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SILKWAVE

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 2024**

FINANCIAL HIGHLIGHTS

- (a) Revenue decreased by approximately 12.7% to approximately US\$3.1 million.
- (b) Loss and total comprehensive loss for the period attributable to owners of the Company were approximately US\$0.5 million and approximately US\$1.9 million, respectively.
- (c) Basic and diluted loss per share attributable to ordinary shareholders were approximately US0.02 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 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>NOTES</i>	<i>US\$’000</i>	<i>US\$’000</i>
		(unaudited)	(unaudited)
Revenue	4	3,132	3,588
Cost of sales		<u>(1,680)</u>	<u>(2,410)</u>
Gross profit		1,452	1,178
Other income	5	1	1
Administrative expenses		(548)	(540)
Market development and promotion expenses		(41)	(450)
Finance costs	6	(323)	(492)
Share of results of an associate		(337)	(1,215)
Impairment loss recognised on an intangible asset		–	(660)
Impairment loss recognised under expected credit loss model		(261)	–
Other expenses		<u>(77)</u>	<u>(23)</u>
Loss before tax		(134)	(2,201)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period	8	(134)	(2,201)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(1,423)</u>	<u>(757)</u>
Total comprehensive expense for the period		<u>(1,557)</u>	<u>(2,958)</u>

		Six months ended 30 June	
		2024	2023
	<i>NOTES</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
– Owners of the Company		(498)	(2,059)
– Non-controlling interests		364	(142)
		<u> </u>	<u> </u>
Loss for the period		(134)	(2,201)
		<u> </u>	<u> </u>
Total comprehensive expense attributable to:			
– Owners of the Company		(1,921)	(2,816)
– Non-controlling interests		364	(142)
		<u> </u>	<u> </u>
Total comprehensive expense for the period		(1,557)	(2,958)
		<u> </u>	<u> </u>
		<i>US cents</i>	<i>US cents</i>
		(unaudited)	(unaudited)
Loss per share			
– Basic and diluted	9	(0.02)	(0.19)
		<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>NOTES</i>	<i>US\$'000</i> (unaudited)	<i>US\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		–	–
Intangible assets	<i>10</i>	23,807	23,807
Interests in an associate	<i>11</i>	10,355	10,663
Rights-of-use assets		151	293
		34,313	34,763
CURRENT ASSETS			
Trade and other receivables	<i>12</i>	2,949	3,786
Amount due from a related company		5,867	5,509
Amount due from an associate		–	–
Bank balances and cash		722	727
		9,538	10,022
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	2,003	1,564
Lease liabilities		192	302
Tax payable		875	875
		3,070	2,741
NET CURRENT ASSETS		6,468	7,281
TOTAL ASSETS LESS CURRENT LIABILITIES		40,781	42,044

		30 June	31 December
		2024	2023
	<i>NOTES</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Convertible notes	<i>14</i>	9,215	8,898
Lease liabilities		–	27
		<u>9,215</u>	<u>8,925</u>
NET ASSETS		<u>31,566</u>	<u>33,119</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	46,012	46,012
Share premium and reserves		(20,084)	(18,172)
		<u>25,928</u>	<u>27,840</u>
Equity attributable to owners of the Company		5,644	5,279
Non-controlling interests		<u>5,644</u>	<u>5,279</u>
TOTAL EQUITY		<u>31,572</u>	<u>33,119</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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\$0.1 million for the six months ended 30 June 2024 and the Group’s net current assets of approximately US\$6.5 million as at 30 June 2024. 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. 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.

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 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 ("**Annual Report 2023**").

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024

	Trading business US\$'000 (unaudited)	CMMB business US\$'000 (unaudited)	Total US\$'000 (unaudited)
Segment revenue	<u>1,385</u>	<u>1,747</u>	<u>3,132</u>
Segment (loss)/profit	<u>(57)</u>	<u>807</u>	<u>750</u>
Market development and promotion expenses			(41)
Effective interest on convertible notes			(317)
Share of results of an associate			(337)
Other income			1
Unallocated expenses			<u>(190)</u>
Loss for the period			<u>(134)</u>

Six months ended 30 June 2023

	Trading business US\$'000 (unaudited)	CMMB business US\$'000 (unaudited)	Total US\$'000 (unaudited)
Segment revenue	<u>2,659</u>	<u>929</u>	<u>3,588</u>
Segment profit/(loss)	<u>221</u>	<u>(18)</u>	<u>203</u>
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			<u>(251)</u>
Loss for the period			<u>(2,201)</u>

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	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Trading of PCB and AI related products	1,385	2,659
Transmission and broadcasting services	1,747	929
	<u>3,132</u>	<u>3,588</u>
5. OTHER INCOME		
	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Others	1	1
	<u>1</u>	<u>1</u>
6. FINANCE COSTS		
	Six months ended 30 June	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Effective interest expense on convertible notes	317	489
Interest expense on lease liabilities	6	3
	<u>323</u>	<u>492</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	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 2023: 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 2024.

For the six months ended 30 June 2024, 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	
	2024	2023
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Staff costs, including Directors' remuneration, Share-based payment expense and retirement benefits scheme contributions	306	386
Depreciation of property, plant and equipment	—	23
Included in other expenses:		
Legal and professional fees	76	25
Exchange losses, net	13	8

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	
	2024	2023
	(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 (<i>US\$'000</i>)	<u><u>(498)</u></u>	<u><u>(2,059)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	<u><u>1,792,389,888</u></u>	<u><u>1,097,156,862</u></u>

The computation of the diluted loss per share for the six months ended 30 June 2024 and 2023 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 <i>US\$'000</i>
Cost	
At 31 December 2023 and 30 June 2024	<u>87,380</u>
Accumulated Amortisation/impairment	
At 31 December 2023	63,573
Impairment recognised for the Period	<u>—</u>
	<u><u>63,573</u></u>
Carrying Value	
At 30 June 2024	<u><u>23,807</u></u>
At 31 December 2023	<u><u>23,807</u></u>

As disclosed in note 15 of the Annual Report 2023, 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, San Francisco, 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 2024, there is no impairment loss (six months ended 30 June 2023: US\$0.7 million) recognised for the spectrum usage rights by reference to the value in use calculation.

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

The recoverable amount of the spectrum usage rights has been determined based on a VIU calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a three-year period at a discount rate of 15.26% (six months ended 30 June 2023: 14.16%). The discount rate is determined based on the weighted average cost of capital appropriate for the spectrum usage rights. The cost of equity of 13.43% (six months ended 30 June 2023: 8.68%) for the year is calculated by: (i) the risk free rate of 3.87% (six months ended 30 June 2023: 3.88%), which is the 10 year average yield of US Government Bond Benchmark Yield Curve; (ii) the equity beta of 0.91 (six months ended 30 June 2023: 0.64), 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 7.17% (six months ended 30 June 2023: 7.46%), 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 8.5% (six months ended 30 June 2023: 7.27%) 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 72% (six months ended 30 June 2023: 47%) and 28% (six months ended 30 June 2023: 53%) respectively. The specific risk premium this year is 3.5% (six months ended 30 June 2023: 3%). The spectrum usage rights' cash flow beyond the three-year period (six months ended 30 June 2023: three year period) are extrapolated using a steady growth rate of 2.18% (six months ended 30 June 2023: 2.50%) per annum. This growth rate is based on projected inflation published by the International Monetary Fund.

11. INTERESTS IN AN ASSOCIATE

	30 June 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Initial cost of unlisted investment in an associate	238,350	238,350
Share of result of associate	(227,984)	(227,647)
Share of exchange difference of an associate	(11)	(40)
	10,355	10,663

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.

On the other hand, the slow capital market activities seriously delayed Silkwave’s fund-raising effort for constructing and launching a new high-power satellite, which is needed for commercial service rollout in a mass-market scale. The lack of regulatory approval also hampered the fund-raising process. Accordingly, the management has continue assessed and revised its commercial operations and the expected cashflow and revenue streams associated with the business. Silkwave plans to leasing out spare satellite bandwidth to other aerospace operators in who had communication needs, given the satellite bandwidth is scale asset for communication between satellites and ground station and receiver, instead of developing the satellite connected car multimedia business in China. This allows Silkwave effectively utilise existing satellite resource for profit generating activities.

The management of the associate has evaluated the impairment of the satellite related assets by way of value in use calculation by reference to the discounted cash flows derived from financial budgets approved by the management. For the six months period ended 30 June 2023, as VIU of the satellite related assets is lower than its carrying amount, the carrying amount of the satellite related asset was reduced to its VIU of approximately US\$1.2 million with an impairment loss recognised in profit or loss of Silkwave. No impairment was recognized for the Period result of high possibility that Silkwave will gradually leasing out spare satellite bandwidth to other aerospace operators in near future. The noncurrent assets of Silkwave primarily consists of the satellite related intangible assets.

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 2024 <i>US\$'000</i> (unaudited)	31 December 2023 <i>US\$'000</i> (audited)
Trade receivables:		
0 – 30 days	685	814
31 – 60 days	457	798
61 – 90 days	289	237
91 – 120 days	289	297
over 120 days	606	1,692
	<hr/>	<hr/>
Total	2,326	3,838
	<hr/> <hr/>	<hr/> <hr/>

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 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Trade payables	532	797
Accruals	1,471	767
	2,003	1,564

14. CONVERTIBLE NOTES

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:

	<i>US\$'000</i>
At 31 December 2023	8,898
Effective interest expenses	317
Conversion to shares	—
At 30 June 2024	9,215

15. SHARE CAPITAL

	Number of shares	Nominal value	Shown as
	(unaudited)	HK\$'000 (unaudited)	US\$'000 (unaudited)
Ordinary shares of HK\$0.20 each			
At 1 January 2024	1,792,389,888	358,479	46,012
Issue of new shares by conversion of convertible notes	–	–	–
Exercise of share options	–	–	–
	<hr/>	<hr/>	<hr/>
At 30 June 2024	1,792,389,888	358,479	46,012
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

16. CAPITAL COMMITMENTS

As at 30 June 2024, 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

Proposed Share Consolidation, Capital Reduction and Share Sub-Division

On 8 August 2024, the Company announced (i) the share consolidation on the basis that every twenty (20) issued and unissued Shares of par value of HK\$0.20 each be consolidated into one (1) consolidated share of HK\$4.00 each (“**Share Consolidation**”); (ii) the issued share capital of the Company will be reduced by cancelling the paid up capital to the extent of HK\$3.99 on each of the then issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$4.00 to HK\$0.01 (“**Capital Reduction**”); and (iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$4.00 each be sub-divided into four hundred (400) New Shares of par value of HK\$0.01 each (“**Share Sub-Division**”). The Share Consolidation, Capital Reduction and Share Sub-Division are subject to shareholders’ approval at an extraordinary general meeting of the Company. For further details on the Share Consolidation, Capital Reduction and Share Sub-Division, please refer to the announcements of the Company dated 8 August 2024 and the circular dated 23 August 2024.

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 Superior Court of the District of Columbia is still reviewing the case evidences submitted. The Company is 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 2024.

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 2024 (the “**Period**”) of approximately US\$0.1 million (six months ended 30 June 2023: approximately US\$2.2 million), and loss per share of the Company (the “**Share(s)**”) was US0.02 cents (six months ended 30 June 2023: US0.19 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\$3.1 million (six months ended 30 June 2023: approximately US\$3.6 million). The decrease in revenue of approximately US\$0.5 million was mainly due to the decrease in trading of PCB and AI materials by approximately US\$1.3 million and offset the increase in TV rental income of approximately US\$0.8 million.

Cost of sales

Cost of sales mainly includes costs of goods sold, staff costs and operating lease payments. The decrease in cost of sales of approximately US\$0.7 million was due to a decrease in direct costs and costs of sales for the Period.

Gross profit

Gross profit increase from approximately US\$1.2 million in corresponding period in 2023 to approximately US\$1.5 million in 2024, which arose primarily from higher margin for the rental TV income.

Administrative expenses

Administrative expenses for the Period remains steady at approximately US\$0.5 million compared to US\$0.5 million in corresponding period of 2023.

Market development and promotion expenses

Market development and promotion expenses has decreased from approximately US\$0.4 million in six months ended 30 June 2023 to current Period approximately US\$0.1 million, result of tighter cost control, 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\$0.4 million (six months ended 30 June 2023: approximately US\$0.5 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 2024.

Share of results of an associate

The Company shared a loss of approximately US\$0.3 million (six months ended 30 June 2023: approximately US\$1.2 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. Details are set out in note 11 of the condensed consolidated financial statements.

The impairment loss of intangible assets

In early 2023, 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 six month period ended June 2023 was approximately US\$0.6 million. As TV rental market remained strong during the Period, no provision was made for current Period. 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. 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 2024 (six months ended 30 June 2023: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a net loss of approximately US\$0.1 million during the Period. As at 30 June 2024, the Group's net current assets of approximately US\$6.5 million (31 December 2023: Net current assets approximately US\$7.3 million). The Group maintained cash and cash equivalents of approximately US\$0.7 million (31 December 2023: approximately US\$0.7 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 2024 amounted to approximately US\$9.2 million (31 December 2023: approximately US\$8.9 million). The gearing ratio (a ratio of total loans to total assets) was approximately 21.0% (31 December 2023: approximately 19.9%), 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 2024 (31 December 2023: nil).

As at 30 June 2024, neither the Group nor the Company has any significant contingent liabilities (31 December 2023: nil).

Capital Commitments

As at 30 June 2024, 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 2024, neither the Group nor the Company pledged or charged any properties and assets (31 December 2023: nil).

OFF-BALANCE SHEET TRANSACTIONS

As at 30 June 2024, the Group did not enter into any material off-balance sheet transactions (31 December 2023: 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 23 (six months ended 30 June 2023: 25). The Group's staff costs (including directors' fees and emoluments and share-based payment expenses) for the Period amounted to approximately US\$0.3 million (six months ended 30 June 2023: 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 2024, the Group did not make any significant investments.

PROSPECTS

Recent advancements in satellite direct-to-device technology have made universal internet and digital communication on everyday mobile devices feasible. The Group is leveraging its extensive experience and resources to lead this initiative in Asia, focusing on developing satellite-terrestrial integrated network solutions. These solutions will provide seamless voice and internet communication, along with virtually unlimited digital content delivery directly to smartphones, connected cars, and IoT applications. Particularly aimed at addressing the increasing demand for high-speed, reliable internet in underserved and remote areas.

Silkwave plans to deploy a Low-Earth-Orbit (LEO) satellite constellation to deliver low-latency voice and broadband internet services across Asia. Additionally, the Company geostationary satellite platform to distribute popular content, digital infotainment, enterprise data services, and essential government information, ensuring these services are minimal data-cost for users.

The company's satellite network will provide robust broadband solutions, utilizing advanced data analytics to enhance network performance and user experience. Key benefits include global connectivity for consistent high-speed internet access, enhanced data analytics for applications such as disaster response and environmental monitoring, and scalable solutions for businesses, governments, and individuals.

Strategic partnerships with governments, technology providers, and local stakeholders will be crucial to the Group's success. By forming public-private alliances, the company aims to deploy tailored solutions to meet regional needs effectively. As the demand for satellite-based internet grows, Silkwave is positioned to lead the industry with its innovative approach, promising substantial returns and a transformative impact on global connectivity.

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

During the Period, neither the Company nor any of its subsidiaries has 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 2024 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. 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 2024.

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>). The interim report for the six months ended 30 June 2024 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 2024

As at the date of this announcement, the executive directors are Mr. WONG Chau Chi and Ms. Woo Lan Ying; the non-executive director is Mr. LUI Chun Pong; and the independent non-executive directors are Dr. LI Jun, Mr. CHOW Kin Wing and TAM Ho Wah.