.

### 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023, the Group had acquired and disposed of certain listed equity securities. Details of which are set out in the Company's announcements dated 6 July 2023, 10 July 2023, 11 July 2023, 13 July 2023, 1 August 2023, 3 August 2023, 4 August 2023, 7 August 2023, 10 August 2023, 16 August 2023, 17 August 2023 and 25 August 2023 respectively.

# 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 continues to drive the need of technologies with higher power efficiency, speed and more complex functionalities. This has 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 endues 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.

Since second half of 2022, the increasing concern on inflation and the rise of interest rate put downward pressure on the consumer market. The traditional market of consumer electronic products like smartphone and personal computer showed insufficient impetus after a period of high economic growth. This significantly affected the performance of both manufacturing and trading segments. Hence, the Group’s revenue from manufacturing and trading of semiconductors for the Period recorded a decrease of approximately 21.3% as compared to the corresponding period of the previous financial year.

During the Period, the revenue from the manufacturing business of semiconductors decreased by approximately 15.1% 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 decreased by approximately 27.2% as compared to the corresponding period of the previous financial year.

In addition, the continuous tension of the global trade dispute and the geopolitical complications around the world caused uncertainties on the recovery of the global economy. There is still no clue as to when the consumer market will gain the momentum of growth. The Group's customers of semiconductors generally slowed down their new order placing. 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.

Since 2021, the property developers in the PRC were adversely affected by the more stringent deleveraging policy in the PRC real estate industry. The tight liquidity in the real estate industry led to the longer completion period of existing construction service projects. The property developers generally adopted a prudent management approach on capital expenditure for new land and development projects.

In view of this, the Group was more cautious on cost management and took more conservative approach on new projects. The Group tended to allocate our resources to more profitable projects to optimize the product mix.

Moreover, 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. Although the commission income shared from telecom operators for the promotion of broadband remained relatively stable for the Period, there is uncertainty on its expansion capacity in the long run.

### ***(iii) Strategic investments business***

The Group believes that technological innovation is an important engine for future economic development, and it can also drive the emerging applications in the smart living sector. The Group aims to leverage our own advantages in the field of smart technology to capture investment opportunities and actively diversify the investments in the field of innovative technologies, in order to create greater value for the Shareholders.

The Group has made the investments in cryptocurrencies and listed equity securities during the Period.

#### ***Cryptocurrencies***

On 31 October 2022, the Hong Kong Government issued the Policy Statement on the Development of Virtual Assets in Hong Kong, stating that the Hong Kong Government recognizes the potential of distributed ledger technologies and Web 3.0 to become the future trends in the development of finance and commerce. The Hong Kong Government is committed to providing a facilitating environment for promoting the sustainable development of the virtual asset sector through the calibration of a legal and regulatory regime.

The Group agrees with the Hong Kong Government's views on the development of virtual assets in Hong Kong. The Group always hopes to leverage our own advantages in the field of smart technology to identify the opportunity of diversification and timely capture the new opportunities brought by blockchain and Web 3.0. Therefore, the Board planned to purchase cryptocurrencies as a preparation and starting point for diversifying investments in the field of innovative technologies.

During the Period, the Company realised its investment in cryptocurrencies previously held since 2022 and disposed of an aggregate of 1,202.45 units of Ether through the open market at an aggregate consideration of approximately US\$1.8 million (equivalent to approximately HK\$14.2 million) (excluding transaction costs). Please refer to the announcement of the Company dated 13 February 2023 for further details of the disposal of cryptocurrencies.

The Group further acquired 174 units of Ether and 17.17 units of Bitcoin at an aggregate consideration of approximately US\$0.7 million (equivalent to approximately HK\$5.4 million) and disposed of all units of Ether and Bitcoin with an aggregate sale proceed of approximately US\$0.73 million (equivalent to approximately HK\$5.7 million) during the Period.

The above disposals resulted in net realized gain of approximately HK\$2.5 million for the Period which was recorded in other losses in the consolidated statement of profit or loss and other comprehensive income.

Nevertheless, the Group still holds positive view on the future prospect of virtual assets moving into the areas of Web 3.0 and metaverse. The Group will strive to enhance and diversify its investment portfolio and increase the investment on cryptocurrencies as and when appropriate.

### ***Listed equity securities***

The listed equity investments mainly comprises leading technology companies and high quality large companies listed in the United States and Hong Kong.

During the Period, the Group acquired US-listed equity securities and Hong Kong-listed equity securities with the aggregate acquisition costs of approximately HK\$131.2 million and disposed of shareholdings of US-listed equity securities and Hong Kong-listed equity securities with the aggregate carrying amounts of approximately HK\$136.9 million. The net sale proceeds of the disposals was approximately HK\$131.9 million, resulting in net realised loss of approximately HK\$5.0 million which recorded in the changes in fair value of financial assets at fair value through profit or loss (“FVTPL”) in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, the Group measured its listed equity securities at fair value based on the closing prices quoted in active markets. The Group recognised the unrealised loss of approximately HK\$10.5 million arising on the changes in fair value of financial assets at FVTPL.

The Group will closely monitor and assess the performance of these listed equity securities and make timely and appropriate adjustments on the investment portfolio to enhance the returns for the Group and realise the investments as and when appropriate.

## FINANCIAL REVIEW

### *Revenue*

The Group recorded revenue of approximately HK\$132.9 million during the Period, as compared to the revenue of approximately HK\$160.8 million for the six months ended 30 June 2022. The decrease in revenue was approximately HK\$27.9 million or 17.4% when compared to the corresponding period of the previous financial year. It was primarily attributable to the decrease in the revenue of semiconductor business.

For semiconductor business, performance of both manufacturing and trading segments were significantly affected by the traditional market of consumer electronic products like smartphone and personal computer, after a period of high economic growth, showing insufficient impetus impacted by the factors of increasing concern on inflation and the rise of interest rate. As a result, the total revenue from the semiconductor business for the Period amounted to approximately HK\$110.4 million, representing a decrease of approximately HK\$30.0 million or 21.3%, as compared to the total revenue of approximately HK\$140.4 million for the six months ended 30 June 2022.

During the Period, the Group recorded revenue of approximately HK\$57.9 million from sales of its self-manufactured semiconductors, representing a decrease of approximately HK\$10.4 million or 15.1% as compared to that of approximately HK\$68.3 million for the six months ended 30 June 2022.

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\$52.5 million, representing a decrease of approximately HK\$19.6 million or 27.2% as compared to that of approximately HK\$72.1 million for the six months ended 30 June 2022.

On the other hand, the revenue of broadband infrastructure and smart domain segment contributed by Guangzhou Weaving Group amounted to approximately HK\$22.4 million during the Period, compared to the revenue of approximately HK\$20.4 million for the six months ended 30 June 2022. The increase of approximately HK\$2.0 million or 9.7% was mainly because there were slightly more projects for 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\$23.6 million for the Period, representing a decrease of approximately HK\$5.2 million or 18.2% from approximately HK\$28.8 million for the six months ended 30 June 2022. It was mainly attributable to the decrease in revenue and gross profit margin of the semiconductors business.

The Group's overall gross profit margin for the Period was approximately 17.7%, representing a decrease of approximately 0.2 percentage points, as compared with gross profit margin of approximately 17.9% for the six months ended 30 June 2022.

For semiconductor business, the Group recorded gross profit of approximately HK\$13.4 million during the Period, as compared to the gross profit of approximately HK\$18.8 million for the six months ended 30 June 2022. The decrease in gross profit was approximately HK\$5.4 million or 28.5% when compared to the corresponding period of the previous financial year. The Group's gross profit margin of the semiconductor business also exhibited a slight decrease of approximately 1.2 percentage point, from approximately 13.4% for the six months ended 30 June 2022 to approximately 12.2% for the Period. Such decrease in gross profit and gross profit margin was primarily the result of sales of varying types and volumes of self-manufactured and trading products (which carry different gross profit margins) sold by the Group to the customers.

Moreover, Guangzhou Weaving Group contributed gross profit of approximately HK\$10.1 million for the Period, representing a slight increase of approximately HK\$0.1 million or 1.0% from approximately HK\$10.0 million for the six months ended 30 June 2022. The gross profit margin of Guangzhou Weaving Group was recorded at approximately 45.2% and 49.1% respectively for the Period and for the six months ended 30 June 2022. The decrease in gross profit margin was mainly due to the decrease of rental income from broadband infrastructure, which had a comparatively higher gross margin in this segment.

### ***Changes in fair value of financial assets at FVTPL***

As discussed above, the Group recorded net realised loss of approximately HK\$5.0 million arising from the disposals of part of listed equity securities and fair value loss of approximately HK\$10.5 million on the listed equity securities held as at 30 June 2023. The aggregate amount of approximately HK\$15.5 million was recognised in other losses in the consolidated statement of profit or loss and other comprehensive income.

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

The Group's selling and distribution costs for the Period was approximately HK\$4.2 million, representing a decrease of approximately HK\$0.7 million or 13.8% from approximately HK\$4.9 million for the six months ended 30 June 2022. The amount mainly represented the selling and distribution costs of semiconductors business and such decrease was primarily attributable to the decrease in commission expenses to third-party agent, which was in line with the decrease of the Group's sales to customers of semiconductors referred by its third-party agent.

### ***Administrative Expenses***

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

The Group's administrative expenses for the Period was approximately HK\$25.7 million, decreased by approximately HK\$3.0 million or 10.5%, as compared to that of approximately HK\$28.7 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease of staff costs and workforce of the Group for the Period.

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

The Group's income tax expenses for the Period were approximately HK\$1.4 million, as compared to income tax expenses of approximately HK\$2.6 million for the six months ended 30 June 2022. Such amount of income tax expenses for the six months ended 30 June 2023 and 2022 were primarily attributable to the deferred tax impact arising from the disposal of plant and equipment.

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

As a result of the foregoing, the Group's net loss for the Period was approximately HK\$18.4 million, representing an increase of approximately HK\$10.6 million when compared to the net loss of approximately HK\$7.8 million for the six months ended 30 June 2022.

## **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 2023 amounted to approximately HK\$3.9 million (31 December 2022: HK\$7.1 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 2023, the Group had outstanding bank borrowing of approximately HK\$5.5 million (31 December 2022: HK\$7.3 million), which comprised an unsecured fixed rate RMB loan for a term of one year.

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 2023 and 31 December 2022.

The Group's gearing ratio as at 30 June 2023, which was calculated by dividing its total bank borrowings by its total equity, was 6.7%, while the gearing ratio as at 31 December 2022 was 7.2%.

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 2023, the Group did not have any pledged assets (31 December 2022: nil).

## SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraphs headed “Cryptocurrencies” and “Listed equity securities” in this Management Discussion and Analysis, the Group did not make any significant investments or material acquisitions and disposals of subsidiaries during the Period.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: 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 2023 and 2022, approximately 28.2% and 34.6%, 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 2.3% and 9.7%, 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 2023 and 31 December 2022 are as follows:

	Assets		Liabilities	
	30 June 2023 <i>HK\$’000</i> (Unaudited)	31 December 2022 <i>HK\$’000</i> (Audited)	30 June 2023 <i>HK\$’000</i> (Unaudited)	31 December 2022 <i>HK\$’000</i> (Audited)
United States dollars (“US\$”)	70,820	86,924	2,193	4,218
Renminbi (“RMB”)	27	57	–	–
Total:	<u>70,847</u>	<u>86,981</u>	<u>2,193</u>	<u>4,218</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 2023, the Group had a workforce of 188 full-time employees (including two executive Directors but excluding three independent non-executive Directors) of whom approximately 94.7% were employed in the PRC and approximately 5.3% in Hong Kong. The Group's staff costs (including Directors' emoluments) for the six months ended 30 June 2023 and 2022 amounted to approximately HK\$23.3 million and HK\$25.2 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.

## **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 2022: nil).

## **BUSINESS PROSPECT**

In the coming year, the global economic environment is expected to be complex and the prospect of the Group's semiconductors business will be full of challenges. The ongoing trade tension between China and the United States and the geopolitical complications around the world continue to affect the global semiconductor supply chain and the semiconductor market. The increasing concern on inflation and the rise of interest rate will put further downward pressure on the consumer market. The replacement cycle for the consumer electronic products like smartphone and personal computer is generally extended.

There is still no clue as to when the consumer market will gain the momentum of growth. These in turn 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 new business opportunities to the semiconductor industry, the Group also faces the challenges of higher technical standard from customers and more competitive market regionally and globally.

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, which will also be benefited from a steady and healthy PRC real estate market after the changes brought by the deleveraging policy. 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 acquisition 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. The Group will also seek for other acquisition targets, including growing companies with high potential and leading technologies. On the other hand, the Group will also keep observing market and industry development trends, grasp investment opportunities brought by technological innovation, and actively plan and consider to diversify the investments in the field of innovative technologies and Web 3.0 as and when appropriate, in order to facilitate the technological development and create greater value for the Shareholders.

## **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 provisions set out in the CG Code during the Period.

## **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, all being independent non-executive Directors. Mr. Xu Liang, who has appropriate professional qualifications and experience in accounting matters, is the chairperson of the audit committee.

The audit committee of the Company 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”	the 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
“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 2023
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“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, 30 August 2023

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