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 2023

HIGHLIGHTS

	Year ended 31 December			
	2023	2022	Change	Change
	US$'000	*US$'000*	*US$'000*	*%*
Revenue	**7,338**	8,551	(1,213)	(14.2)%
Gross profit	**2,524**	2,462	62	2.5%
Loss from operations	**(2,531)**	(5,387)	2,856	(53.0)%
Share of results of an associate	**(49,599)**	(20,269)	(29,330)	144.7%
Impairment loss recognised on intangible assets	**(20,224)**	(3,648)	(16,576)	454.4%
Impairment loss recognised under expected credit loss model	**(2,614)**	(223)	(2,391)	1,072.2%
Loss for the year	**(74,968)**	(29,527)	(45,441)	153.9%
Total assets	**44,785**	114,821	(70,036)	(61.0)%
Total liabilities	**11,666**	17,807	(6,141)	(34.5)%
Net assets	**33,119**	97,014	(63,895)	(65.9)%

FINANCIAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Silkwave Inc (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Year**"), together with the comparative figures for the year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** ***US$'000***	2022 *US$'000*
Revenue	*3*	**7,338**	8,551
Cost of sales		**(4,814)**	(6,089)
Gross profit		**2,524**	2,462
Other income	*4*	**4**	27
Administrative expenses		**(3,087)**	(3,536)
Market development and promotion expenses		**(498)**	(1,584)
Finance costs	*5*	**(862)**	(2,402)
Other expenses		**(92)**	(337)
Share of results of an associate		**(49,599)**	(20,269)
Impairment loss recognised on intangible assets		**(20,224)**	(3,648)
Impairment loss recognised under expected credit loss model		**(2,614)**	(223)
Loss before tax	*7*	**(74,448)**	(29,510)
Income tax expense	*6*	**(520)**	(17)
Loss for the year		**(74,968)**	(29,527)

	Notes	**2023**	2022
		US$'000	*US$'000*
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**2**	(2,130)
Share of exchange differences of an associate		**(75)**	2
Other comprehensive loss, net of tax		**(73)**	(2,128)
Total comprehensive loss for the year		**(75,041)**	(31,655)
Loss for the year attributable to:			
– Owners of the Company		**(66,813)**	(27,973)
– Non-controlling interests		**(8,155)**	(1,554)
Loss for the year		**(74,968)**	(29,527)
Total comprehensive loss attributable to:			
– Owners of the Company		**(66,886)**	(30,136)
– Non-controlling interests		**(8,155)**	(1,519)
Total comprehensive loss for the year		**(75,041)**	(31,655)
		US cents	*US cents*
Loss per share	*8*		
– Basic		**(4.0)**	(2.3)
– Diluted		**(4.0)**	(2.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**–**	27
Intangible assets		**23,807**	44,031
Interests in an associate		**10,663**	60,337
Rights-of-use assets		**293**	513
Financial assets at fair value through profit or loss		**–**	–
		34,763	104,908
CURRENT ASSETS			
Trade and other receivables	*9*	**3,786**	2,344
Amount due from a related company		**5,509**	4,513
Amount due from an associate		**–**	1,338
Bank balances and cash		**727**	1,718
		10,022	9,913
CURRENT LIABILITIES			
Trade and other payables	*10*	**1,564**	3,217
Lease liabilities		**302**	269
Income tax payable		**875**	355
		2,741	3,841
NET CURRENT ASSETS		**7,281**	6,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,044**	110,980
NON-CURRENT LIABILITIES			
Convertible notes		**8,898**	13,684
Lease liabilities		**27**	282
		8,925	13,966
NET ASSETS		**33,119**	97,014

	Notes	**2023**	2022
		US$'000	*US$'000*
CAPITAL AND RESERVES			
Share capital	*11*	**46,012**	39,597
Share premium and reserves		**(18,172)**	43,983
Equity attributable to owners of the Company		**27,840**	83,580
Non-controlling interests		**5,279**	13,434
TOTAL EQUITY		**33,119**	97,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 certain key markets in the United States of America ("**US**").

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.

For the year ended 31 December 2023, the Group reported a loss attributable to owners of the Company of approximately US$66.8 million and operating cash outflows of approximately US$2.5 million. The Directors have reviewed the Group's cash flow projections which cover a period of at least twelve months from 31 December 2023. Based on the Group's cash flows expected to be generated from operations, the Directors consider that the Group will be able to obtain adequate financial resources to enable it to operate and fulfill its liabilities and commitments as and when they fall due within the twelve months from 31 December 2023. The Group has also obtained a letter of support from Chi Capital which agreed to continuously provide financial support to enable the Group to meet its liabilities and commitments as and when they fall due in the foreseeable future. Accordingly, the Directors have prepared these consolidated financial statements on a going concern basis.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKFRS 17 (including the June 2020 and December 2021 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The new standards and amendments to standards 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 Standards and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

Certain new standards and amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These new standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods.

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 2023

	CMMB business *US$'000*	**Trading business** *US$'000*	**Total** *US$'000*
Segment revenue	**2,352**	**4,986**	**7,338**
Segment loss	**(18,738)**	**(91)**	**(18,829)**
Share of results of an associate			**(49,599)**
Other income			**4**
Impairment loss recognised under expected credit loss model			**(2,490)**
Unallocated corporate expenses			**(4,054)**
Loss for the year			**(74,968)**

For the year ended 31 December 2022

	CMMB business *US$'000*	Trading business *US$'000*	Total *US$'000*
Segment revenue	2,722	5,829	8,551
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			(166)
Unallocated corporate expenses			(2,078)
Loss for the year			(29,527)

Segment assets

	2023	2022
	US$'000	*US$'000*
CMMB business	**26,378**	45,510
Trading business	**1,188**	947
Total segment assets	**27,566**	46,457
Unallocated		
– Property, plant and equipment	**–**	15
– Right-of-use assets	**253**	509
– Interests in an associate	**10,663**	60,337
– Other receivables and deposits	**126**	127
– Amount due from a related company	**5,509**	4,513
– Amount due from an associate	**–**	1,338
– Bank balances and cash	**668**	1,525
Consolidated total assets	**44,785**	114,821

Segment liabilities

	2023	2022
	US$'000	*US$'000*
CMMB business	**9,716**	15,706
Trading business	**908**	658
Total segment liabilities	**10,624**	16,364
Unallocated		
– Accruals	**762**	896
– Lease liabilities	**280**	547
Consolidated total liabilities	**11,666**	17,807

Revenue from major products and services

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

	2023	2022
	US$'000	*US$'000*
Revenue from contracts with customers recognised at a point in time:		
Trading of PCB materials and other AI products	**4,986**	5,829
Revenue from contracts with customers recognised over a period of time:		
CMMB service income	**48**	289
Transmission and broadcasting of TV programs	**2,304**	2,433
	7,338	8,551

Other segment information

	CMMB business *US$'000*	Trading business *US$'000*	Total *US$'000*
Amounts included in the measurement of segment profit or loss:			
Year ended 31 December 2023			
Depreciation of property, plant and equipment	**(12)**	**–**	**(12)**
Depreciation of right-of-use assets	**–**	**(30)**	**(30)**
Effective interest expense on convertible notes	**(835)**	**–**	**(835)**
Impairment loss recognised on intangible assets	**(20,224)**	**–**	**(20,224)**
Interest expense on lease liabilities	**–**	**(3)**	**(3)**
Year ended 31 December 2022			
Depreciation of property, plant and equipment	(42)	–	(42)
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)

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. Majority of the 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	
	2023	2022
	US$'000	*US$'000*
US	**2,304**	2,433
Taiwan	**3,591**	4,067
PRC	**48**	289
Hong Kong	**1,395**	1,762
	7,338	8,551

4. OTHER INCOME

	2023	2022
	US$'000	*US$'000*
Government grants *(note i)*	**–**	25
Others	**4**	2
	4	27

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.

5. FINANCE COSTS

	2023	2022
	US$'000	*US$'000*
Effective interest expense on convertible notes	**835**	2,363
Interest expense on lease liabilities	**27**	38
Interest expense on bank overdrafts	**–**	1
	862	2,402

6. INCOME TAX EXPENSE

	2023	2022
	US$'000	*US$'000*
Current tax:		
US Income Tax	**520**	–
Taiwan Income Tax	**–**	17
	520	17

Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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.

For the year ended 31 December 2023, US Income Tax is charged at 24% (2022: 24%) on the estimated assessable profits.

For the year ended 31 December 2023, Taiwan Income Tax is charged at 20% (2022: 20%) on the estimated assessable profits.

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.

7. EXPENSE BY NATURE

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

	2023	2022
	US$'000	*US$'000*
Cost of materials	**4,719**	5,640
Auditor's remuneration	**128**	128
Depreciation of property, plant and equipment	**27**	56
Depreciation of right-of-use assets	**285**	290
Employee benefits costs (including directors' emoluments)	**2,272**	2,823
Market development expense	**137**	1,268

8. LOSS PER SHARE

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

	2023	2022
Loss for the year attributable to the owners of the Company for the purpose of calculating diluted loss per share *(US$'000)*	**(66,813)**	(27,973)
Number of ordinary shares		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	**1,678,605,720**	1,212,279,900
Loss per share *(US cent)*	**(4.0)**	(2.3)

* The computation of the diluted loss per share for the years ended 31 December 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.

Diluted losses per share is calculated by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the year. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share options and convertible notes issued by the Company.

For the years ended 31 December 2023 and 2022, the share options and convertible notes issued by the Company were not included in the calculation of diluted losses per share because of their anti-dilutive effect. Therefore, diluted losses per share were equal to basic losses per share for the years ended 31 December 2023 and 2022.

9. TRADE AND OTHER RECEIVABLES

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

	2023	2022
	US$'000	*US$'000*
Trade receivables	**3,838**	2,252
Less: Provision for impairment losses	**(181)**	(57)
Trade receivables, net	**3,657**	2,195
Other receivables and deposits	**129**	149
	3,786	2,344

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

	2023	2022
	US$'000	*US$'000*
0 – 30 days	**814**	397
31 – 60 days	**798**	551
61 – 90 days	**237**	337
91 – 120 days	**297**	207
Over 120 days	**1,692**	760
Total	**3,838**	2,252

10. TRADE AND OTHER PAYABLES

	2023	2022
	US$'000	*US$'000*
Trade payables	**797**	592
Accruals	**767**	2,625
	1,564	3,217

The average credit period granted by its suppliers is 60 days (2022: 60 days). The ageing analysis of the trade payables based on invoice date was US$541,000 for 0 to 30 days (2022: US$198,000) and US$256,000 for 31 to 60 days (2022: US$394,000).

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.2 each	Nominal value *HK$'000*	Shown as *US$'000*
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	25,000,000,000	5,000,000	
Issued and fully paid:			
At 1 January 2022	479,374,860	95,875	12,295
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	83,044,200	16,609	2,134
At 31 December 2022 and 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	4,559
Exercise of share options	72,700,000	14,540	1,856
At 31 December 2023	1,792,389,888	358,479	46,012

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

12. CAPITAL COMMITMENTS

As at 31 December 2023, the Group and the Company did not have any significant capital commitments (2022: 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) 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 requesting both plaintiff and defendants to further provide 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 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.

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 undergone significant transformations in recent years due to factors such as the digital switchover, the rise of new technologies, and shifts in regulatory policies. The Group has closely collaborated with local content providers and other broadcasters. With the transition of viewers from traditional TV sets to smartphones, there's a demand for digital TV programming to incorporate more interactive content, enhancing the overall viewing experience. The Group believes that offering high-quality digital content will attract and retain viewers in the TV market. Despite these changes, the Group remains optimistic about its position in the US TV market and is committed to collaborating with other broadcasters and partners to stay competitive in the continually evolving TV entertainment landscape.

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. While the satellite service sector operates within geographical constraints, the Group remains cautious about related developments. However, the Company maintains a positive outlook on the potential use of satellite-based in-vehicle infotainment systems for future vehicles, especially considering the rapid development of the latest vehicle trends, transitioning from fuel-based to electric vehicles. The utilization of data and media consumption in transportation has undoubtedly become a significant aspect of the transport ecosystem. Simultaneously, the Group continues to explore alternative use cases to leverage its satellite platform, aiming to create value for shareholders. This includes initiatives such as renting out spare satellite capacity and providing satellite-related services, capitalizing on the Group's expertise and experience in the aerospace field.

Trading Business

The Trading business remain steady during the Year, 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.

The Group will persist in examining opportunities to diversify the range of products for the Trading Business. This expansion aims to scale up the Group's operations in a light-asset manner, simultaneously enhancing the profitability and margins of the Trading Business. The primary focus will remain on trading high-tech components and products, particularly in connectivity devices.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded loss for the year of approximately US$75.0 million (2022: approximately US$29.5 million). Loss per share of the Company (the "**Share**") was approximately US4.0 cents (2022: approximately US2.3 cents) and net assets per share of the Group was approximately US$0.02 (2022: approximately US$0.06).

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$7.3 million (2022: approximately US$8.6 million). The decrease in revenue of approximately US$1.3 million was mainly due to the slight decrease in the both trading and CMMB Business as a result of sluggish economic condition.

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$1.3 million was due to an decrease in direct costs and costs of sales for the Year.

Gross profit

Gross profit increased from approximately US$2.5 million in 2022 to approximately US$2.6 million in 2023, which arose primarily from higher broadcasting service income.

Administrative expenses

Administrative expenses decreased from approximately US$3.5 million in 2022 to approximately US$3.0 million for the Year, mainly due to implement of cost control in the Year.

Market development and promotion expenses

Market development and promotion expenses has decreased as compared to 2022, which include consultancy services fees for business development, travelling expenses for attending business conferences and meetings as well as research and development costs. The decrease is driven by implement of cost control in the Year.

Finance costs

Finance costs of the Group for the Year amounted to approximately US$0.8 million (2022: approximately US$2.4 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.

Share of results of an associate

The Company shared a loss of approximately US$49.6 million (2022: approximately US$20.3 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 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 to seek opportunities for potential use of unutilized satellite capacity.

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.

Silkwave has been in negotiation of 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. This allow Silkwave effectively utilize existing satellite resource for profit generating activities.

The impairment loss of intangible assets

The impairment loss recognised on intangible assets for the year ended 31 December 2023 was approximately US$20.2 million (2022: approximately US$3.6 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 2023 (2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The total equity attributable to the owners of the Company decreased to approximately US$27.8 million as at 31 December 2023 as compared with approximately US$83.6 million in 2022 which was mainly derived from suffering loss for the year despite of reducing the convertible notes liability into equities by the note holder during the Year. During the Year, net proceeds of approximately US$4.1 million was raised by issue of new Shares pursuant of the exercise of share options.

Current assets amounted to approximately US$10.0 million (2022: approximately US$9.9 million) comprising bank balances and cash of approximately US$0.7 million (2022: approximately US$1.7 million), trade and other receivables of approximately US$3.8 million (2022: approximately US$2.3 million), amount due from a related company of approximately US$5.5 million (2022: approximately US$4.5 million), and amount due from an associate was nil (2022: approximately US$1.3 million).

Current liabilities amounted to approximately US$2.7 million (2022: approximately US$3.8 million) representing trade and other payables of approximately US$1.6 million (2022: approximately US$3.2 million), lease liabilities of approximately US$0.3 million (2022: approximately US$0.3 million) and tax payable of approximately US$0.9 million (2022: approximately US$0.4 million). As at 31 December 2023, the Group's current ratio was approximately 3.66 (2022: approximately 2.58).

The Group's cash and cash equivalents as at 31 December 2023 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 2023 amounted to approximately US$8.9 million (2022: approximately US$13.7 million). The gearing ratio (a ratio of total loans to total assets) was approximately 19.9% (2022: approximately 11.9%), reflecting the Group's financial position was at a optimal level. Other than convertible notes, the Group did not have any bank borrowings as at 31 December 2023 (2022: Nil).

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

CAPITAL COMMITMENT

As at 31 December 2023, the Group and the Company did not have any significant capital commitments (2022: Nil).

PLEDGE OF/CHARGE ON ASSETS

As at 31 December 2023, neither the Group nor the Company has pledged or charged its assets to secure its borrowings (2022: Nil).

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2023, the Group did not enter into any material off-balance sheet transactions (2022: 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 2023.

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 2023 was approximately 22 (2022: approximately 22). The Group's staff costs (including Directors' fees and emoluments) for the year ended 31 December 2023 amounted to approximately US$2.3 million (2022: approximately US$2.8 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 2023.

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.

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

During the Year, (i) 72,700,000 new Shares were issued pursuant to the exercise of share options under the share option scheme of the Company; and (ii) 177,828,570 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

In the preceding year, the Group inaugurated a fresh trading division specializing in AI products, aiming to broaden the spectrum of offerings within its trading operations. Actively seeking opportunities, the Group is keen on extending its trading footprint to other Asian cities, in harmony with the Belt and Road objectives. Simultaneously, while upholding its current product portfolio, the Group acknowledges the burgeoning market demand for data communication and transmission devices, encompassing next-generation satellite mobile technology and associated component parts. The Group commits to vigilantly monitoring market developments and aligning its trading endeavors accordingly.

CMMB/LPTV BUSINESS

The Group maintains a cautious stance regarding developments in the CMMB/LPTV business. Over the past decade, the entertainment industry has undergone rapid transformations, shifting from traditional home TV to mobile devices and now embracing the latest advancements such as VR headsets. Consumers are highly attuned to technological developments and seek immersive experiences when it comes to consuming content. While the Group acknowledges that TV remains an essential platform for residential entertainment consumption, it anticipates that the market has moved beyond the growth stage and entered a contraction cycle.

Satellite Connected-Car Multimedia Service Development

The outlook for Satellite-connected Car Multimedia Service Development appears promising. With advancements in satellite technology and the increasing integration of connectivity features in automobiles, there is a growing opportunity to enhance the multimedia experience within vehicles. Satellite connectivity offers advantages such as broader coverage, reliable connectivity in remote areas, and seamless access to a variety of multimedia content.

Moreover, as consumer demand for in-car entertainment and connectivity continues to rise, there is a significant market potential for satellite-connected multimedia services. These services can offer a wide range of features including streaming music and video, real-time navigation updates, access to online content, and integration with other smart devices.

Additionally, the development of satellite-connected car multimedia services aligns with the broader trend towards connected and autonomous vehicles. Integrating satellite connectivity into car multimedia systems can contribute to improved safety, enhanced user experience, and greater convenience for drivers and passengers.

Indeed, the development of satellite-connected car multimedia services is significantly influenced by geographical and regulatory factors, including regulatory licensing requirements and concerns surrounding data control and privacy. These factors can vary greatly between regions and can impact the feasibility and implementation of such services.

Given these complexities, the Group is adopting a cautious approach and carefully assessing the business landscape. This includes navigating regulatory requirements, addressing privacy concerns, and ensuring compliance with relevant laws and regulations. By doing so, the Group aims to strategically maneuver its business approach in order to create value for shareholders while mitigating potential risks associated with regulatory and privacy challenges.

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 C3 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 2023 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 2023.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises a total of three members, namely, Dr. Li Jun, Mr. Chow Kin Wing (Chairman of the Audit Committee) and Mr. Tam Hon Wah.

The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2023, 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.

SCOPE OF WORK OF LINKSFIELD CPA LIMITED

The figures in respect of the Group's unaudited consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Linksfield CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Linksfield CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Linksfield CPA Limited in the preliminary announcement.

CODE OF CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance code (the "**CG Code**") contained in Appendix C1 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 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.

PUBLICATION OF RESULTS ANNOUNCEMENT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.silkwave.com.hk). The 2023 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, 28 March 2024

As at the date of this announcement, the executive directors are Mr. Wong Chau Chi, Mr. Fan Kaiye, Mr. Han Xu and Mr. Wang Shuhang; the non-executive directors are Mr. Yang Yi, Mr. Lui Chun Pong and Ms. Ho Wing Yan; and the independent non-executive directors are Dr. Li Jun, Mr. Chow Kin Wing, and Mr. Tam Hon Wah.