



**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**CAUSE NO: FSD                      OF 2024 (    )**

**IN THE MATTER OF SECTIONS 15 & 16 OF THE COMPANIES ACT (2023 REVISION)**

**AND IN THE MATTER OF SILKWAVE INC**

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**PETITION**

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**TO                      The Grand Court of the Cayman Islands**

THE HUMBLE PETITION of Silkwave Inc of Conyers Trust Company (Cayman) Limited (the **Company**), Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1- 1111, Cayman Islands shows that:

**INTRODUCTION**

- 1            By this Petition, the Petitioner seeks an Order of the Court, pursuant to section 16 of the Companies Act (2023 Revision) (the **Act**), confirming a reduction of the capital of the Company which has been approved by a special resolution of the Company's shareholders (the **Capital Reduction**).

**THE COMPANY**

- 2            The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 July 2004 with registration number 138154 by the Registrar of Companies of the Cayman Islands. On incorporation, the initial name of the Company was

“Global Flex Holdings Limited” but it has since been changed on several occasions. The last change of name of the Company took place on 23 June 2022 where it was changed to “Silkwave Inc”. Its foreign name in Chinese is 中播數據有限公司. The Company is registered as a non-Hong Kong company in Hong Kong with business registration number 36403137.

### **Registered Office and Principal Place of Business of the Company**

- 3 The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited, P.O. Box 2681, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands. Its principal place of business in Hong Kong is situated at Room 1202, 12/F, Guangdong Finance Building, 88 Connaught Road West, Hong Kong.

### **Share Capital of the Company**

- 4 On incorporation, the Company had an authorised share capital of HK\$100,000 divided into 1,000,000 shares of a nominal or par value of HK\$0.10 each. Since incorporation, the Company has undergone various reorganisations of its authorised and issued share capital through share consolidations and increases of authorised share capital.
- 5 The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the **HKSE**) with Stock Code 471 on 10 October 2005.
- 6 As at the date of this Petition and as a result of a share consolidation as discussed in paragraph 15 below, the Company has an authorised share capital of HK\$5,000,000,000 divided into 1,250,000,000 shares with a par value of HK\$4.00 each, of which 89,619,494 shares (representing share capital in the amount of HK\$358,477,976) are issued and fully paid up or credited as fully paid up. Prior to the share consolidation, which became effective on 10 October 2024, the Company had an authorised share capital of HK\$5,000,000,000 divided into 25,000,000,000 ordinary shares of HK\$0.20 each (the

**Existing Shares**) of which 1,792,389,888 shares (representing share capital in the amount of HK\$358,477,977.60) are issued and fully paid up or credited as fully paid up.

### **The Company's Objects and Business**

- 7 The objects for which the Company was established are unrestricted, but include, without limitation, to act and perform all the functions of a holding company, to act as an investment company, and to carry on types of business as more particularly set forth in the Company's Amended and Restated Memorandum of Association and Articles of Association as adopted by special resolution passed at a general meeting on 30 May 2023 (the **Articles**).
- 8 The Company is an investment holding company. At all material times, its principal activity was and is acting as the ultimate holding company of a group of subsidiaries carrying out actual business operations (the **Group**). The Group is principally engaged in the provision of convergent mobile multimedia broadcasting, satellite infotainment multimedia technology and services for vehicles and maritime applications, and trading of printed circuit board and artificial intelligence related products in Hong Kong and the PRC.

### **CAPITAL REDUCTION**

#### **The Articles – Power to reduce the Company's share capital**

- 9 Article 14 of the Articles provides as follows:

*"14. The Company may by Special Resolution reduce its share capital or undistributable reserve in any manner authorised, and subject to any conditions prescribed, by law".*

#### **The EGM**

- 10 On 8 October 2024, the Company held an extraordinary general meeting of the Company's shareholders (the **EGM**).

- 11 At the EGM, the following special resolution was duly passed in accordance with the Articles and section 60 of the Act (the **Special Resolution**):

**SPECIAL RESOLUTION**

*“THAT subject to and conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares (as defined below) in issue and to be issued upon the Capital Reduction (as defined below) and the Sub-division (as defined below) becoming effective; (ii) the Grand Court of the Cayman Islands (“Court”) granting an order confirming the Capital Reduction; (iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction; (iv) the registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Act (Revised) of the Cayman Islands with respect to the Capital Reduction; (v) compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the Rules Governing the Listing of Securities on the Stock Exchange to effect the Capital Reduction and the Sub-division; and (vii) the obtaining of all necessary approvals from any regulatory authority or otherwise which may be required in respect of the Capital Reduction and the Sub-division, with effect from the date on which the above conditions are fulfilled (the “Effective Date”):*

- (a) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK\$3.99 on each of the issued Consolidated Shares of the Company of par value HK\$4.00 each (the “Shares”) such that the par value of each issued Share will be reduced from HK\$4.00 to HK\$0.01 (the “Capital Reduction”);*
- (b) immediately after the Capital Reduction becomes effective, each of the authorised but unissued Consolidated Shares of par value HK\$4.00 each be sub-divided (the “Sub-division”) into four hundred (400) unissued new shares of par value HK\$0.01 each (the “New Shares”), such New Shares to rank pari passu in all respects with each other and*

*have the rights and privileges, and be subject to the restrictions, in respect of ordinary shares contained in the memorandum and articles of association of the Company;*

*(c) immediately following the Capital Reduction and the Sub-division, the authorised share capital of the Company be changed from HK\$5,000,000,000 divided into 1,250,000,000 Shares to HK\$5,000,000,000 divided into 500,000,000,000 New Shares;*

*(d) the credit arising from the Capital Reduction be applied towards offsetting the accumulated losses of the Company (the "Accumulated Losses") as at the Effective Date and the balance of any such credit remaining after offsetting the Accumulated Losses (if any) be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner permitted under all applicable laws and the memorandum and articles of association of the Company; and*

*(e) each director of the Company be is hereby authorised to do all such acts and things and execute (under hand or as a deed and, where appropriate, under the common seal of the Company) each such document, on behalf of the Company, as that director may consider necessary or expedient to give effect to, or in connection with, the Capital Reduction or the Sub-division."*

12 Together, the Share Consolidation, the Capital Reduction and the Share Sub-division are steps involved in the proposed capital reorganisation of the Company (the **Capital Reorganisation**).

#### **The Effect of the Capital Reorganisation**

13 As at 8 August 2024 (the date on which the Company first published notice of the proposed Capital Reorganisation on the HKSE), the authorized share capital of the Company was HK\$5,000,000,000 divided into 25,000,000,000 Existing Shares with a par value of HK\$0.20 each, of which 1,792,389,888 Existing Shares have been issued and are fully paid up or credited as fully paid.

- 14 The Company resolved by ordinary resolution on 8 October 2024 to implement a share consolidation on the basis that every twenty issued and unissued Shares of par value of HK\$0.20 each be consolidated into one Share of HK\$4.00.
- 15 On the effective date of the Share Consolidation on 10 October 2024, the authorised share capital of the Company became HK\$5,000,000,000 divided into 1,250,000,000 consolidated shares (the **Consolidated Shares**) with par value of HK\$4.00 each, of which 89,619,494 Consolidated Shares will be in issue and fully paid up or credited as fully paid up (i.e. the **Share Consolidation** as referred to in the above Special Resolution).
- 16 Now that the Share Consolidation has become effective, the Company intends to implement a capital reduction and share sub-division, pursuant to which:
- 16.1 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 (i.e. the **Capital Reduction** as stated in the above special resolution);
- 16.2 immediately following the Capital Reduction, each of the authorised but unissued Consolidated Share of par value HK\$4 will each be sub-divided into four hundred new share of par value of HK\$0.01 each (the **New Share**) (ie the **Share Sub-division** as stated in the above special resolution);
- 16.3 immediately upon the Capital Reduction and the Share Sub-division becoming effective, and assuming no further shares are issued or repurchased, the authorised share capital of the Company shall be HK\$5,000,000,000 divided into 500,000,000,000 New Shares with par value of HK\$0.01 each, of which 89,619,494 New Shares will be in issue and fully paid or credited as fully paid up; and

16.4 based on 1,792,389,888 Shares in issue or (as the case may be) 89,619,494 Consolidated Shares, a credit amounting to HK\$357,581,782.66 will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which will be utilised by the Company in such manner as the board may deem fit and is permitted under all applicable laws and the Articles.

### **The Reasons for the Capital Reorganisation**

17 Under Rule 13.64 of the Rules Governing the Listing of Securities on the HKSE (the **Listing Rules**), where the market price of securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the HKSE may require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” (the **Guide**) issued by the HKSE on 28 November 2008 and last updated in September 2024 further states that:

*“(i) Rule 13.64 / GEM Rule 17.76 states that the Exchange reserves the right to require the issuer to either change its trading method or to proceed with a consolidation of its securities where the market price of the securities approaches the extremities of HK\$0.01, which the Exchange considers to be any trading price less than HK\$0.10; and (ii) Rule 13.64A / GEM Rule 17.76A provides that issuers must not undertake a subdivision if its adjusted share price after subdivision is less than HK\$1 based on the lowest daily closing price of the shares during the six-month period before the announcement of the subdivision.”*

18 For the 6 months prior to 8 August 2024 (the date of the first announcement) the share price of the Company was trading at or below HK\$0.10 as provided by the Guide. The closing price of the Existing Shares as of 8 August 2024 was HK\$0.094 per Share. The closing price of the Existing Shares as of 20 August 2024 (the Latest Practicable Date as defined in the circular dated 23 August 2024) was HK\$0.045 per Share.

- 19 Based on the closing price of HK\$0.045 per Existing Share as of 20 August 2024, the Capital Reorganisation, as defined in the Resolution, will result in a theoretical closing price of HK\$0.90 per Consolidated Share (and higher than HK\$0.10 mentioned in the Guide such that it is not trading at the extremity as referred to in Rule 13.64 of the Listing Rules).
- 20 The board of directors of the Company (the **Board**) considers the Share Consolidation would bring about a corresponding upward adjustment in the trading price per Consolidated Shares on the HKSE. The upward adjustment of the trading price of the New Shares will enable the Company to avoid the operation of Rule 13.64 of the Listing Rules and will make investing in the New Shares more attractive to a broader range of investors.
- 21 Under the Companies Act, the Company may not issue shares at a discount to the nominal value of such shares. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Sub-division, the nominal value of the Consolidated Shares will be HK\$4.00 per Consolidated Share.
- 22 The Capital Reduction and the Share Sub-division will keep the nominal value of the New Shares at a lower level of HK\$0.01 per New Share, which allows greater flexibility in the pricing for any issue of new Shares in the future.
- 23 The credit in the distributable reserve account arising from the Capital Reduction will enable the Company to set off its accumulated loss and may be applied in future for distribution to the Shareholders or in any manner permitted by applicable laws, the Articles.
- 24 The Capital Reduction is for a discernible purpose.
- 25 The Capital Reduction does not involve either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital.

- 26 Save for the application of the credit arising from the Capital Reduction (as referred to in paragraphs 16.4 above) and expenses to be incurred in relation to the Capital Reduction, the Capital Reduction will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the shareholders, save that any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled to them.

**Proposed form of minute**

- 27 The form of minute to be registered with the Registrar of the Companies is as follows:

*“The issued share capital of Silkwave Inc (the **Company**) was by virtue of a Special Resolution of the Company dated 8 October 2024 (the **Special Resolution**) and with the confirmation of an order of the Grand Court of the Cayman Islands dated [date] (the **Order**) reduced from HK\$358,477,977.60 divided into 89,619,494 Consolidated Shares of HK\$4.00 each to HK\$896,194.94 divided into 89,619,494 New Shares of HK\$0.01 each (the **Capital Reduction**). Upon such Capital Reduction taking effect, the authorised share capital of the Company will be increased from HK\$5,000,000,00 divided into 1,250,000,000 Consolidated Shares to HK\$5,000,000,000 divided into 500,000,000,000 New Shares.”*

- 28 It is appropriate for the Court to confirm the Capital Reduction.

Your Petitioner therefore humbly prays that:

- 29 The Capital Reduction which is to be effected by the Special Resolution set out in paragraph 11 above be confirmed and the form of minute set out in paragraph 27 above be approved by the Court.
- 30 That all necessary inquiries may be made and directions may be given.
- 31 Such further or other orders as the Court thinks fit.

**AND** your Petitioners will ever pray etc.

Dated this 7<sup>th</sup> day of November 2024



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**Harney Westwood & Riegels**

Attorneys-at-Law for the Petitioner

**NOTE**            This Petition is not intended to be served.

**THIS PETITION** was presented by Harney Westwood & Riegels, Attorneys for the Petitioner, whose address for service is 3<sup>rd</sup> Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (**Ref:** 064409-0001-BDH/AUP).