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SILKWAVE INC

中播數據有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

	Year ended 31 December		Change US\$'000	Change %
	2022 US\$'000	2021 US\$'000		
Revenue	<u>8,551</u>	<u>5,723</u>	2,828	49.4%
Gross profit	<u>2,462</u>	<u>1,508</u>	954	63.3%
Loss from operations	(5,387)	(8,490)	3,103	(36.5)%
Share of results of an associate	(20,269)	(44,280)	24,011	(54.2)%
Impairment loss recognised on intangible assets	(3,648)	(5,106)	1,458	28.6%
Impairment loss recognised under expected credit loss model	(223)	–	(223)	N/A
Gain on redemption of convertible notes	<u>–</u>	<u>19,905</u>	19,905	(100.0)%
Loss for the year	<u>(29,527)</u>	<u>(37,971)</u>	8,444	(22.2)%
Total assets	<u>114,821</u>	135,876	(21,055)	(15.5)%
Total liabilities	<u>17,807</u>	42,198	(24,391)	(57.8)%
Net assets	<u>97,014</u>	<u>93,678</u>	3,336	3.6%

FINANCIAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Silkwave Inc (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**Year**”), together with the comparative figures for the year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue	3	8,551	5,723
Cost of sales		(6,089)	(4,215)
Gross profit		2,462	1,508
Other income	4	27	42
Gain on redemption of convertible notes		–	19,905
Administrative expenses		(3,536)	(1,796)
Market development and promotion expenses		(1,584)	(1,109)
Finance costs	5	(2,402)	(5,134)
Other expenses		(337)	(158)
Share of results of an associate		(20,269)	(44,280)
Impairment loss recognised on intangible assets		(3,648)	(5,106)
Impairment loss recognised under expected credit loss model		(223)	–
Loss on replacement of intangible asset		–	(1,843)
Loss before tax		(29,510)	(37,971)
Income tax expense	6	(17)	–
Loss for the year	7	(29,527)	(37,971)

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,163)	778
Share of exchange differences of an associate		<u>35</u>	<u>19</u>
Other comprehensive (loss)/income, net of tax		<u>(2,128)</u>	<u>797</u>
Total comprehensive loss for the year		<u>(31,655)</u>	<u>(37,174)</u>
Loss for the year attributable to:			
– Owners of the Company		(27,973)	(35,437)
– Non-controlling interests		<u>(1,554)</u>	<u>(2,534)</u>
Loss for the year		<u>(29,527)</u>	<u>(37,971)</u>
Total comprehensive expense attributable to:			
– Owners of the Company		(30,136)	(34,640)
– Non-controlling interests		<u>(1,519)</u>	<u>(2,534)</u>
Total comprehensive expense for the year		<u>(31,655)</u>	<u>(37,174)</u>
		<i>US cents</i>	<i>US cents</i>
Loss per share	8		
– Basic		(2.3)	(10.38)
– Diluted		<u>(2.3)</u>	<u>(12.88)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		27	83
Intangible assets		44,031	47,679
Interests in an associate		60,337	80,604
Rights-of-use assets		513	34
Financial asset at fair value through profit or loss		—	—
		<u>104,908</u>	<u>128,400</u>
CURRENT ASSETS			
Trade and other receivables	9	2,344	1,592
Amount due from a related company		4,513	3,863
Amount due from an associate		1,338	979
Bank balances and cash		1,718	1,042
		<u>9,913</u>	<u>7,476</u>
CURRENT LIABILITIES			
Trade and other payables	10	3,217	5,988
Amounts due to shareholders		—	246
Lease liabilities		269	26
Tax payable		355	338
		<u>3,841</u>	<u>6,598</u>
NET CURRENT ASSETS		<u>6,072</u>	<u>878</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>110,980</u>	<u>129,278</u>
NON-CURRENT LIABILITIES			
Convertible notes		13,684	35,593
Lease liabilities		282	7
		<u>13,966</u>	<u>35,600</u>
NET ASSETS		<u>97,014</u>	<u>93,678</u>

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	39,597	12,295
Share premium and reserves		43,984	66,395
		<hr/>	<hr/>
Equity attributable to owners of the Company		83,581	78,690
Non-controlling interests		13,433	14,988
		<hr/>	<hr/>
TOTAL EQUITY		97,014	93,678
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Silkwave Inc was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in Hong Kong is located at Unit 1211, Level 12, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong.

The immediate and ultimate holding company is Chi Capital Holdings Ltd ("**Chi Capital**"), being a company wholly-owned by Mr. Wong Chau Chi who is the controlling shareholder of the Company.

The Company acts as an investment holding company. The Group is principally engaged in the development and promotion of CMMB-based multimedia and interactive services via proprietary terrestrial infrastructure. The Group is operating a terrestrial UHF wireless television ("**TV**") network providing digital media and entertainment services to New York and other key markets in preparation to deploying a similar multimedia service platform in the United States of America ("**US**").

Converged Mobile Multimedia Broadcasting ("**CMMB**") is a digital mobile multimedia technology developed by and currently commercially deployed in the People's Republic of China (the "**PRC**"). It can deliver digital mobile TV and multimedia contents via both terrestrial and satellite networks directly to mobile and wireless devices such as smartphone, tablet, pocket TV, laptops, automobile digital receivers and personal media player that are equipped with a CMMB-enabled chipset. Its broadcast oriented delivery capability can render data contents to be received anytime anywhere with enormous scale and cost efficiency and encounter no traffic interruption or bandwidth squeeze typical of today's unicast-based cellular network. The signals can be received without distortion even the receiving object is moving at above 350 kilometer/hour.

The Group is also engaged in trading which relates to the procurement and distribution of printed circuit board ("**PCB**") materials, and providing hardware and software solution related to artificial intelligence ("**AI**") and Internet-of-Things.

The consolidated financial statements are presented in United States dollars ("**US\$'000**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss, which is carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (Amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (Amendments)
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (Amendments)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

(b) New and amended standards and interpretations not yet adopted

The following new and amended standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (Amendments)	1 January 2023
HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments)	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (Amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (Amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (Amendments)	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards, amendments and interpretation are not expected to have a material financial impact on the Group in the future reporting periods and on foreseeable future transactions. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements. The Group intends to adopt the above new standards, amendments to existing standards, interpretations and accounting guideline when they become effective.

3. REVENUE AND SEGMENT INFORMATION

Information is reported to the Company's executive directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance with focus on types of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segment are as follows:

1. CMMB business – Provision of transmission and broadcasting of television (“TV”) programs.
2. Trading business – Trading of printed circuit board (“PCB”) materials and other AI related products.

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

For the year ended 31 December 2022

	CMMB business <i>US\$'000</i>	Trading business <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue	<u>2,722</u>	<u>5,829</u>	<u>8,551</u>
Segment (loss)/profit	(7,051)	10	(7,041)
Share of results of an associate			(20,269)
Other income			27
Impairment loss recognised under expected credit loss model			(165)
Unallocated corporate expenses			<u>(2,079)</u>
Loss for the year			<u><u>(29,527)</u></u>

For the year ended 31 December 2021

	CMMB business <i>US\$'000</i>	Trading business <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue	<u>2,692</u>	<u>3,031</u>	<u>5,723</u>
Segment profit/(loss)	8,179	(28)	8,151
Share of results of an associate			(44,280)
Other income			40
Unallocated corporate expenses			<u>(1,882)</u>
Loss for the year			<u><u>(37,971)</u></u>

Segment assets

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
CMMB business	105,847	128,733
Trading business	947	1,207
	<hr/>	<hr/>
Total segment assets	106,794	129,940
Unallocated		
– Property, plant and equipment	15	28
– Right-of-use assets	509	–
– Other receivables	127	96
– Amount due from a related company	4,513	3,863
– Amount due from an associate	1,338	979
– Bank balances and cash	1,525	970
	<hr/>	<hr/>
Consolidated total assets	<u>114,821</u>	<u>135,876</u>

Segment liabilities

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
CMMB business	15,706	40,191
Trading business	658	927
	<hr/>	<hr/>
Total segment liabilities	16,364	41,118
Unallocated		
– Accruals	896	834
– Lease liabilities	547	–
– Amounts due to shareholders	–	246
	<hr/>	<hr/>
Consolidated total liabilities	<u>17,807</u>	<u>42,198</u>

Revenue from major products and services

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue from contracts with customers recognised at a point in time:		
Trading of PCB materials and other AI products	5,829	3,031
	<hr/>	<hr/>
Revenue from contracts with customers recognised over a period of time:		
CMMB service income	289	304
Revenue from other sources:		
Transmission and broadcasting of TV programs	2,433	2,388
	<hr/>	<hr/>
	<u>8,551</u>	<u>5,723</u>

Other segment information

	CMMB business <i>US\$'000</i>	Trading business <i>US\$'000</i>	Total <i>US\$'000</i>
Amounts included in the measurement of segment profit or loss:			
Year ended 31 December 2022			
Depreciation of property, plant and equipment	42	18	60
Depreciation of right-of-use assets	–	23	23
Effective interest expense on convertible notes	2,363	–	2,363
Impairment loss recognised on intangible assets	3,648	–	3,648
Interest expense on lease liabilities	22	1	23
	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2021			
Depreciation of property, plant and equipment	99	–	99
Depreciation of right-of-use assets	–	25	25
Effective interest expense on convertible notes	5,126	–	5,126
Impairment loss recognised on intangible assets	5,106	–	5,106
Interest expense on lease liabilities	–	2	2
Loss on replacement of intangible asset	1,843	–	1,843
Gain on redemption of convertible notes	(19,905)	–	(19,905)
	<u> </u>	<u> </u>	<u> </u>

Geographical information

The Group principally operates CMMB business in US (country of domicile of the operating subsidiary) and trading business in Taiwan and Hong Kong. Nearly all non-current assets of the Group are located in the US except for certain insignificant non-current assets (such as office equipment and motor vehicles) which are located in Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Revenue from external customers	
	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
US	2,433	2,388
Taiwan	4,067	3,031
PRC	289	304
Hong Kong	1,762	–
	<u> </u>	<u> </u>
	8,551	5,723
	<u> </u>	<u> </u>

4. OTHER INCOME

	2022 US\$'000	2021 US\$'000
COVID-19 related rent concessions	–	39
Government grants (<i>note i</i>)	25	–
Others	2	3
	<u>27</u>	<u>42</u>

note i: In 2022 the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be at risk of being made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or other contingencies attaching to these grants. No such income in 2021.

5. FINANCE COSTS

	2022 US\$'000	2021 US\$'000
Effective interest expense on convertible notes	2,363	5,125
Interest expense on lease liabilities	37	8
Bank interest expense	2	1
	<u>2,402</u>	<u>5,134</u>

6. INCOME TAX EXPENSE

	2022 US\$'000	2021 US\$'000
Current tax:		
Taiwan Income Tax	<u>17</u>	<u>–</u>

Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the year, 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 2018/2019. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both years.

US Income Tax is charged at 24% (2021: 24%) on the estimated assessable profits for the year. No provision for US Income Tax has been made as the Group does not have assessable profit arising in US for both years.

Taiwan Income Tax is charged at 20% on the estimated assessable profits for both years. No provision for Taiwan Income Tax has been made as the Group had no assessable profit arising in Taiwan for the year ended 31 December 2021.

Under the law of 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 consolidated financial statements as all of the PRC subsidiaries do not have assessable profit for the year ended 31 December 2022.

7. EXPENSE BY NATURE

Expenses included in cost of sales, administrative expenses and market development and promotion expenses are analysed as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Cost of materials	5,640	3,031
Auditor's remuneration	128	141
Depreciation of property, plant and equipment	56	129
Depreciation of right-of-use assets	283	263
Employee benefits costs (including directors' emoluments)	2,823	1,245
Technical development expense	1,268	701

8. LOSS PER SHARE

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share	(27,973)	(35,437)
Effect of dilutive potential ordinary shares:*		
– Effective interest on convertible notes	–	4,161
– Gain on redemption of convertible notes	–	(19,905)
Loss for the year attributable to the owners of the Company for the purpose of calculating diluted loss per share	(27,973)	(51,181)
Number of ordinary shares	2022	2021
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	1,212,279,900	341,371,862
Effect of dilutive potential ordinary shares:*		
– Convertible notes	–	56,029,023
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	1,212,279,900	397,400,885

* The computation of the diluted loss per share for the year ended 31 December 2022 has not assumed the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

For the share options, the computation of diluted loss per share amount has not assumed the conversion of the Group's outstanding share options since they are anti-dilutive for the years ended 31 December 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period of between 15 to 60 days to its customers of CMMB Business and Trading Business. The trade receivables are solely due from one customer under Trading Business (2021: one) and three customers under CMMB business (2021: three) as at 31 December 2022.

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables	2,252	1,452
Less: Provision for impairment losses	(57)	–
	<hr/>	<hr/>
Trade receivables, net	2,195	1,452
Other receivables and deposits	149	140
	<hr/>	<hr/>
	2,344	1,592
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	397	376
31 – 60 days	551	413
61 – 90 days	337	445
91 – 120 days	207	218
Over 120 days	760	–
	<hr/>	<hr/>
	2,252	1,452
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

The aging analysis of trade payables as at the end of the reporting period, presented based on invoice date, are as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade payables	592	852
Accruals	2,625	4,680
Receipt in advance	–	456
	<hr/>	<hr/>
	3,217	5,988
	<hr/> <hr/>	<hr/> <hr/>

11. SHARE CAPITAL

	Number of ordinary shares of HK\$0.2 each	Nominal value HK\$'000	Shown as US\$'000
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>25,000,000,000</u>	<u>5,000,000</u>	
<i>Issued and fully paid:</i>			
At 1 January 2021	277,925,277	55,585	7,117
Issue of new shares by conversion of convertible notes	108,571,428	21,714	2,791
Issue of new shares by placing	58,342,055	11,668	1,500
Exercise of share options	<u>34,536,100</u>	<u>6,908</u>	<u>887</u>
At 31 December 2021 and 1 January 2022	<u>479,374,860</u>	<u>95,875</u>	<u>12,295</u>
Issue of new shares by conversion of convertible notes	891,714,258	178,343	22,914
Issue of new shares by placing	87,728,000	17,546	2,254
Exercise of share options	<u>83,044,200</u>	<u>16,609</u>	<u>2,134</u>
At 31 December 2022	<u>1,541,861,318</u>	<u>308,373</u>	<u>39,597</u>

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

12. CAPITAL COMMITMENTS

As at 31 December 2022, neither the Group nor the Company has any capital expenditure (2021: Nil).

13. LITIGATION

As at the end of the reporting period, the Group had a potential litigation in the US against the Company. On 18 October 2019, Mr. Hamza Farooqui (“**Mr. Farooqui**”) filed a claim against Silkwave, the Company, Chi Capital, Mr. Wong Chau Chi (an executive director of the Company), Mr. Liu Hui (an executive 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 Superior Court of the District of Columbia, the case remains at discovery process, both plaintiff and defendants had produced and exchanged evidences related to the case, and the Company and other defendants had denied liability and are contesting all the claims, there were no judgments or settlements have been made in the case during the Year.

As at the end of the reporting period, the Company was 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 small thus no provision of the Claim was considered necessary.

14. FINAL DIVIDEND

The board of directors of the Company did not recommend any final dividend to the shareholders of the Company for the year ended 31 December 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.

CMMB Business

The Group’s LPTV portfolio offer a variety of programming, including local news, sports, and community events, as well as syndicated content from larger networks. The goal of providing valuable programming to viewers and serving local communities in the US. The LPTV market has been undergoing significant changes in recent years due to various factors such as the digital switchover, the emergence of new technologies, and changes in regulatory policies. The Group had been working closely with local content providers and other broadcasters. As there were switch between how viewers view content from traditional TV-set to smartphone, it require digital TV programmer to include more interactive content for viewers to enhance to overall viewing experience. The Group believes high quality digital content will able to attracts and retain viewer for the TV market. Overall, the Group will remain optimistic of its presence in the US TV market and to seek to work with other broadcasters, partners to remain competitive in the ever-changing TV entertainment market.

Infotainment

The Company has been developing satellite based in-vehicle infotainment business with its associate company Silkwave Holdings, which is the main service operator with a full-fledged satellite and technology platform. While the Company only owns 20% in Silkwave, it is the major strategic and value-added service provider to Silkwave. The Silkwave infotainment business is an extension of the Company’s CMMB technology extended to the sky leveraged on the ubiquitous delivery power of the mobile broadcasting satellite. The business has completed its infrastructure development and is in the stage of various trials to satisfy regulatory requirements so as to qualify for government approvals for commercial service launch. The pandemic outbreak has created disruption on the process, especially on liaising and coordinating with different government and regulatory agencies. Nevertheless, the prospect of the business remains to be very robust. The Chinese government in its 14th Five-Year Plan has made a big push to develop autonomous driving and new energy cars and mandated them to reach 50% penetration of the auto market by 2035. Data connectivity is the life-blood for smart-driving, and satellite Internet has been incorporated as part of China’s New Infrastructure to drive the development of connected-car services. The Company’s Silkwave setup is seen as the main pillar supporting a nationwide connected-car. With the new market momentum and government initiatives the Company is confident it will eventually attain its regulatory credentials for service operation in the near future.

To further explore opportunity, the Company has also undertaken efforts to deploy the service in ASEAN, targeting a combination of vehicles, ships, and remote mobile access. ASEAN has about 700 million in population and significant portion has no fast and reliable Internet access and satellite is seen as the most effective solution to leapfrog digital transformation. It projects 100 million middle-high income population by 2030, and development of a smart-driving economy is a top government priority. The Company is currently putting in place joint ventures in Malaysia, Indonesia to spearhead regional infotainment development. It is planning pilot service in Malaysia within coming year.

Trading Business

The Trading business has grown steadily in 2022, with diversifying our PCB trading business with more sophisticated technology component used in AI application. We have seen positive impact in our trading operation. As technology continuously evolving, and market are welcome to incorporate AI related hardware and technology to enhance the operation flow. It also allow us to position and has presence in the AI component while the government and commercial sector starting to deploy AI application such as video analytics, AIoT which allow the user to get the benefit of collecting big-data and translate it into meaningful operation statistic and eventually improve operation result.

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 than 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.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded loss for the year of approximately US\$29.5 million (2021: approximately US\$38.0 million). Loss per share of the Company (the “Share”) was approximately US2.3 cents (2021: approximately US10.38 cents) and net assets per share of the Group was approximately US\$0.06 (2021: approximately US\$0.20).

Revenue

For the Year, 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\$8.6 million (2021: approximately US\$5.7 million). The increase in revenue of approximately US\$2.9 million was mainly due to the increase in trading of PCB and AI materials by approximately US\$2.8 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\$1.9 million was due to an increase in direct costs and costs of sales for the Year.

Gross profit

Gross profit increased from approximately US\$1.5 million in 2021 to approximately US\$2.5 million in 2022, which arose primarily from higher broadcasting service income.

Administrative expenses

Administrative expenses increased from approximately US\$1.8 million in 2021 to approximately US\$3.5 million for the Year, mainly due to increased in share-based payment compared to previous year.

Market development and promotion expenses

Market development and promotion expenses has increased as compared to 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 increase is driven by operation gradually resume normal in 2022 after the pandemic hit hard in 2021 across the globe.

Finance costs

Finance costs of the Group for the Year amounted to approximately US\$2.4 million (2021: approximately US\$5.1 million) which mainly represented effective interest expense on convertible notes. The Group did not bear any bank and other borrowings during the Year.

Financial asset at fair value through profit or loss

Management evaluated the fair value of financial assets at fair value through profit or loss (“FVTPL”) by way of objective evidence, including but not limited to business forecasts and project timelines, etc. Changes in the fair value of financial assets at FVTPL has been recorded through the consolidated profit or loss statement for the Year.

Share of results of an associate

The Company shared a loss of approximately US\$20.3 million (2021: approximately US\$44.3 million) for its 20% interest in Silkwave Holdings Limited (“**Silkwave**”) 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 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.

As there are increasing recognition of satellite service and application in the market, With the Covid situation finally came under control and China reopen the border in the early 2023 after three years of lockdown, the Company will continue to work on regulatory approval and commercial service roll-out for the PRC as well as other ASEAN market.

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 reduction in the valuation of the Silkwave assets is resulted.

The impairment loss of intangible assets

The impairment loss recognised on intangible assets for the year ended 31 December 2022 was approximately US\$3.6 million (2021: approximately US\$5.1 million) 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 in previous year.

Due to increasing challenge in the LPTV market as technology advances, LPTV operators face competition from a range of other media, including traditional broadcasters, streaming services, and social media platforms. The Group had managed to keep pace with the changes in broadcasting and distribution methods, but had to account for potential change in the broadcasting landscape for the LPTV market in the US. A more conservative approach was carried out on the future market expansion and revenue streams associated with the business, therefore reduction in valuation lead to make the necessary impairment of its LPTV assets.

Despite increasing challenge in the LPTV market, the Group remain positive to continue its presence and will focus on content diversification and collaborate with new content providers to navigate through the challenge and position ourselves for long-term success.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The total equity attributable to the owners of the Company increased to approximately US\$83.6 million as at 31 December 2022 as compared with approximately US\$78.7 million in 2021 which was mainly derived from reducing the convertible notes liability into equities by the note holder during the Year. During the Year, net proceeds of approximately US\$4.2 million was raised by issue of new Shares pursuant of the exercise of share options and approximately US\$4.5 million was raised by the Subscription of new Shares which was completed on 8 August 2022.

Current assets amounted to approximately US\$9.9 million (2021: approximately US\$7.5 million) comprising bank balances and cash of approximately US\$1.7 million (2021: approximately US\$1.0 million), trade and other receivables of approximately US\$2.3 million (2021: approximately US\$1.6 million), amount due from a related company of approximately US\$4.5 million (2021: approximately US\$3.9 million), and amount due from an associate of approximately US\$1.3 million (2021: approximately US\$1.0 million).

Current liabilities amounted to approximately US\$3.8 million (2021: approximately US\$6.6 million) representing trade and other payables of approximately US\$3.2 million (2021: approximately US\$6.0 million), amounts due to shareholders was nil (2021: approximately US\$0.2 million), lease liabilities of approximately US\$0.3 million (2021: approximately US\$26,000) and tax payable of approximately US\$0.4 million (2021: approximately US\$0.3 million). As at 31 December 2022, the Group's current ratio was approximately 2.58 (2021: approximately 1.13).

On 27 July 2022, the Company entered into subscription agreements with the subscribers for the subscription of an aggregate 87,728,000 new shares of the Company for an aggregate consideration of approximately HK\$35.1 million at the subscription price of HK\$0.40 per subscription share. The subscription was completed on 8 August 2022. The intent of the proceeds was repayment of advance from shareholders and to strengthen the general working capital of the Company.

The Group's cash and cash equivalents as at 31 December 2022 were mainly denominated in United States Dollars, Hong Kong Dollars and Renminbi.

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 31 December 2022 amounted to approximately US\$13.7 million (2021: approximately US\$35.6 million). The gearing ratio (a ratio of total loans to total assets) was approximately 11.9% (2021: approximately 26.2%), reflecting the Group's financial position was at an optimal level. Other than convertible notes, the Group did not have any bank borrowings as at 31 December 2022 (2021: Nil).

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

CAPITAL COMMITMENT

As at 31 December 2022, the Group and the Company did not have any significant capital commitments (2021: Nil).

PLEDGE OF/CHARGE ON ASSETS

As at 31 December 2022, neither the Group nor the Company has pledged or charged its assets to secure its borrowings (2021: Nil).

OFF-BALANCE SHEET TRANSACTIONS

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

FOREIGN CURRENCY EXCHANGE RISK

Most of the assets, liabilities and transactions of the Group are denominated in United States dollars. The management of the Group considers that foreign exchange risk does not have significant impact to the Group, therefore, the Group did not make any hedging arrangement for the year ended 31 December 2022.

SEGMENT INFORMATION

Details of segmental information of the Group are set out in note 3 to the consolidated financial statements.

EMPLOYEE BENEFITS

The average number of employees of the Group for the year ended 31 December 2022 was approximately 22 (2021: approximately 23). The Group's staff costs (including Directors' fees and emoluments) for the year ended 31 December 2022 amounted to approximately US\$2.8 million (2021: approximately US\$1.2 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed herein, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group is actively exploring other business opportunities and diversify its revenue stream and bring better return to the shareholders of the Company (the "Shareholders").

Save as disclosed herein, the Directors currently do not have any future plans for material investments or capital assets. 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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Apart from those disclosed herein, there were no significant event after the Year and up to the date of this report.

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 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 report 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 report
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 31 December 2022, all of the proceeds raised from the Subscription has been fully utilized.

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

During the Year, (i) 83,044,200 new Shares were issued pursuant to the exercise of share options under the share option scheme of the Company; (ii) 87,728,000 new Shares were issued pursuant to the Subscription; and (iii) 891,714,258 new Shares 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 Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Our CMMB business remains steady and positive, with the overall digital TV market continues to evolve and adapt to new technologies, from analog to digital broadcasting, The digital transition has enabled LPTV stations to provide higher-quality programming and to reach a wider audience. The Group aims to ensure a smooth and successful transition, including equipment upgrades, staff training and technical experts to assist with the transition. We also communicate with content providers to consider the impact of digital broadcasting on their programming and content. Digital broadcasting enables high-definition programming and interactive features, and explore ways to leverage these capabilities to provide engaging and compelling content to viewers. Finally, we also promote our digital broadcasting capabilities to our partners. Effective marketing and promotion can help to build awareness and excitement around the transition to digital broadcasting, and can help to drive viewership and engagement.

Satellite Connected-Car Multimedia Service Development

ASEAN expansion: Three years of Covid have largely halted the Company's satellite multimedia development effort in China and elsewhere in the Asia-Pacific region. Nevertheless, with the opening up of the economies toward the end of last year, the Company wasted no time to mount its development effort again by honing in major business ventures across the ASEAN region. Most notably, the Company has entered into agreement to develop and provide satellite-WiFi last-mile connectivity and multimedia services to remote villages in Indonesia and the Philippines in last December 2022 and January 2023 respectively, which will allow the Company to leverage on its satellite platform and technology to provide integrated satellite-enabled broadband and digital services to tens of thousands of remote villages and island communities in these countries. ASEAN has about 700 million in population and nearly half has no Internet access due to extreme geographical challenges, especially in Indonesia and the Philippines. The Company's satellite technology solution is seen as highly effective solution and the ventures entered are expected to quickly open up new market and generate new revenues in scale and scope. If successful, the Company will effectively be develop akin to a "satellite mobile Netflix" for ASEAN.

Satellite-to-vehicle infotainment: The Company also speed up its business activities in China toward the end of 2022 aimed at revamping development and operation. With most Covid constraints removed China's business activities have returned to normal, and the Company is embarking on a series of business development activities to reconnect with the auto ecosystem and government regulatory bodies in China to speed up its commercial deployment of satellite-to-vehicle (S2V) infotainment services this year. With 300 million cars on the road and 30 million news cars entering every years in China, the connected-car infotainment business remains to be the Company's most promising prospect.

Satellite-to-device multimedia: Toward the end of 2022 also saw a market trend of integrating satellite service into mobile phones as the mobile industry is chartering into the 6G era and making coming 6G value-added feature and create the satellite-to-device service as a 6G value-added feature. The Company's L-band satellite mobile multimedia capability is seen as the most unique and readily available service platform to be integrated into the next-generation mobile handsets. As such, it has become a front-runner in the industry for providing satellite integrated smartphone for providing infotainment with unrivalled advantages such as rich multimedia content, ubiquitous coverage, and data-charge-free. Since late 2022, the Company has been working with leading global industry players for such development. The scalability and proliferation and of the satellite-to-device development can far outweigh that of vehicles and give the Company another potentially huge business franchise in mobile handset industry after the car industry.

The above development attests to the Company's satellite assets, technologies and business vision. The Company is optimistic that in 2023 certain of its activities will bear fruition.

MANDATORY UNCONDITIONAL CASH OFFER

On 26 November 2021, the Company has received a conversion notice from Chi Capital 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 Chi Capital 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 Chi Capital before trading hours of the Stock Exchange that Chi Capital 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 Chi Capital and its connected persons or party(ies) acting in concert with Chi Capital (“**Chi Capital’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**”), Chi Capital and Chi Capital’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, Chi Capital and Chi Capital’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, Chi Capital made a mandatory unconditional cash offer for all the issued Shares other than those Shares already owned by Chi Capital and Chi Capital’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 Chi Capital on 14 January 2022 (the “**Composite Document**”) in accordance with the Takeovers Code (the “**Share Offer**”). Chi Capital 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, Chi Capital 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, Chi Capital and Chi Capital’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

The Company has adopted a revised code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards under the revised Model Code for Securities Transactions by Directors of Listed Issuer (“**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 year ended 31 December 2022 and all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the code of conduct throughout the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises a total of four members, being one non-executive Director, namely, Mr. Chou Tsan-Hsiung, and three independent non-executive Directors, namely, Dr. Li Jun, Mr. Chow Kin Wing (Chairman of the Audit Committee) and Mr. Tam Hon Wah.

The Audit Committee has reviewed the audited annual results and the consolidated financial statements of the Group for the year ended 31 December 2022, together with the auditor of the Company and have discussed with management, the accounting policies adopted by the Group and its internal controls and financial reporting matters.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance code (the “**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 year ended 31 December 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.

PUBLICATION OF RESULTS ANNOUNCEMENT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/silkwave). The 2022 annual report will be dispatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
SILKWAVE INC
Wong Chau Chi
Chairman

Hong Kong, 30 March 2023

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 Mr. TAM Hon Wah.