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 2024

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 EXPENSE

For the year ended 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
Revenue	3	**119,991**	220,807
Cost of sales		**(126,443)**	(193,179)
Gross (loss) profit		**(6,452)**	27,628
Other income		**9,669**	7,226
Other (losses) gains		**(32,747)**	5,567
Selling and distribution costs		**(7,038)**	(8,994)
Administrative expenses		**(53,392)**	(50,377)
Impairment loss on trade receivables and contract assets		**(8,302)**	(622)
Impairment loss on plant and equipment		**–**	(9,054)
Finance costs		**(10,206)**	(8,050)
Loss before tax		**(108,468)**	(36,676)
Income tax (expenses) credit	4	**(19,411)**	2,560
Loss for the year	5	**(127,879)**	(34,116)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(2,149)**	(701)
Total comprehensive expense for the year		**(130,028)**	(34,817)
Loss per share			
– Basic and diluted *(HK cents)*	6	**(15.98)**	(4.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Plant and equipment		**29,729**	37,887
Right-of-use assets		**1,006**	4,910
Intangible assets		**727**	880
Deferred tax assets		**–**	20,182
Prepayment for plant and equipment		**–**	29
		31,462	63,888
Current assets			
Inventories		**1,207**	29,000
Trade and other receivables	7	**38,115**	65,814
Contract assets		**2,145**	2,202
Amounts due from related companies		**5,015**	6,543
Financial assets at fair value through profit or loss		**48,228**	69,276
Bank balances and cash		**26,568**	42,473
		121,278	215,308
Current liabilities			
Trade and other payables	8	**43,896**	71,095
Lease liabilities		**2,151**	2,744
Amounts due to related companies		**4,173**	–
Deferred income		**–**	392
Loan from ultimate controlling party		**116,276**	–
Loans from related companies		**44,598**	49,930
Income tax payables		**34**	34
		211,128	124,195
Net current (liabilities) assets		**(89,850)**	91,113
Total assets less current liabilities		**(58,388)**	155,001

	2024	2023
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**681**	2,760
Deferred tax liability	**–**	435
Deferred income	**–**	1,695
Loan from ultimate controlling party	**–**	83,349
	681	88,239
(Net liabilities) net assets	**(59,069)**	66,762
Capital and reserves		
Share capital	**8,000**	8,000
Reserves	**(67,069)**	58,762
(Deficiency in assets) total equity	**(59,069)**	66,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 of Hong Kong Limited (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 ("Yoho"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability and its ultimate controlling party is Mr. Zhang Liang Johnson ("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 Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

Basis of preparation

During the year ended 31 December 2024, the Group reported loss for the year of approximately HK$127,879,000. As at 31 December 2024, the Group has net current liabilities and deficiency in assets of approximately HK$89,850,000 and HK$59,069,000 respectively, including loan from ultimate controlling party of approximately HK$116,276,000 and loans from related companies of approximately HK$44,598,000. However, the Group had only cash and bank balances of approximately HK$26,568,000.

In preparing the Group's consolidated financial statements, the directors of the Company has taken into account all information that could reasonably be expected to be available. In particular, the directors of the Company has taken the following measures to mitigate the liquidity pressure and to improve its financial position:

(i) On 31 March 2025, Mr. Zhang and the Company entered into an agreement pursuant to which the Company issued perpetual securities with a principal amount of HK$100,000,000 to Mr. Zhang in exchange for the loan from Mr. Zhang with a principal amount of HK$100,000,000.

(ii) Mr. Zhang agreed to provide continuing financial supports to the Group and will not demand the repayment of amount due to him before 31 December 2025 and until such time the Group is in a financial position to do so.

(iii) The related companies had agreed not to demand repayment from the Group the loans due to them of approximately HK$44,598,000 before 31 December 2025 and until such time the Group is in a financial position to do so.

(iv) The Group has been actively searching for new business projects to improve the Group's profitability and cash flows.

Based on the Group's cash flow projections, taking account of the effectiveness and feasibility of the above measure covering a period of twelve months from the end of the reporting period prepared by the management, the directors of the Company consider that the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the forecast period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

(a) Adoption of amended HKFRSs

In the current year, the Group has applied, for the first time, the following new and 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 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
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
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

(b) New or amended HKFRSs that have been issued but are 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 18	Presentation and Disclosure in Financial statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKAS 21	Lack of exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[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 HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
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 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 of directors, 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 goods and electrical parts and components manufactured by the Group.

(b) Trading segment engages in trading of electronic goods 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 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 and strategic investments segments.

Revenue represents revenue arising from the manufacturing and trading of electronic goods 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:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Manufacturing of electronic goods	**55,034**	92,493
Trading of electronic goods	**30,361**	85,453
Broadband infrastructure and smart domain:		
Broadband infrastructure construction services	**19,078**	20,657
Commission income from promotion of broadband services	**6,039**	11,154
Provision of smart domain solution services	**9,089**	8,534
	119,601	218,291
Revenue from other sources		
Broadband infrastructure and smart domain:		
Rental income from broadband infrastructure under operating lease		
Lease payments that are fixed	**390**	2,516
	119,991	220,807

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		Strategic investments		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**55,034**	92,493	**30,361**	85,453	**34,596**	42,861	**–**	–	**119,991**	220,807
Segment (loss) profit	**(18,790)**	(4,361)	**1,164**	1,861	**(14,021)**	1,857	**(31,440)**	5,567	**(63,087)**	4,924
Unallocated income									**2,412**	1,957
Unallocated expenses									**(47,793)**	(43,557)
Loss before tax									**(108,468)**	(36,676)

The accounting policies of (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.

4. INCOME TAX (EXPENSES) CREDIT

	2024	2023
	HK$'000	*HK$'000*
Current tax – the People's Republic of China ("**the PRC**")		
Provision for the year	**–**	52
Under-provision in prior years	**79**	–
	79	52
Deferred tax	**19,332**	(2,612)
	19,411	(2,560)

(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) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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 years ended 31 December 2024 and 2023.

(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.

5. LOSS FOR THE YEAR

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

	2024	2023
	HK$'000	*HK$'000*
Emoluments of the directors of the Company and chief executive*:*		
Salaries and allowances	**1,675**	1,461
Retirement benefits scheme contributions	**11**	8
Other staff costs:		
Salaries and allowances *(note*)*	**35,613**	38,820
Retirement benefits scheme contributions	**5,043**	4,616
Total staff costs	**42,342**	44,905
Amount of inventories recognised as expenses	**89,791**	168,085
Amortisation of intangible assets	**181**	178
Depreciation of plant and equipment	**7,357**	6,536
Depreciation of right-of-use assets	**2,638**	2,921
Research and development costs *(note*)*	**5,079**	9,477
Write-off of plant and equipment	**525**	790
Impairment loss on inventories (included in cost of sales)	**13,160**	658
Reversal of impairment loss recognised on amounts due from related companies (trade-nature)	**–**	(993)

Note:* Included in research and development costs were staff cost of HK$4,991,000 (2023: HK$6,222,000), 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:

	2024	2023
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(127,879)**	(34,116)

	2024	2023
	'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 2024 and 2023.

7. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Trade receivables	**52,020**	70,622
Less: allowance for impairment of trade receivables	**(19,238)**	(16,893)
	32,782	53,729
Deposits and other receivables	**1,561**	4,136
Value-added tax recoverable	**872**	1,406
Prepayments	**2,900**	6,543
Total trade and other receivables	**38,115**	65,814

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.

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**10,166**	24,362
31 to 90 days	**8,666**	18,503
91 to 365 days	**9,461**	4,700
Over 365 days	**4,489**	6,164
	32,782	53,729

8. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**32,908**	47,937
Accrued staff costs	**3,964**	4,866
Other payables	**7,024**	18,292
	43,896	71,095

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

	2024	2023
	HK$'000	*HK$'000*
Within 3 months	**7,820**	19,938
4 to 6 months	**5,815**	1,253
7 to 12 months	**10,531**	3,645
Over 1 year	**8,742**	23,101
	32,908	47,937

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.

9. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2024, the Group had acquired and disposed of certain listed equity securities. Details of which are set out in the Company's announcements dated 28 January 2025, 3 February 2025, 5 February 2025, 11 February 2025, 13 February 2025, 14 February 2025, 19 February 2025, 23 February 2025 and 25 February 2025 respectively.

On 31 March 2025, the Company entered into an agreement with its ultimate controlling party for the exchange of the Company's loan from ultimate controlling party with a principal amount of HK$100,000,000 for perpetual capital security in the same principal amount.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

(i) Broadband infrastructure and smart domain business

The Group's wholly-owned subsidiary, Guangzhou Weaving, primarily engages in broadband infrastructure construction in China and provides comprehensive solutions for smart venue applications, including smart homes, smart parks, and smart communities. Its smart venue solutions encompass hardware for security and identification purposes, as well as software for residential management, energy saving, and community services. During this Period, Guangzhou Weaving successfully developed its smart product business and entered overseas markets through e-commerce.

After the pandemic, the real estate industry in China continues to face liquidity constraints due to adverse effects from regulatory policies implemented in recent years, leading to completion for development projects to be extended. Hence, property developers are adopting cautious capital expenditure management strategies and prudent approaches to new land and development projects. Consequently, market demand and revenue from Guangzhou Weaving's broadband infrastructure construction and smart venue solutions have decreased.

In light of these, the Group has strengthened further on cost management and adopted prudent approach when selecting and acquiring new projects, by considering collaborations with industry partners to reduce risks. Product portfolio and resources will be optimised and reallocated to more profitable projects, while consolidating resources into the smart product business and exploring opportunities.

Additionally, policies implemented by the Chinese government in the telecommunications industry also pose challenges for the Group. The government's various policies of accelerating internet speeds and reducing costs continues to exert pressures on the profitability of the broadband infrastructure sector. Nevertheless, the income from telecommunications operators promoting broadband services remains relatively stable, although their long-term expansion capabilities are uncertain.

(ii) Semiconductor business

After the pandemic, the global application of high-tech products such as 5G networks, artificial intelligence, the Internet of Things, cloud computing, and big data processing continues to drive demand for performance optimization and acceleration technologies, significantly impacting the global semiconductor industry. Semiconductor production involves various processes, including integrated circuit (IC) design, feasibility testing, wafer manufacturing, assembly and packaging, and final testing.

The Group primarily focuses on the assembly, packaging, and sale of its own discrete semiconductors, as well as the procurement of semiconductors from third-party suppliers. Assembly and packaging are critical steps in the production process, transforming semiconductor chips into functional devices used in various end applications.

IC design and wafer manufacturing are monopolized by several multinational companies, while the assembly and packaging market for discrete semiconductors includes both large enterprises and small local participants. As a downstream player in the semiconductor supply chain, the Group faces intense competition, and its business losses have yet to show signs of recovery.

During this Period, the Group's semiconductor business was affected by various factors, including concerns over high inflation and interest rate hikes, which exerted downward pressures on the consumer market. After the pandemic, the traditional consumer electronics market, including but not limited to smartphones and personal computers, has shown weak growth, which has significantly impacted the performance of the production and trading segments during this Period. Consequently, the Group's revenue from semiconductor production and trading decreased by approximately 52.1% compared to the corresponding period of the previous financial year.

Specifically, revenue from semiconductor production decreased by about 40.5% compared to the corresponding period of last year. In addition to its production business, the Group continued to operate its trading business during this Period, mainly to support the sales of its self-produced products. As a solutions integrator, the Group engages in buying and selling semiconductors tailored to specific customer needs; however, these semiconductors are not produced by the Group. The product mix requested by customers is subject to change over time, leading to a decrease of approximately 64.5% in revenue from semiconductor trading compared to the corresponding period of last year.

Moreover, the ongoing uncertainty in the global trade environment and geopolitical complexities have resulted in a slow global economic recovery, with signs that the economy may enter a recession. The timeline for a steady recovery in the consumer market remains unclear. Consequently, semiconductor customers have generally reduced new orders, and thus it is uncertainty regarding the full recovery of customer orders. Therefore, the Group adopts a very prudent approach to this business segment. Management may adjust operations in response to market conditions to mitigate further losses and will reallocate resources to the smart product trading business while continuing to explore opportunities in technological innovation.

(iii) Strategic investments business

Since the second half of 2022, the Group has embarked on strategic investment activities. The Group believes that technological innovation is a crucial driver for future economic development and can also propel emerging applications in the smart living sector. Leveraging its own advantages in the field of smart technology, the Group aims to seize investment opportunities and actively diversify its investments in innovative technologies to create greater value for its shareholders.

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

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 several US-listed equity securities and Hong Kong-listed equity securities with the aggregate acquisition costs of approximately HK$323.5 million and disposed of part of shareholdings of those listed equity securities with the aggregate carrying amounts of approximately HK$333.4 million. The net sale proceeds of the disposals was approximately HK$331.7 million, resulting in net realised loss of approximately HK$20.3 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 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$11.1 million arising on the changes in fair value of financial assets at FVTPL.

Movements in the carrying amount of the listed equity securities held by the Group during the Period are as follows:

	2024	2023
	HK$'000	*HK$'000*
Carrying amount at 1 January	**69,276**	70,582
Add: Acquisitions	**323,512**	293,151
Less: Disposals	**(333,434)**	(307,774)
Unrealised (loss) gain arising on changes in fair value	**(11,126)**	13,317
Carrying amount at 31 December	**48,228**	69,276

Details of the listed equity securities held by the Group as at 31 December 2024 are as follows:

	Principal activities	Cost of shares as at 31 December 2024 *HK$'000*	Number of shares held as at 31 December 2024	Percentage of shares held as at 31 December 2024	Fair value as at 31 December 2024 *HK$'000*	Fair value as compared to the consolidated total assets of the Group as at 31 December 2024	Dividend received/ receivable for the year ended 31 December 2024 *HK$'000*	Gain/(loss) arising on change in fair value recognised for the year ended 31 December 2024 *HK$'000*
Name of HK-listed equity securities								
KE Holdings Inc. (the Stock Exchange: 2423)	Online and offline integrated real estate transaction and service platform	9,983	147,000	0.0042%	6,968	3.54%	–	(3,015)
Name of US-listed equity securities								
KE Holdings Inc. (NASDAQ: BEKE)	Online and offline integrated real estate transaction and service platform	22,224	124,500	0.0107%	17,842	9.05%	–	(4,382)
Robinhood Markets, Inc. (NASDAQ: HOOD)	A financial services platform, which offers trading in U.S. listed stocks.	16,975	62,900	0.0081%	18,234	9.25%	–	1,259
IB portfolio investments *(Note)*		5,637			5,184	2.63%	–	(453)
		54,819			48,228		–	(6,591)

Note: IB portfolio investments mainly comprise the Group's investments in 23 companies whose securities and/or options are traded on NASDAQ. Each of the investments has a carrying amount that accounted for not more than 5% of the consolidated total assets of the Group as at 31 December 2024.

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$120.0 million during the Period, as compared to the revenue of approximately HK$220.8 million for the year ended 31 December 2023. The decrease in revenue was approximately HK$100.8 million or 45.7% when compared to the previous financial year. It was primarily attributable to the decrease in the revenue of semiconductor business.

During the Period, the revenue of broadband infrastructure and smart domain segment contributed by Guangzhou Weaving Group amounted to approximately HK$34.6 million during the Period, compared to the revenue of approximately HK$42.9 million for the year ended 31 December 2023. The decrease of approximately HK$8.3 million or 19.3% was mainly because there were less projects for broadband infrastructure construction and smart domain solution during the Period.

In 2024, the semiconductor business faced intensified challenges as the global economy and semiconductor market stagnated further, with no signs of recovery. Aggressive interest rate hikes and persistent inflation deepened demand weakness, particularly in traditional consumer electronics such as smartphones and personal computers, which declined more sharply than in 2023. As a result, the total revenue from the semiconductor business for the Period amounted to approximately HK$85.4 million, representing a decrease of approximately HK$92.6 million or 52.0%, as compared to the total revenue of approximately HK$178.0 million for the year ended 31 December 2023.

On the other hand, the Group recorded revenue of approximately HK$55.0 million from sales of its self-manufactured semiconductors, representing a decrease of approximately HK$37.5 million or 41% as compared to that of approximately HK$92.5 million for the year ended 31 December 2023.

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$30.4 million, representing a decrease of approximately HK$55.1 million or 64.4% as compared to that of approximately HK$85.5 million for the year ended 31 December 2023.

Gross profit and gross profit margin

The Group's gross profit (before provision for inventory) amounted to approximately HK$6.7 million for the Period, representing a decrease of approximately HK$21.6 million or 76.3% from approximately HK$28.3 million for the year ended 31 December 2023. It was mainly attributable to the decrease in revenue and gross profit of both semiconductors business and broadband infrastructure and smart domain business.

The Group's overall gross profit margin (before provision for inventory) for the Period was approximately 5.6%, representing a decrease of approximately 7.2 percentage points, as compared with gross profit margin (before provision for inventory) of approximately 12.8% for the year ended 31 December 2023.

Moreover, along with the decrease in the revenue of broadband infrastructure and smart domain business during the Period, the gross profit (before provision for inventory) contributed by Guangzhou Weaving Group amounted to approximately HK$10.0 million for the Period, representing a decrease of approximately HK$6.4 million or 39.0% from approximately HK$16.4 million for the year ended 31 December 2023. The gross profit margin of Guangzhou Weaving Group was approximately 28.9% and 38.3% respectively for the Period and for the year ended 31 December 2023. The decrease in gross profit margin (before provision for inventory) was mainly due to the increase of projects for the broadband infrastructure construction and smart domain solution in order to maintain sufficient business volume, which had a comparatively lower gross margin but a shorter collection cycle in the product mix of this segment.

For semiconductor business, the Group recorded gross loss (before provision for inventory) of approximately HK$3.3 million during the Period, as compared to the gross profit (before provision for inventory) of approximately HK$11.9 million for the year ended 31 December 2023. The decrease in gross profit was approximately HK$15.2 million or 127.8% when compared to the previous financial year. The Group's gross profit margin (before provision for inventory) of the semiconductor business also exhibited a decrease of approximately 10.5 percentage point, from approximately 6.7% for the year ended 31 December 2023 to approximately -3.8% for the Period. Such decrease in gross profit and gross profit margin (before provision for inventory) was primarily the result of better yielding of products requested by client while the selling price could not be adjusted accordingly at the same time.

The Group recorded a provision for inventory of HK$13.2 million for the year ended 31 December 2024 due to the unsatisfactory business performance of the semiconductor business.

Changes in fair value of financial assets at FVTPL

As discussed above, the Group recorded net realised loss of approximately HK$20.3 million arising from the disposals of part of listed equity securities and fair value loss of approximately HK$11.1 million on the listed equity securities held as at 31 December 2024. The aggregate amount of approximately HK$31.4 million was recognised in other gains and 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$7.0 million, representing a decrease of approximately HK$2.0 million or 22.2% from approximately HK$9.0 million for the year ended 31 December 2023. The amount mainly represented the selling and distribution costs of semiconductors business and such increase was primarily attributable to the increase in commission expenses to third-party agent, which was in line with the increase of commission cost ratio of the Group's sales to customers of semiconductors referred by its third-party agent.

Administrative expenses

Administrative expenses mainly included auditor's remuneration, 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$53.4 million, increased by approximately HK$3.0 million or 6.0%, as compared to that of approximately HK$50.4 million for the year ended 31 December 2023.

The increase was primarily attributable to, among others, (i) the decrease of the research and development fee for approximately HK$1.2 million; (ii) the increase of the bank charge of approximately HK$1.1 million; (iii) the increase of legal fee for approximately HK$0.5 million.

Impairment loss on trade receivables, contract assets and amounts due from related companies (trade-nature) for the Period

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 (trade-nature) based on the simplified approach as at 31 December 2024. Consistent with the previous financial year, the loss allowance for ECL on trade receivables, contract assets and amounts due from related companies (trade-nature) 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, AP Appraisal Limited. (AP Appraisal). AP Appraisal 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 impairment loss on trade receivables, contract assets and amounts due from related companies (trade-nature) in aggregate of approximately HK$8.3 million (2023: impairment loss of HK$0.4 million).

The difficulty of debt collection in relation to the impairment loss for the Period and previous financial year is mainly attributable to the continuous 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 Period

Given the adverse impact on the performance of the Group's manufacturing business of semiconductors as a result of weak demand on consumer electronic products and in accordance with the HKAS 36 requirements, the management performed impairment assessment for the relevant segment.

As a result of the impairment assessment, impairment loss of HK$1.3 million (2023: HK$9.1 million) has been made during the Period.

Income tax expense

The Group's income tax expenses for the Period was approximately HK$19.4 million, as compared to income tax credit of approximately HK$2.6 million for the year ended 31 December 2023. Such movement of income tax was primarily attributable to the derecognition of previously recognised deferred tax assets due to the changes in the estimation of future profitability.

Loss for the Period

As a result of the foregoing, the Group's net loss for the Period was approximately HK$127.9 million, as compared to the net loss of approximately HK$34.1 million for the year ended 31 December 2023.

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 2024 amounted to approximately HK$3.3 million (2023: HK$3.3 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 2024, the Group had no outstanding bank borrowing (2023: Nil).

Please refer to note 8 in this report for the ageing analysis in respect of the trade payables of the Group as at 31 December 2024 and 2023.

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 2024, the Group did not have any asset pledged (2023: Nil).

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the paragraph headed "Listed equity securities" in the section headed "Management Discussion and Analysis – Business Review – (iii) Strategic investments business" of this report, the Group did not make any significant investments or material acquisitions and disposals of subsidiaries during the Period.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: 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 2024 and 2023, approximately 23% and 29%, 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 3% and 2%, respectively, of purchases were not denominated in the relevant group entities' functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2024 and 2023 are as follows:

	Assets As at 31 December		**Liabilities As at 31 December**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States dollars	**83,289**	93,214	**610**	3,499
Renminbi	**24**	26	**7**	384
	83,313	93,240	**617**	3,883

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 2024, the Group had a workforce of 267 full-time employees (including the Directors but excluding the independent non-executive Directors) of whom approximately 97.0% were employed in the PRC and approximately 3.0% in Hong Kong. The Group's staff costs (including Directors' emoluments) for the years ended 31 December 2024 and 2023 amounted to approximately HK$42.3 million and HK$44.9 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 (2023: 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 PRC 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. Nevertheless, the Group intends 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 customers' requirement on technical standard is met.

On the other hand, under PRC'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.

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.

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Zhang Liang Johnson was the chairman of the Board ("Chairman") while the post of the chief executive officer of the Company (the "CEO") has been vacant since 1 February 2021.

The executive Director and the senior management have been delegated with the authority and responsibility by the Board for the day-to-day operations, business strategies and management of the Group. After evaluation of the current situation of the Company and considering of the board composition, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for such arrangement as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Board will continue to review the effectiveness of the Company's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of the CEO, is necessary.

Pursuant to code provision C.2.7 of the CG Code, the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the Period, the Chairman, did not hold any meeting with the independent non-executive Directors without the presence of other Directors due to business engagements. Since the independent non-executive Directors have communicated and discussed with the Chairman directly from time to time during the Period to express their concerns, to discuss pertinent issues and to ensure that there was access to adequate and complete information. The Company considers that there were sufficient channels and communication for discussion of the Company's affairs between the Chairman and the independent non-executive Directors. The independent non-executive Directors could have direct contacts with the Chairman after meetings if necessary.

Pursuant to code provision C.5.1 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 Period, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Director. 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.

ANNUAL GENERAL MEETING

The AGM will be held in Hong Kong on Wednesday, 21 May 2025. Notice of the AGM will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Friday, 16 May 2025 to Wednesday, 21 May 2025, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 15 May 2025 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 primary duties of the audit committee are mainly to (i) make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (ii) to review and monitor the integrity of the Company's financial statements, annual reports and accounts and interim reports, the significant financial reporting judgements contained therein, and (iii) to oversee financial reporting system, risk management and internal control systems of the Company. The audit committee currently comprises three 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 met the external auditors of the Company and reviewed the annual results of the Group in respect of the Period and confirmed that they were prepared in accordance with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual consolidated financial statements for the year ended 31 December 2024 as set out below:

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which indicates the Group incurred a consolidated loss of approximately HK$127,879,000 during the year ended 31 December 2024, as of that date, the Group had net current liabilities and deficiency in assets of approximately HK$89,850,000 and HK$59,069,000 respectively. As stated in note 1, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Wednesday, 21 May 2025
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix C1 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

"NASDAQ"	National Association of Securities Dealers Automated Quotations Stock Market
"Period"	the year ended 31 December 2024
"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 2025

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