# SILKWAVE INC
# 中播數據有限公司

*(formerly known as CMMB Vision Holdings Limited)*
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 471)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

**FINANCIAL HIGHLIGHTS**

(a) Revenue increased by approximately 24.8% to approximately US$3.2 million.

(b) Gross profit increased by approximately 29.5% to approximately US$1.4 million.

(c) Loss and total comprehensive loss for the period attributable to owners of the Company were approximately US$14.7 million and approximately US$15.3 million, respectively.

(d) Basic and diluted loss per share attributable to ordinary shareholders were approximately US1.54 cents.

The board (the "**Board**") of directors (the "**Director(s)**") of Silkwave Inc (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as to the "**Group**") for the six months ended 30 June 2022 (the "**Period**"), together with the comparative figures for the corresponding period in 2021 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *NOTES* | ***US$'000*** | *US$'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | *4* | **3,223** | 2,582 |
| Cost of sales | | **(1,784)** | (1,471) |
| **Gross profit** | | **1,439** | 1,111 |
| Other income | *5* | **8** | 43 |
| Administrative expenses | | **(774)** | (1,057) |
| Market development and promotion expenses | | **(436)** | (760) |
| Finance costs | *6* | **(919)** | (3,023) |
| Share of results of an associate | | **(9,523)** | (9,341) |
| Impairment loss recognised on an intangible asset | | **(6,046)** | (8,700) |
| Other expenses | | **(70)** | (46) |
| **Loss before tax** | | **(16,321)** | (21,773) |
| Income tax expense | *7* | **–** | – |
| **Loss for the period** | *8* | **(16,321)** | (21,773) |
| **Other comprehensive expense** | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | **(589)** | (757) |
| **Total comprehensive expense for the period** | | **(16,910)** | (22,530) |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *NOTES* | ***US$'000*** | *US$'000* |
| | | **(unaudited)** | (unaudited) |
| **Loss for the period attributable to:** | | | |
| – Owners of the Company | | **(14,725)** | (17,956) |
| – Non-controlling interests | | **(1,596)** | (3,817) |
| **Loss for the period** | | **(16,321)** | (21,773) |
| **Total comprehensive expense attributable to:** | | | |
| – Owners of the Company | | **(15,314)** | (18,713) |
| – Non-controlling interests | | **(1,596)** | (3,817) |
| **Total comprehensive expense for the period** | | **(16,910)** | (22,530) |
| | | ***US cents*** | *US cents* |
| | | **(unaudited)** | (unaudited) |
| Loss per share | *9* | | |
| – Basic and diluted | | **(1.54)** | (6.04) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 June 2022*

| | *NOTES* | **30 June 2022 *US$'000* (unaudited)** | 31 December 2021 *US$'000* (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **38** | 83 |
| Intangible assets | *10* | **41,633** | 47,679 |
| Interests in an associate | *11* | **71,078** | 80,604 |
| Rights-of-use assets | | **34** | 34 |
| | | **112,783** | 128,400 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | *12* | **1,282** | 1,592 |
| Amount due from a related company | | **6,760** | 3,863 |
| Amount due from an associate | | **1,582** | 979 |
| Bank balances and cash | | **1,717** | 1,042 |
| | | **11,341** | 7,476 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *13* | **5,800** | 5,988 |
| Amount due to shareholders | | **5,954** | 246 |
| Lease liabilities | | **33** | 26 |
| Tax payable | | **338** | 338 |
| | | **12,125** | 6,598 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(784)** | 878 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **111,999** | 129,278 |

| | NOTES | 30 June 2022 US$'000 (unaudited) | 31 December 2021 US$'000 (audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Convertible notes | *14* | **14,349** | 35,593 |
| Lease liabilities | | **–** | 7 |
| | | **14,349** | 35,600 |
| **NET ASSETS** | | **97,650** | 93,678 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *15* | **33,180** | 12,295 |
| Share premium and reserves | | **51,078** | 66,395 |
| Equity attributable to owners of the Company | | **84,258** | 78,690 |
| Non-controlling interests | | **13,392** | 14,988 |
| **TOTAL EQUITY** | | **97,650** | 93,678 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis. In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of approximately US$16.9 million for the six months ended 30 June 2022 and the Group's net current liabilities of approximately US$1 million as at 30 June 2022. In the opinion of the Directors, the Group is able to continue as a going concern in the coming year taking into consideration the measures which include, but not limited to, the following:

a) Chi Capital Holdings Ltd ("**CCH**") has agreed to provide continuous financial support to enable the Group to meet its financial obligations as they fall due in the foreseeable future.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 ("**Annual Report 2021**").

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standard ("**HKFRSs**") issued by the HKICPA for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendment to HKAS 16 | Property, plant and equipment: Proceeds before intended use |
| Amendments to HKAS 37 | Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 |

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

The Group has not adopted any other standard, interpretation or amendment that has been issued but has not yet been effective.

## 4. REVENUE AND SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. CMMB business – Provision of transmission and broadcasting of television ("**TV**") programs.

2. Trading business – Trading of printed circuit board ("**PCB**") and artificial intelligence ("**AI**") related products.

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

**Six months ended 30 June 2022**

| | **CMMB business** *US$'000* **(unaudited)** | **Trading business** *US$'000* **(unaudited)** | **Total** *US$'000* **(unaudited)** |
|---|---|---|---|
| Segment revenue | **1,471** | **1,752** | **3,223** |
| Segment (loss)/profit | **(4,921)** | **32** | **(4,889)** |
| Market development and promotion expenses | **(436)** | **–** | **(436)** |
| Effective interest on convertible notes | **(917)** | **–** | **(917)** |
| Share of results of an associate | **(9,523)** | **–** | **(9,523)** |
| Other income | | | **8** |
| Unallocated expenses | | | **(564)** |
| Loss for the period | | | **(16,321)** |

Six months ended 30 June 2021

| | CMMB business *US$'000* (unaudited) | Trading business *US$'000* (unaudited) | Total *US$'000* (unaudited) |
|---|---|---|---|
| Segment revenue | 1,109 | 1,473 | 2,582 |
| Segment loss | (8,513) | (42) | (8,555) |
| Market development and promotion expenses | (760) | – | (760) |
| Effective interest on convertible notes | (3,016) | – | (3,016) |
| Share of results of an associate | (9,298) | – | (9,298) |
| Other income | | | 43 |
| Unallocated expenses | | | (187) |
| Loss for the period | | | (21,773) |

The accounting policies of the operating segments are the same as the Group' s accounting policies. Segment profit (loss) represents the profit (loss) from each segment after tax without allocation of interest income and central administration expenses. This is the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

**Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| Transmission and broadcasting services | **1,471** | 1,109 |
| Trading of PCB and AI related products | **1,752** | 1,473 |
| | **3,223** | 2,582 |

## 5. OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| COVID-19 related rent concessions and subsidies | **8** | 43 |
| | **8** | 43 |

## 6. FINANCE COSTS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| Effective interest expense on convertible notes | **917** | 3,016 |
| Interest expense on lease liabilities | **2** | 6 |
| | **919** | 3,022 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax: | | |
| US Income Tax | **–** | – |

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits for the period, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2019/2020. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both periods. In addition, the directors considered that the two-tiered profits tax rates regime is not applicable to any entity within the Group for the six months ended 30 June 2022.

For the six months ended 30 June 2022, US Income Tax is charged at 24% (six months ended 30 June 2021: 24%) on the estimated assessable profits.

Taiwan Income Tax is charged at 20% on the estimated assessable profits for both periods. No provision for Taiwan Income Tax has been made as the Group does not have assessable profit arising in Taiwan for both periods.

Under the law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. No provision for PRC income tax has been made in the condensed consolidated financial statements as all of the PRC subsidiaries do not have taxable income for both periods.

## 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| Staff costs, including Directors' remuneration, Share-based payment expense and retirement benefits scheme contributions | **418** | 721 |
| Depreciation of property, plant and equipment | **70** | 200 |
| Included in other expenses: | | |
| Legal and professional fees | **38** | 46 |
| Exchange losses/(gains), net | **5** | 2 |

## 9. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| | **(unaudited)** | (unaudited) |
| **Loss** | | |
| Loss for the period attributable to the owners of the Company for the purposes of calculating basic and diluted loss per share | **(14,725)** | (17,956) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share | **958,034,319** | 297,090,363 |

The computation of the diluted loss per share for the six months ended 30 June 2022 and 2021 have not assumed the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

## 10. INTANGIBLE ASSETS

| | **Spectrum Usage rights** |
|---|---|
| | *US$'000* |
| Cost | |
| At 31 December 2021 and 30 June 2022 | 87,380 |
| Accumulated Amortisation/impairment | |
| At 31 December 2021 | 39,701 |
| Impairment recognised for the Period | 6,046 |
| | 45,747 |
| Carrying Value | |
| At 30 June 2022 | 41,633 |
| At 31 December 2021 | 47,679 |

As disclosed in note 18 of the Annual Report 2021, the spectrum usage rights represented user and operating rights over free-to-air UHF Spectrum TV Stations inclusive of the spectrum usage right, broadcasting rights and operating facilities in seven top US metropolitan cities, which are New York, Los Angeles, Dallas, Richmond, Atlanta, Miami and Tampa.

The management conducted an impairment assessment on the spectrum usage rights on the reporting date. The directors determined that as at 30 June 2022, there is an impairment loss of US$6.0 million (six months ended 30 June 2021: US$8.7 million) recognised for the spectrum usage rights by reference to the value in use calculation.

The basis of the recoverable amounts of the above spectrum usage rights and their underlying assumptions are summarised below:

The recoverable amount of the spectrum usage rights has been determined based on a VIU calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a three-year period at a discount rate of 10.47% (six months ended 30 June 2021: 10.35%). The discount rate is determined based on the weighted average cost of capital appropriate for the spectrum usage rights. The cost of equity of 8.16% (six months ended 30 June 2021: 8.26%) for the year is calculated by: (i) the risk free rate of 1.51% (six months ended 30 June 2021: 0.92%), which is the 10 year average yield of US Government Bond Benchmark Yield Curve; (ii) the equity beta of 0.92 (six months ended 30 June 2021: 1.03), which is the adjusted beta by making reference to publicly listed companies with comparable business nature and operation sourced from Thomson Reuters; and (iii) the market risk premium of 7.25% (six months ended 30 June 2021: 7.15%), which is the difference between market rate of return and risk free rate. This long-term equity risk premium refers to the 10-year average market rate of return for the United States, sourced from Thomson Reuters. The cost of debt of 3.25% (six months ended 30 June 2021: 3.25%) for the year is estimated by referring to the US Prime Lending Rate as sourced from Thomson Reuters. Through the analysis of the industry comparables, the weight of debt and equity is estimated as 46% (six months ended 30 June 2021: 49%) and 54% (six months ended 30 June 2021: 51%) respectively. The corporate tax rate applied remain unchanged at 24%. The specific risk premium this year is 3% (six months ended 30 June 2021: 3%). The spectrum usage rights' cash flow beyond the three year period (2021: three year period) are extrapolated using a steady growth rate of 2.50% (six months ended 30 June 2021: 2.17%) per annum. This growth rate is based on projected inflation published by the International Monetary Fund.

One of the key assumptions for the VIU calculations is the budgeted revenue, which assumes the current contracted capacity will continue for the next three-years taking into account the upgrading from the old analogue format to the new digital format. For assessment purpose, no unutilised capacity will be filled in the first three years; a terminal year fill rate of approximately 65%. (In six months ended 30 June 2021: In the first-year, the unutilised capacity will be filled at approximately 5% yearly. In the second-year, the unutilised capacity will be filled at 10% yearly, from the third to terminal year, the unutilised capacity will be filled at approximately 10% yearly). Such estimation is based on the past performance and management's experience.

## 11. INTERESTS IN AN ASSOCIATE

| | **30 June 2022** *US$'000* **(unaudited)** | 31 December 2021 *US$'000* (audited) |
|---|---|---|
| Initial cost of unlisted investment in an associate | **238,350** | 238,350 |
| Share of result of associate | **(167,209)** | (157,779) |
| Share of exchange difference of an associate | **(63)** | 33 |
| | **71,078** | 80,604 |

The Company acquired 20% equity interest in Silkwave Holdings Limited ("**Silkwave**") with a call option to acquire additional 31% equity interest in Silkwave on 29 May 2018. Through its wholly-owned subsidiary, Silkwave indirectly holds a geosynchronous L-band satellite operating platform, including the AsiaStar satellite capacity, its 40MHz spectrum frequency use covering China and Asia, geostationary orbital slot, network solutions, terminal applications, and a Silkwave-1 satellite design under procurement. Such a platform can offer unprecedented efficiency and economies of scale in delivering digital multimedia and internet-based content services to vehicles and mobile devices ubiquitously throughout China and Asia Pacific Region.

With the already acquired global L-band mobile broadcasting satellite assets, Silkwave has been developing core technologies for satellite + LTE (4G and 5G) convergence. Working with multiple Chinese government agencies and industry groups Silkwave has developed a nationwide satellite – LTE Converged™ network for multimedia delivery, end-to-end ecosystem solutions, and operating partnerships with broadcasting authorities for service deployment. Its development highlights include the terminal device solution TM-Box coupled with Xingyun user interface which is being promoted to be China's industry standard for vehicular multimedia, with multiple OEM automakers having expressed interest to design-in such standard into new vehicle series. Silkwave has also integrated Beidou satellite system to create centimetre-level high-precision positioning solutions for vehicle navigation. In addition, Silkwave has completed multiple stages of technical trial services over 14 provinces and 1 million kilometres in road test in China, as well as over vast regions over the South China Sea.

The share of loss of Silkwave for the Period increased to US$9.5 million (six months ended 30 June 2021: US$9.3 million). Which is primarily due to the delay of regulatory approval for Silkwave group to deploy commercial services in China and prolonged fund-raising for constructing new satellite for mass-market commercial rollout due to continue impact of COVID-19.

Silkwave has been developing satellite connected-car multimedia business in China which will be supported by its AsiaStar satellite assets such as frequency spectrum and orbital slot. Over the years Silkwave has completed its network infrastructure, technology, and ecosystem platform and has been conducting trial services throughout China. It has been awaiting regulatory approvals from various government agencies to launch its commercial services, which in turn will allow the Company to start generating revenues.

Due to numerous government delays, and amidst the prolonged COVID-19 impact, the expected regulatory approvals have not yet arrived, and Silkwave cannot commence commercial services. On the other hand, the slow capital market activities during the COVID-19 period seriously delayed Silkwave's fund-raising effort for constructing and launching a new high-power satellite, which is needed for commercial service rollout in a mass-market scale. The lack of regulatory approval also hampered the fund-raising process. Accordingly, the management has assessed and revised its commercial operations and the expected cashflow and revenue streams associated with the business due to the delay in the regulatory and high-power satellite procurement, hence significant reduction in the valuation of the Silkwave assets is resulted.

The Company remains confident and proactive on the regulatory approval process. Meanwhile, it is also exploring the possibility to launch satellite data-casting service in the ASEAN region to leverage and capitalize the satellite capacity owned in order to create value for the Group.

## 12. TRADE AND OTHER RECEIVABLES

The Group generally allows credit period between 15 to 60 days to its customers of CMMB Business and Trading Business.

The aged analysis of trade receivables, presented based on invoice date, which approximated to the respective revenue recognition dates, at the end of the reporting period are as follows:

| | **30 June 2022** *US$'000* **(unaudited)** | 31 December 2021 *US$'000* (audited) |
|---|---|---|
| Trade receivables: | | |
| 0 – 30 days | **224** | 376 |
| 31 – 60 days | **401** | 413 |
| 61 – 120 days | **384** | 663 |
| | **1,009** | 1,452 |
| Other receivables and deposits | **273** | 140 |
| | **1,282** | 1,592 |

## 13. TRADE AND OTHER PAYABLES

The average credit period granted by its suppliers is 60 days. The aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period are as follows:

| | **30 June 2022** *US$'000* **(unaudited)** | 31 December 2021 *US$'000* (audited) |
|---|---|---|
| Trade payables | **811** | 852 |
| Accruals | **4,989** | 4,680 |
| Receipt in advance | **–** | 456 |
| | **5,800** | 5,988 |

## 14. CONVERTIBLE NOTES

As disclosed in note 28 of the Annual Report 2021, the Company issued US dollar denominated convertible notes with a principal amount of US$96,000,000 ("**2025 Convertible Notes**") to CCH as part of the consideration for the acquisition of 20% equity interest in Silkwave.

On 3 September 2021, the Company issued US dollar denominated convertible notes with a principal amount of US$65,000,000 ("**2028 Convertible Notes**") to redeem all of the 2025 Convertible Notes.

The movement of the liability component of the 2028 Convertible Notes for the Period are as follows:

| | ***US$'000*** |
|---|---|
| At 31 December 2021 | **35,593** |
| Effective interest expenses | **917** |
| Conversion to shares | **(22,161)** |
| **At 30 June 2022** | **14,349** |

## 15. SHARE CAPITAL

| | **Number of shares** | **Nominal value** | **Shown as** |
|---|---|---|---|
| | | *HK$'000* | *US$'000* |
| | (unaudited) | (unaudited) | (unaudited) |
| Ordinary shares of HK$0.20 each | | | |
| At 1 January 2022 | 479,374,860 | 95,875 | 12,295 |
| Issue of new shares by conversion of convertible notes | 813,914,275 | 162,783 | 20,867 |
| Exercise of share options | 704,200 | 141 | 18 |
| **At 30 June 2022** | **1,293,993,335** | **258,799** | **33,180** |

All the new shares rank pari passu with the existing shares in all respects.

## 16. CAPITAL COMMITMENTS

As at 30 June 2022, neither the Group nor the Company has any significant capital expenditure contracted for but not provided in the condensed consolidated financial statements.

## 17. EVENTS AFTER THE REPORTING PERIOD

**Subscription of New Shares Under General Mandate**

On 27 July 2022, the Company has entered into subscription agreements (the "**Subscription Agreements**") with not less than six Subscribers (the "**Subscribers**") (of which some of them are existing shareholders of the Company holding an aggregate of approximately 5.17% of issued Shares as at the date of the Subscription Agreements), who are individuals, institutional or other professional investors, and who and whose ultimate beneficial owners (if any) are third parties independent of the Company and its connected persons, for the subscription of an aggregate 87,728,000 new ordinary shares of HK$0.20 each in the share capital of the Company (the "**Subscription Shares**") for an aggregate consideration of approximately HK$35,091,200 at the subscription price (the "**Subscription Price**") of HK$0.40 per Subscription Share (the "**Subscription**").

The Subscription Price represents: (a) a premium of approximately 14.29% on the closing price of HK$0.35 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 July 2022 at 4:00 p.m., being the date of the Subscription Agreements; and (b) a premium of approximately 3.63% on an average closing price of approximately HK$0.386 per Share as quoted on the Stock Exchange for the last five full trading days of the Shares immediately prior to the date of the Subscription Agreements.

The net proceeds from the Subscription received by the Company upon completion of the Subscription amounted to approximately HK$34,891,200 after deducting professional fees and all related expenses. On this basis, the net issue price per Subscription Share is approximately HK$0.398 per Share.

In view of the market conditions, the Directors considered the Subscription as a good opportunity to strengthen the financial position and general working capital of the Company.

The Subscription was completed on 8 August 2022. For details please refer to the announcement of the Company dated 27 July 2022.

The intended and actual use of proceeds from the Subscription up to the date of this announcement is set out as follows:

| **Use of proceeds from the Subscription** | **Intended use of net proceeds from the Subscription** | **Utilised net proceeds from Placing up to the date of this announcement** |
|---|---|---|
| Repayment of advance from shareholders | HK$34,791,200 | HK$34,791,200 |
| Strengthen the general working capital | HK$100,000 | HK$100,000 |

As at the date of this announcement, all of the proceeds raised from the Subscription has been fully utilized.

Save as disclosed herein, there is no other material event happened after the Period.

## 18. LITIGATION

As at the end of the reporting period, the Group had potential litigation in US against the Company. On 18 October 2019, Mr. Hamza Farooqui ("**Mr. Farooqui**") filed a claim against Silkwave, the Company, CCH, Mr. Wong Chau Chi (a director of the Company), Dr. Liu Hui (a director of the Company) and three other related parties of Silkwave for breach of implied contract, quantum meruit, promissory estoppel, unjust enrichment, breach of contract, fraud and fraud in the inducement, constructive trust, and defamation (the "**Claim**"). In the Claim, it is alleged that, among other matters, the defendants in the Claim are liable to Mr. Farooqui for certain work he performed for the benefit of the defendants in connection with business transactions involving satellite assets in Asia and Africa and certain compensations.

As at the end of the reporting period, the discovery process remain on-going, related evidences will be filed by all related parties. All evidences will be evaluated and dispute if there are disagreement. The Company is currently seeking legal advice in relation to the Claim. The Directors believe that the Claim is without merit and the likelihood of a significant loss arising from the Claim is remote thus no provision of the Claim was considered necessary.

## 19. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF BUSINESS OPERATIONS

The principal activity of the Company is investment holding whilst its subsidiaries are mainly engaged in the provision of Convergent Mobile Multimedia Broadcasting ("**CMMB**"), satellite infotainment multimedia technology and services (the "**Infotainment**") for vehicles and maritime applications, and trading of printed circuit board ("**PCB**") and Artificial Intelligence ("**AI**") related products.

### Fully Exempt Connected Transaction in relation to the Acquisition of Asiastar

On 29 March 2022, the Company entered into an agreement with Chi Capital Holdings Ltd ("**CCH**" or the "**Vendor**"), pursuant to which the Company agreed to acquire and the Vendor agreed to sell a complete geostationary satellite system operating over Asia for the consideration of HK$1.00 (the "**Acquisition of Asiastar**").

As at the date of the agreement in relation to the Acquisition of Asiastar, the Vendor is wholly owned by Mr. Wong Chau Chi ("**Mr. Wong**") (an executive director of the Company), and owns approximately 74.64% of the issued shares of the Company. Hence, the Vendor is a connected person of the Company pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Acquisition of Asiastar shall therefore constitute connected transactions for the Company.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition of Asiastar in aggregate are less than 5% and the total consideration is less than HK$3,000,000, the Acquisition of Asiastar is fully exempted from the reporting, announcement, circular and shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Please refer to the announcement of the Company dated 29 March 2022 for details of the Acquisition of Asiastar.

### Discloseable Transaction and Exempted Connected Transaction – Acquisition of 51% interest in the Target Company

On 27 May 2022, the Company entered into an acquisition agreement (the "**Acquisition Agreement**") with the Vendor, pursuant to which the Company agreed to acquire and the Vendor agreed to sell 51% interest in International IT Hub Limited (the "**Target Company**" or "**IITH**") for the consideration of HK$1.00 (the "**Acquisition of IITH**").

The Target Company is a Hong Kong based AI and big-data Internet-of-Things ("**IoT**") hardware and software solutions provider with operations in Hong Kong and China. It has advanced competence in areas such as AI-based video analytics, facial recognition and license plate recognition as well as IoT solutions.

As the highest applicable percentage ratio in respect of the Acquisition of IITH is more than 5% but is less than 25%, the Acquisition of IITH constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Acquisition Agreement, CCH is the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the Acquisition of IITH also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the Acquisition of IITH are less than 25% and the total consideration is less that HK$10,000,000, the Acquisition of IITH is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Please refer to the announcements of the Company dated 27 May 2022 and 4 July 2022 for details of the Acquisition of IITH.

Save as disclosed above, there has been no material change in the development of the Group's business and financial position, and no important event affecting the Group has occurred since the publication of the annual report of the Company for the year ended 31 December 2021.

## FINANCIAL REVIEW

The Group recorded loss for the six months ended 30 June 2022 (the "**Period**") of approximately US$16.3 million (six months ended 30 June 2021: approximately US$21.8 million), and loss per share of the Company (the "**Share(s)**") was US1.54 cents (six months ended 30 June 2021: US6.04 cents).

### Revenue

For the Period, the Group is engaged in the provision of transmitting and broadcasting television programs, trading of PCB materials and AI related products with a revenue of approximately US$3.2 million (six months ended 30 June 2021: approximately US$2.6 million). The increase in revenue of approximately US$0.6 million was mainly due to the increase in trading of PCB and AI materials by approximately US$0.3 million and increase in TV rental income of approximately US$0.3 million.

### Cost of sales

Cost of sales mainly includes costs of goods sold, staff costs and operating lease payments. The increase in cost of sales of approximately US$0.4 million was due to an increase in direct costs and costs of sales for the Period.

### Gross profit

Gross profit increased from approximately US$1.1 million in corresponding period in 2021 to approximately US$1.4 million in 2022, which arose primarily from higher broadcasting service income.

### Administrative expenses

Administrative expenses for the Period decreased from approximately US$1.1 million to approximately US$0.8 million, mainly due to decrease in staff cost during the Period.

**Market development and promotion expenses**

Market development and promotion expenses has decreased as compared to the six months ended 30 June 2021, which include consultancy services fees for business development, travelling expenses for attending business conferences and meetings as well as research and development costs. The decrease is driven by decrease in traveling and cost control measure.

**Finance costs**

Finance costs of the Group for the Period amounted to approximately US$0.9 million (six months ended 30 June 2021: approximately US$3.0 million) which mainly represented effective interest expense on convertible notes. The Group did not bear any bank and other borrowings during the six months ended 30 June 2022.

**Share of results of an associate**

The Company shared a loss of approximately US$9.5 million (six months ended 30 June 2021: approximately US$9.3 million) for its 20% interest in Silkwave Holdings Limited ("**Silkwave**"), which is primarily due to the delay of regulatory approval for Silkwave to deploy commercial services in China and prolonged fund-raising for constructing new satellite for mass-market commercial rollout due to COVID-19. Details are set out in note 11 of the condensed consolidated financial statements.

**The impairment loss of intangible assets**

In the first half of 2022, the pandemic continued to hit and limited the cross-border business activities. As some of our LPTV stations are still under temporary shut down as result of the delayed upgrading progress, the management has assessed and revised its commercial operations and the expected cashflow and revenue streams associated with the business, hence, the impairment loss recognised on intangible assets for the Period was approximately US$6.0 million, compared to approximately US$8.7 million in the same period of 2021. As management of the Group determined that the recoverable amount is lower than the carrying amount of the cash generating units arising from intangible assets by reference to a value-in-use ("**VIU**") calculation. which has been consistently applied for both period respectively.

One of the key assumptions for the VIU calculations is the budgeted revenue, which assumes the current contracted capacity will continue for the next three-years taking into account the upgrading from the old analogue format to the new digital format. For assessment purpose, no unutilised capacity will be filled in the first three years; a terminal year fill rate of approximately 65%. (In 2021: In the first-year, the unutilised capacity will be filled at approximately 5% yearly. In the second-year, the unutilised capacity will be filled at 10% yearly, from the third to terminal year, the unutilised capacity will be filled at approximately 10% yearly). Such estimation is based on the past performance and management's experience.

Details are set out in note 10 to the condensed consolidated financial statements.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a net loss of approximately US$16.3 million during the Period. As at 30 June 2022, the Group's current liabilities exceeded its current assets by approximately US$0.8 million (31 December 2021: Net current assets approximately US$0.9 million). The Group maintained cash and cash equivalents of approximately US$1.8 million (31 December 2021: approximately US$1.0 million).

A series of plans and measures have been taken to mitigate liquidity pressure and to improve the financial position of the Group. In order to enhance the liquidity and improve the financial position of the Group, the Group has refinancing its debts and proactively broaden the source of income.

## CAPITAL STRUCTURE

### Treasury Policies

The Group adopts a treasury policy that aims to better control its treasury operations and lower its borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The deposits of the Group at various licensed banks have been and will continue to be conducted in accordance with the Group's treasury policy. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

### Indebtedness

Convertible notes of the Group as at 30 June 2022 amounted to approximately US$14.3 million (31 December 2021: approximately US$35.6 million). The gearing ratio (a ratio of total loans to total assets) was approximately 11.6% (31 December 2021: approximately 26.2%), reflecting the Group's financial position was still at a sound level. Other than the convertible notes, the Group did not have any bank borrowings as at 30 June 2022 (31 December 2021: nil).

As at 30 June 2022, neither the Group nor the Company has any significant contingent liabilities (31 December 2021: nil).

### Capital Commitments

As at 30 June 2022, neither the Group nor the Company has any significant capital expenditure contracted for but not provided in the condensed consolidated financial statements.

## PLEDGE OF/CHARGE ON ASSETS

As at 30 June 2022, neither the Group nor the Company pledged or charged any properties and assets (31 December 2021: nil).

## OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2022, the Group did not enter into any material off-balance sheet transactions (31 December 2021: nil).

## FOREIGN EXCHANGE EXPOSURE

For the Period, most of the assets, liabilities and transactions of the Group are denominated in United States dollars. Management of the Group considers the impact of foreign exchange risk to the Group to be insignificant, therefore, the Group did not make any hedging arrangement during the Period.

## SEGMENT INFORMATION

Details of segment information of the Group for the Period are set out in note 4 to the condensed consolidated financial statements.

## EMPLOYEE BENEFITS

The average number of employees of the Group for the Period was approximately 26 (six months ended 30 June 2021: 23). The Group's staff costs (including directors' fees and emoluments and share-based payment expenses) for the Period amounted to approximately US$0.4 million (six months ended 30 June 2021: approximately US$0.7 million). The Group offers a competitive remuneration package to retain elite employees, including salaries, medical insurance, discretionary bonuses, other fringe benefits as well as mandatory provident fund scheme for employees in Hong Kong. The remuneration policy of the Group is reviewed annually and is in line with the prevailing market practice. Share options would be granted to respective employees with outstanding performance and contributions to the Group.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Particulars of the Group's events after the reporting period are set out in the note 17 of the Notes to the Condensed Financial Statements in this announcement.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENT

During the Period, the Group did not have any material acquisition or disposals of subsidiaries, associates and joint ventures save as disclosed herein and announced on the website of the Stock Exchange. Save as disclosed herein, the Directors currently do not have any future plans for material investment. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2022, the Group did not make any significant investments.

## PROSPECTS

### Trading of PCB and AI related products

With the acquisition of IITH, the AI/Big-data solution company which develops integrated hardware and software of smart-electronic products and components, the Company expects to see the upgrading of PCB trading to smart electronic components trading as well as expanding the revenue sources of the Group with the incorporation of AI trading business as the Group see great potential in the demand of AI application and related devices. The Group will leverage its own industry knowledge, closely monitor the market development and integrate the trading business accordingly.

### CMMB/LPTV Business

While LPTV programming steadily recovered in first half year, the Company continues to meet challenges from Covid restriction and quarantine measures, which make it difficult for remote management of the business from Hong Kong from a logistical and personnel standpoint. The trade friction and political dynamic between China and US also dampen our plan for bringing more foreign programming to service its minority. The Company is working on some arrangement with local operators to meet the challenges.

### Satellite Multimedia Service Development

Following the completion of the General Offer by the major shareholder CCH, the Company sees the asset injection of AsiaStar satellite platform for HK$1 in favor of the Company via a Fully Exempted Connected Transaction. This along with the technology that came along has formally turned the Company into a satellite multimedia operator with end-to-end infrastructure and technology platform, whose service will target connected-cars and remote communities, etc. The Company is working to deploy pilot services in Greater Bay Area, and at the same time it has recently entered agreement with Malaysian satellite operator to form a joint venture in Malaysia as the platform for deploying satellite related services in ASEAN with turnkey solution from China. With such developments, the Company expects to move forward steadily, and expand the presence in Asia to provide satellite-internet.

## FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

Set out below is the fundraising activities of the Company during the past twelve months immediately prior to the date of this announcement:

| Date of Announcement | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds as at the date of this announcement |
|---|---|---|---|---|
| 27 July 2022 | Subscription of 87,728,000 new shares under general mandate granted by the Shareholders at the annual general meeting of the Company held on 18 May 2022 | Approximately HK$34,891,200 | Repayment of advance from shareholders and to strengthen the general working capital | • Repayment of advance from shareholders of approximately HK$34,791,200<br>• Strengthen the general working capital approximately HK$100,000 |

Save as abovementioned, the Company had not conducted any other fundraising exercise in the past twelve months immediately preceding the date of this announcement.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, (1) 704,200 new ordinary shares of the Company were issued pursuant to the exercise of share options under the share option scheme of the Company; and (2) 813,914,275 new ordinary shares of the Company were issued pursuant to the exercise of the conversion rights attached to the convertible notes issued by the Company.

Save as disclosed herein, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## MANDATORY UNCONDITIONAL CASH OFFER

On 26 November 2021, the Company has received a conversion notice from CCH for the exercise of the conversion rights attached to the 2028 CN to exercise a total of 108,571,428 Shares (the "**Partial Conversion Shares**") at HK$0.35 per Share. The 108,571,428 Partial Conversion Shares have been issued to CCH on 30 November 2021 (the "**Partial Conversion**").

Immediately after the allotment and issue of the Partial Conversion Shares, the number of issued shares of the Company has been increased to 479,374,860 Shares and the Partial Conversion Shares represent approximately 29.28% of the total issued shares of the Company immediately before the allotment and issue of the Partial Conversion Shares and approximately 22.65% of the total issued shares of the Company as enlarged by the allotment and issue of the Partial Conversion Shares.

Furthermore, on 1 December 2021 the Company was also informed by CCH before trading hours of the Stock Exchange that CCH has purchased (the "**Purchases**") on the market an aggregate of 103,428,000 Shares (the "**Sale Share(s)**"), representing approximately 21.58% of the total issued shares of the Company as at the date of the Purchases, through block trade transactions on the Stock Exchange during the pre-market opening session on 1 December 2021 at HK$0.40 per Sale Share and completion took place simultaneously.

The vendors of the Sale Shares and their ultimate beneficial owners are independent third parties who are not connected persons of CCH and its connected persons or party(ies) acting in concert with CCH ("**CCH's Concert Parties**") as determined in accordance with the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**").

Immediately prior to the Partial Conversion and the completion of the Purchases (the "**Completion**"), CCH and CCH's Concert Parties owned (i) an aggregate of 33,429,268 Shares, representing approximately 9.02% of the total issued shares of the Company immediately before the allotment and issue of the Partial Conversion Shares; (ii) 270,000 share options granted and outstanding under the Share Option Scheme; and (iii) the 2028 CN in the aggregate principal amount of US$65,000,000. Immediately after the Partial Conversion and the Completion, CCH and CCH's Concert Parties are in aggregate interested in (i) 245,428,696 Shares, representing approximately 51.20% of the total issued shares of the Company as at the date of the Completion; (ii) 270,000 share options granted and outstanding under the Share Option Scheme; and (iii) the 2028 CN in the outstanding amount of US$60.1 million. In accordance with Rule 26.1 of the Takeovers Code, CCH made a mandatory unconditional cash offer for all the issued Shares other than those Shares already owned by CCH and CCH's Concert Parties (the "**Offer Shares**") in accordance with the terms as set out in the composite offer document and the response document jointly despatched by the Company and CCH on 14 January 2022 (the "**Composite Document**") in accordance with the Takeovers Code (the "**Share Offer**"). CCH also made a cash offer to the holders of the share options granted and outstanding under the Share Option Scheme in compliance with Rule 13 of the Takeovers Code to cancel all the share options granted and outstanding under the Share Option Scheme (the "**Offer Options**") (the "**Option Offer**").

As of the close of the Share Offer and the Option Offer (collectively, the "**Offers**") on 4 February 2022, CCH received: (i) 8 valid acceptances in respect of a total of 152,469 Offer Shares under the Share Offer, representing approximately 0.032% of the entire issued Shares as at the close of the Offers; and (ii) 3 valid acceptances in respect of a total of 585,000 Offer Options under the Option Offer, representing approximately 31.98% of all the Offer Options as at the date of the Composite Document. Accordingly, CCH and CCH's Concert Parties held a total of 245,581,165 shares, representing approximately 51.15% of the issued Shares immediately after completion of the Offers.

Please refer to the announcements of the Company dated 7 December 2021, 9 December 2021, 28 December 2021, 14 January 2022 and 4 February 2022 and the Composite Document for details of the Offers.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, the Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code throughout the Period and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the Period.

## CODE ON CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the CG Code throughout the six month ended 30 June 2022 except:

The Company has been deviated from the code provision C.2.1 of the CG Code, as the roles of chairman and chief executive of the Company were not separate. With effect on 19 May 2008, Mr. Wong was re-designated as the chairman while also serving as the chief executive of the Company. According to the code provision C.2.1 of the CG Code, the roles of a chairman and a chief executive should be separate and should not be performed by the same individual. Given Mr. Wong has had extensive experience in the business of the Group and has performed satisfactorily since his joining of the Company in 2007, particularly in soliciting new possible business opportunities and deducing the overall strategic plan for the future development of the Company, the Board considers that it would be beneficial for the Group if Mr. Wong is also in charge of overseeing the Company's operations as the chairman. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will regularly review the effectiveness of this arrangement.

## AUDIT COMMITTEE

The Audit Committee comprises of Dr. Li Jun, Mr. Chow Kin Wing and Mr. Tam Hon Wah being independent non-executive Directors and Mr. Chou Tsan-Hsiung, a non-executive Director. Currently, Mr. Chow Kin Wing is the chairman of the Audit Committee. The Audit Committee has reviewed and discussed, with the management, the accounting principles and policies, internal controls and financial reporting adopted by the Group, and the unaudited condensed consolidated financial statements for the Period and recommended its adoption by the Board.

The unaudited condensed consolidated financial statements for the Period was approved by the Board on 30 August 2022.

## INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company deeply understands that shareholders are entitled to have a better understanding of the business and prospect of the Group. Therefore, the Company always makes active communication with investment community. Shareholder communication policy has been adopted to regulate and promote the efficient and sound communication among the Company, its shareholders and other stakeholders. The policy can be accessed on the Group's website.

## PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/silkwave). The interim report for the six months ended 30 June 2022 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

By order of the Board
**SILKWAVE INC**
**Wong Chau Chi**
*Chairman*

Hong Kong, 30 August 2022

*As at the date of this announcement, the executive director is Mr. WONG Chau Chi; the non-executive directors are Dr. LIU Hui; Mr. CHOU Tsan-Hsiung, Mr. YANG Yi and Mr. LUI Chun Pong; and the independent non-executive directors are Dr. LI Jun, Mr. CHOW Kin Wing and TAM Ho Wah.*