SILKWAVE INC

中播數據有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 471)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

(a) Revenue increased by approximately 11.3% to approximately US$3.6 million.

(b) Loss and total comprehensive loss for the period attributable to owners of the Company were approximately US$2.1 million and approximately US$2.8 million, respectively.

(c) Basic and diluted loss per share attributable to ordinary shareholders were approximately US0.19 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 2023 (the "**Period**"), together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**3,588**	3,223
Cost of sales		**(2,410)**	(1,784)
Gross profit		**1,178**	1,439
Other income	*5*	**1**	8
Administrative expenses		**(540)**	(774)
Market development and promotion expenses		**(450)**	(436)
Finance costs	*6*	**(492)**	(919)
Share of results of an associate		**(1,215)**	(9,523)
Impairment loss recognised on an intangible asset		**(660)**	(6,046)
Other expenses		**(23)**	(70)
Loss before tax		**(2,201)**	(16,321)
Income tax expense	*7*	**–**	–
Loss for the period	*8*	**(2,201)**	(16,321)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(757)**	(589)
Total comprehensive expense for the period		**(2,958)**	(16,910)

	NOTES	Six months ended 30 June **2023** ***US$'000*** **(unaudited)**	 2022 *US$'000* (unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(2,059)**	(14,725)
– Non-controlling interests		**(142)**	(1,596)
Loss for the period		**(2,201)**	(16,321)
Total comprehensive expense attributable to:			
– Owners of the Company		**(2,816)**	(15,314)
– Non-controlling interests		**(142)**	(1,596)
Total comprehensive expense for the period		**(2,958)**	(16,910)
		US cents **(unaudited)**	*US cents* (unaudited)
Loss per share	*9*		
– Basic and diluted		**(0.19)**	(1.54)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023

	NOTES	**30 June 2023 *US$'000* (unaudited)**	31 December 2022 *US$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4**	27
Intangible assets	*10*	**43,371**	44,031
Interests in an associate	*11*	**59,068**	60,337
Rights-of-use assets		**510**	513
		102,953	104,908
CURRENT ASSETS			
Trade and other receivables	*12*	**2,889**	2,344
Amount due from a related company		**3,857**	4,513
Amount due from an associate		**1,573**	1,338
Bank balances and cash		**280**	1,718
		8,599	9,913
CURRENT LIABILITIES			
Trade and other payables	*13*	**3,356**	3,217
Lease liabilities		**405**	269
Tax payable		**355**	355
		4,116	3,841
NET CURRENT ASSETS		**4,483**	6,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**107,436**	110,980

	NOTES	30 June 2023 US$'000 (unaudited)	31 December 2022 US$'000 (audited)
NON-CURRENT LIABILITIES			
Convertible notes	*14*	**8,466**	13,684
Lease liabilities		**143**	282
		8,609	13,966
NET ASSETS		**98,827**	97,014
CAPITAL AND RESERVES			
Share capital	*15*	**44,240**	39,597
Share premium and reserves		**41,295**	43,983
Equity attributable to owners of the Company		**85,535**	83,580
Non-controlling interests		**13,292**	13,434
TOTAL EQUITY		**98,827**	97,014

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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$2.2 million for the six months ended 30 June 2023 and the Group's net current assets of approximately US$4.5 million as at 30 June 2023. 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.

b) In addition, the Group is in negotiation with potential investors to make fund-raising arrangement.

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 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 ("**Annual Report 2022**").

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:

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

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

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

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

Six months ended 30 June 2023

	Trading business *US$'000* **(unaudited)**	**CMMB business** *US$'000* **(unaudited)**	**Total** *US$'000* **(unaudited)**
Segment revenue	**2,659**	**929**	**3,588**
Segment profit/(loss)	**221**	**(18)**	**203**
Market development and promotion expenses			**(450)**
Effective interest on convertible notes			**(489)**
Share of results of an associate			**(1,215)**
Other income			**1**
Unallocated expenses			**(251)**
Loss for the period			**(2,201)**

Six months ended 30 June 2022

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

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	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Trading of PCB and AI related products	**2,659**	1,752
Transmission and broadcasting services	**929**	1,471
	3,588	3,223

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
COVID-19 related rent concessions and subsidies	**–**	8
	–	8

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Effective interest expense on convertible notes	**489**	917
Interest expense on lease liabilities	**3**	2
	492	919

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	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 2022: 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 2020/2021. 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 2023.

For the six months ended 30 June 2023, US Income Tax is charged at 24% (six months ended 30 June 2022: 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	
	2023	2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Staff costs, including Directors' remuneration, Share-based payment expense and retirement benefits scheme contributions	**386**	418
Depreciation of property, plant and equipment	**23**	70
Included in other expenses:		
Legal and professional fees	**25**	38
Exchange losses/(gains), net	**8**	5

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	
	2023	2022
	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	**(2,059)**	(14,725)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**1,097,156,862**	958,034,319

The computation of the diluted loss per share for the six months ended 30 June 2023 and 2022 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 2022 and 30 June 2023	87,380
Accumulated Amortisation/impairment	
At 31 December 2022	43,349
Impairment recognised for the Period	660
	44,009
Carrying Value	
At 30 June 2023	43,371
At 31 December 2022	44,031

As disclosed in note 18 of the Annual Report 2022, 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 2023, there is an impairment loss of US$0.7 million (six months ended 30 June 2022: US$6.0 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 14.16% (six months ended 30 June 2022: 10.47%). The discount rate is determined based on the weighted average cost of capital appropriate for the spectrum usage rights. The cost of equity of 8.68% (six months ended 30 June 2022: 8.16%) for the year is calculated by: (i) the risk free rate of 3.88% (six months ended 30 June 2022: 1.51%), which is the 10 year average yield of US Government Bond Benchmark Yield Curve; (ii) the equity beta of 0.64 (six months ended 30 June 2022: 0.92), 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 7.46% (six months ended 30 June 2022: 7.25%), 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 7.27% (six months ended 30 June 2022: 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 47% (six months ended 30 June 2022: 46%) and 53% (six months ended 30 June 2022: 54%) respectively. The corporate tax rate applied remain unchanged at 24%.

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 70%. (In six months ended 30 June 2022: 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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
Initial cost of unlisted investment in an associate	**238,350**	238,350
Share of result of associate	**(179,263)**	(178,048)
Share of exchange difference of an associate	**(19)**	35
	59,068	60,337

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 decreased to US$1.2 million (six months ended 30 June 2022: US$9.5 million). During the Period, the Company had continue to working on prepare the launch of service in China, multiple meetings with the market stakeholder were carried out and the Company is in the process to fine tune the strategy for the participation in the China market.

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.

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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables:		
0 – 30 days	**584**	397
31 – 60 days	**673**	551
61 – 90 days	**583**	337
91 – 120 days	**461**	207
over 120 days	**509**	760
Total	**2,810**	2,252

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 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**497**	592
Accruals	**2,859**	2,625
	3,356	3,217

14. CONVERTIBLE NOTES

As disclosed in note 24 of the Annual Report 2022, 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 2022, 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 2022	**13,684**
Effective interest expenses	**489**
Conversion to shares	**(5,707)**
At 30 June 2023	**8,466**

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 2023	1,541,861,318	308,373	39,597
Issue of new shares by conversion of convertible notes	177,828,570	35,566	4,531
Exercise of share options	4,300,000	860	110
At 30 June 2023	**1,723,989,888**	**344,799**	**44,238**

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

16. CAPITAL COMMITMENTS

As at 30 June 2023, 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

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

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 2023.

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.

FINANCIAL REVIEW

The Group recorded loss for the six months ended 30 June 2023 (the "**Period**") of approximately US$2.2 million (six months ended 30 June 2022: approximately US$16.3 million), and loss per share of the Company (the "**Share(s)**") was US0.19 cents (six months ended 30 June 2022: US1.54 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$3.6 million (six months ended 30 June 2022: approximately US$3.2 million). The increase in revenue of approximately US$0.4 million was mainly due to the increase in trading of PCB and AI materials by approximately US$0.9 million and offset the decrease in TV rental income of approximately US$0.5 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$0.6 million was due to an increase in direct costs and costs of sales for the Period.

Gross profit

Gross profit decreased from approximately US$1.4 million in corresponding period in 2022 to approximately US$1.2 million in 2023, which arose primarily from lower of trading margin to remain competitiveness.

Administrative expenses

Administrative expenses for the Period decreased from approximately US$0.8 million to approximately US$0.5 million, mainly due to decrease in staff cost during the Period.

Market development and promotion expenses

Market development and promotion expenses has remains steady compared to the six months ended 30 June 2022, which include consultancy services fees for business development, travelling expenses for attending business conferences and meetings as well as research and development costs.

Finance costs

Finance costs of the Group for the Period amounted to approximately US$0.5 million (six months ended 30 June 2022: approximately US$0.9 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 2023.

Share of results of an associate

The Company shared a loss of approximately US$1.2 million (six months ended 30 June 2022: approximately US$9.5 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 2023, 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 2022. 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 70%. In 2022: no unutilised capacity will be filled in the first three years; a terminal year fill rate of approximately 65%. 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 2023 (six months ended 30 June 2022: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a net loss of approximately US$2.2 million during the Period. As at 30 June 2023, the Group's net current assets of approximately US$4.5 million (31 December 2022: Net current assets approximately US$6.1 million). The Group maintained cash and cash equivalents of approximately US$0.3 million (31 December 2022: approximately US$1.7 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 2023 amounted to approximately US$8.5 million (31 December 2022: approximately US$13.7 million). The gearing ratio (a ratio of total loans to total assets) was approximately 7.6% (31 December 2022: approximately 11.9%), 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 2023 (31 December 2022: nil).

As at 30 June 2023, neither the Group nor the Company has any significant contingent liabilities (31 December 2022: nil).

Capital Commitments

As at 30 June 2023, 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 2023, neither the Group nor the Company pledged or charged any properties and assets (31 December 2022: nil).

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2023, the Group did not enter into any material off-balance sheet transactions (31 December 2022: 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 25 (six months ended 30 June 2022: 26). 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 2022: approximately US$0.4 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 2023, the Group did not make any significant investments.

PROSPECTS

Trading of PCB and AI related products

The Company specializes in AI and big data solutions, creating both hardware and software for smart electronic products and components. We aims to diversify its revenue by venturing into AI trading due to the promising demand for AI applications and related devices. Leveraging its industry expertise, the company will vigilantly track market trends and adjust its trading business strategy accordingly.

The Company is also currently exploring the utilization of positioning devices for item tracking to be used in smart city related project. The positioning device market holds significant potential due to its ability to provide accurate and real-time location information for a wide range of applications. These devices, often using technologies like GPS, RFID, and Bluetooth, offer precise tracking and monitoring capabilities for various assets, vehicles, and even individuals.

Potential applications span across industries such as logistics, transportation, healthcare, agriculture, and retail. In logistics and transportation, positioning devices can optimize route planning, enhance supply chain efficiency, and enable better asset management.

As technology advances and connectivity improves, the potential of positioning devices grows even further. With the rise of the Internet of Things (IoT) and 5G networks, the accuracy, coverage, and capabilities of these devices are expected to expand, unlocking new possibilities for industries and consumers alike.

CMMB/LPTV Business

The LPTV market remains challenging, This could be attributed to the increasing shift towards online streaming platforms and the evolving landscape of content consumption. We are actively assessing this situation, exploring potential strategies to revitalize our LPTV offerings, and considering how we can reallocate resources to capitalize on emerging market opportunities. Our goal is to navigate this challenging phase and position ourselves for renewed growth in the evolving media landscape.

Earlier this year, the Company announced its partnership with the Hong Kong's Got Talent show, a globally renowned series set to be featured in 2024. Various preparation and production activities for the show have gradually commenced, and the Company will provide progress updates in alignment with the ongoing marketing campaign in the near future.

Connectivity projects in South Asia

The Village Internet Project recently conducted equipment trials and is now seeking for a soft launch of the initiative. Addressing the persistent challenge of stable connectivity in developing countries like the Philippines and Indonesia, the project focuses on identifying cost-effective solutions crucial for a sustainable business model. As connectivity technology advances in this field, the project is in the process of carefully selecting valuable partners to navigate the evolving marketplace. We aim to soft launch of service with local partners in multiple location in the second half of 2023.

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

During the Period, (1) 4,300,000 new ordinary shares of the Company were issued pursuant to the exercise of share options under the share option scheme of the Company; (2) 1,300,000 of share options of the Company were lapsed under the share option scheme of the Company; and (3) 32,200,000 of share options of the Company were cancelled under the share option scheme of the Company. (4) 177,828,570 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.

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 2023 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 2023.

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 (https://silkwave.com.hk/2023-year). The interim report for the six months ended 30 June 2023 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 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. 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.