

(Translation-In case of any discrepancy between the Chinese and English versions,  
the Chinese version shall prevail.)

# AzureWave Technologies, Inc.

## Minutes of 2024 Annual General Meeting of Shareholders

Time : June 20, 2024(Thursday) 9 AM

Venue : 2F., No. 213, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City

(Taipei Innovation City Convention Center)

Meeting type : Physical shareholders meeting

Present : A total of 92,812,972 shares (including 6,268,908 shares represented by shareholders exercising voting rights electronically) are held by shareholders attending the shareholders' meeting in person or by a proxy, who represent 60.83% of the total number of the Company's outstanding 152,554,808 shares (14,000 non-voting shares have been deducted in accordance with Article 179 of the Company Law); Present Directors is Jason Cheng(Chairman), Kuang Chih Cheng(President and CEO) and Tony Chen(Independent Director, Chairman of the Audit Committee), Wen-Ya Hsu, CPA, Deloitte & Touche

Chairman : Jason Cheng

Recorder : Irene Tien

1. Call the Meeting to Order: (The total numbers of shares represented by the shareholders present constitute the quorum prescribed by law, hence the Chairman called this meeting to order.)
2. Chairperson Remarks : (omitted)
3. Report :
  - (1) The Company's 2023 Business Report for review, please refer to attachment 1.
  - (2) Audit Committee's Review Report on the 2023 Financial Statements for acknowledgment, please refer to attachment 2.
  - (3) Distribution of employees' compensation and directors' remuneration for 2023.  
(Please refer to Handbook)

#### 4. Adoption

Proposal No. 1 :

(Proposed by the Board)

Adoption of the 2023 Business Report and Financial Statements.

Explanation :

- 1.) Pursuant to Article 228 of the "Company Act" and Article 36 of the "Securities and Exchange Act".
- 2.) The Company's Financial Statements were audited by CPAs Chin-Chuan Shih and Wen-Ya Hsu of Deloitte & Touche. Business Report and Financial Statements have been reviewed by the Audit Committee of AzureWave Technologies, Inc..
- 3.) Please refer to attachment 1 and attachment 3 for the Financial Statements and Business Report.

Resolution : the proposal was approved after voting.

Voting Result : Shares represented at the time of voting: 92,812,972

| Voting Results  | Number of shares presented at the time of voting<br>(including votes casted electronically) |
|-----------------|---------------------------------------------------------------------------------------------|
| Votes in favor  | 91,596,314<br>(98.68% of the total represented share present)                               |
| Votes against   | 5,324                                                                                       |
| Votes invalid   | 0                                                                                           |
| Votes abstained | 1,211,334                                                                                   |

No question was raised by shareholders on the proposal.

Adoption of the Company's distribution of 2023 earnings.

Explanation :

- 1.) The Company's 2023 net profit after tax was NT\$333,439,432. The following is the earnings distribution table.

AzureWave Technologies, Inc.

PROFIT DISTRIBUTION TABLE

Unit: NT\$

| Item                                                                                                           | Amount       |               |
|----------------------------------------------------------------------------------------------------------------|--------------|---------------|
| Beginning Retained Earnings                                                                                    |              | 9,959,987     |
| Add: Net profit of 2023                                                                                        | 333,439,432  |               |
| Less: Remeasurement of Defined Benefit plans                                                                   | (317,537)    |               |
| Sum of current profit after tax and items other than profit after tax added to current unappropriated earnings |              | 333,121,895   |
| Less: 10% Legal Reserve                                                                                        | (33,312,190) |               |
| Less: Special Reserve                                                                                          | (19,307,203) |               |
| Distributable net profit                                                                                       |              | 290,462,489   |
| Items for Allocation                                                                                           |              |               |
| Dividends- Cash (NT\$1 per share) (Note)                                                                       |              | (152,597,608) |
| Unappropriated Retained Earnings                                                                               |              | 137,864,881   |

Note: As of February 29, 2024, outstanding shares of 152,597,608 shares issued by the Company shall serve as the basis for this calculation.

Chairman :

Managerial Officer :

Accounting Officer :

Jason Cheng

Kuang-Chih Cheng

Ching-I Hung

- 2.) The cash dividend distribution will be calculated to the nearest dollar, with amounts less than one dollar rounded down. The total amount of fractional shares less than one dollar will be transferred to other revenue. The chairman of the board of directors will be authorized to set a new ex-dividend base date and related distribution operations after approval by the shareholders' regular meeting.
- 3.) If the number of outstanding shares is subsequently affected due to the issuance of employee stock warrants, the issuance of new restricted employee shares, the repurchase of the company's shares, or the transfer, conversion and cancellation of the repurchased shares, and the shareholder dividend rate changes accordingly, the chairman of the board of directors is authorized to distribute with full authority to handle it within the scope of the amount.

Resolution : the proposal was approved after voting.

Voting Result : Shares represented at the time of voting: 92,812,972

| Voting Results  | Number of shares presented at the time of voting<br>(including votes casted electronically) |
|-----------------|---------------------------------------------------------------------------------------------|
| Votes in favor  | 92,046,314<br>(99.17% of the total represented share present)                               |
| Votes against   | 5,324                                                                                       |
| Votes invalid   | 0                                                                                           |
| Votes abstained | 761,334                                                                                     |

No question was raised by shareholders on the proposal.

#### 5. Discussion :

(Proposed by the Board)

Proposal : Issuance of Employee Restricted Stocks Awards.

Explanation :

- 1.) In order to attract and retain professional talents for the company and to increase employees' cohesion and loyalty to the company for mutually supporting the company's and shareholders' interests, the Company stipulate these Issuance Rules of Employee Restricted Stock Awards (hereinafter referred to as the "RSAs") for Year 2024 (hereinafter referred to as the "Rules"), in accordance with Article 267 of the Company Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" promulgated by the Financial Supervisory Commission, Executive Yuan (hereinafter referred to as the "Regulations").
- 2.) Details of RSAs issuance proposed as follows :
  - A. Total amount (shares) of the issue : 2,500,000 shares in total, with NT\$10 per share, totaling NT\$ 25,000,000. Within two years of receiving the approval notice by the competent authority, the Company, depending on its actual needs, may issue in one or several times, and the actual issuance date shall be determined by the board of directors authorized by the chairman of the board.
  - B. The terms and conditions of issuance :
    - a. The issue price: The restricted employee shares may be distributed gratuitously.
    - b. Vesting conditions :

From the date when an employee subscribes for new restricted employee in accordance with these procedures (i.e., the base date of the capital increase of new restricted employee shares), if the employee is still employed after the following

period and meets the conditions required by the company, the proportion of shares that can meet the vested conditions is as follows:

(a). Company performance criteria :

- (1) For the company's EPS in the previous year better than NT\$2.5 (inclusive), the overall weight was 100%.
- (2) For the company's EPS in the previous year between NT\$2.5 (non-inclusive) ~ NT\$2 (inclusive), the overall weight was 80%.
- (3) For the company's EPS in the previous year between NT\$2 (non-inclusive) ~ NT\$1.5 (inclusive), the overall weight was 50%.
- (4) For the company's EPS in the previous year less than NT\$1.5 (non-inclusive), the overall weight was 0%.

The above-mentioned earnings per share refers to the basic earnings per share disclosed in the consolidated comprehensive income statement in the consolidated financial statements after audit and approval by CPAs.

(b). Employee performance criteria :

- (1) After one year of employment, the performance appraisal in the first vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 30% shares are multiplied by the overall weight.
- (2) After two years of employment, the performance appraisal in the second vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 30% shares are multiplied by the overall weight.
- (3) After three years of employment, the performance appraisal in the third vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 40% shares are multiplied by the overall weight.

c. The type of shares : new common shares of the Company.

d. Measures to be taken when employees fail to meet the vesting conditions or in the event of inheritance :

In circumstance where the Restricted Stock was not vested due to failure to meet vesting conditions, such shares will be taken back by the Company without charge and will be written off.

C. Qualifications and Conditions for Employees Subscribable :

- (1) Employees eligible for subscription are limited to full-time employees within the formal organization of the Company who are employed as of the grant date of RSAs. The eligible employees and actual number for subscription will be based on seniority, job grades and levels, work performance, overall contribution, special achievements, and other conditions needed for management and will be reviewed by the Chairman and submitted to the Board of Directors for approval. For employees who are managerial officers, the eligibility and number for subscription shall be first approved by the Compensation Committee; and for employees who do not hold the status of directors or are non-managerial officers, the eligibility and number for subscription shall be first approved by the Audit Committee in accordance with Article 14-5, Paragraph 1, Subparagraph 11 of the Securities and Exchange Act.
- (2) The cumulative number of shares of employee stock warrants issued by the Company, under Paragraph 1, Article 56-1 of the Regulations, that can be subscribable by a single employee, in combination with the cumulative number of RSAs obtained by the single employee, may not exceed 0.3 percent of the Company's total issued shares. Additionally, the above in combination with the cumulative number of shares issued by the Company under Paragraph 1, Article 56 of the Regulations, that can be subscribable by a single employee of employee stock warrants, may not exceed 1 percent of the Company's total issued shares. However, with special approval from the central competent authority of the relevant industry, the total number of employee stock warrants and RSAs obtained by a single employee may be exempted from the above-mentioned restriction.

D. The reasons why it is necessary to issue the new restricted employee shares :

In order to attract and retain the professional talents needed by the company, incentivize employees, and enhances employees' engagement, so as to jointly create the interests of the company and shareholders.

E. The expensable amount, the dilution of the company's earnings per share, and any other impact on shareholders' equity :

- (1) If the company's average closing price in April 2024 is NT\$48.31 per share, with the vesting period of three years, the total expensable amount for the full issuance is approximately NT\$120,775 in estimation.
- (2) The number of shares outstanding from all previous issues is 152,568,808 shares in total, and the ratio of new restricted employee shares expected to be issued to the current total number of actual outstanding shares is approximately 1.639%. In addition to the calculation based on the number of outstanding shares after the issuance of new restricted employee shares, the annual expensable amount has cumulatively diluted earnings per share by approximately NT\$0.026 to NT\$0.334,

which shall not have a significant impact on shareholders' equity.

- 3.) This proposal shall be approved by the board of directors and submitted for approval to the shareholders' meeting. If changes are required due to changes in laws and regulations or approval by the competent authority, the chairman of the board is authorized to handle it with full authority.
- 4.) Please refer to Attachment 4 of the Handbook for the Company's "Issuance Rules of Employee Restricted Stock Awards for Year 2024."

Resolution : the proposal was approved after voting.

Voting Result : Shares represented at the time of voting: 92,812,972

| Voting Results  | Number of shares presented at the time of voting<br>(including votes casted electronically) |
|-----------------|---------------------------------------------------------------------------------------------|
| Votes in favor  | 91,802,209<br>(98.91% of the total represented share present)                               |
| Votes against   | 248,461                                                                                     |
| Votes invalid   | 0                                                                                           |
| Votes abstained | 762,302                                                                                     |

No question was raised by shareholders on the proposal.

#### 6. Elections :

(Proposed by the Board)

Proposal : Proposal of the election of the 8<sup>th</sup> Term of Company's directors (including independent directors)

Explanation :

- 1.) The tenure of the 7<sup>th</sup> Term of directors of the Company will end on July 14, 2024, and it is proposed to re-elect the 8<sup>th</sup> Term of directors in advance at the regular shareholders' meeting this year.
- 2.) According to the provisions of the Company's Articles of Incorporation, 7 directors (including 3 independent directors) should be elected, and the election of directors shall adopt a candidate nomination system. The new directors shall take office immediately after the shareholders' meeting for a tenure of three years, starting from June 20, 2024, to June 19th, 2027, and can be re-elected.
- 3.) The proposal of elections in regard to the qualifications of the director candidates (including independent directors) was reviewed and approved at the 16th meeting of the seventh session of the company on May 8, 2024. For the qualifications and introduction of the director candidates, please refer to Attachment 5 of the Handbook.
- 4.) Humbly request for conducting an election.

Voting Results : Based on the voting results of all shareholders present, the chairman announced that the following personnel are elected as the 8<sup>th</sup> Board of directors

| Title                | Name                                                | Votes received |
|----------------------|-----------------------------------------------------|----------------|
| Director             | Pegatron Corporation<br>Representative: Jason Cheng | 94,349,424     |
| Director             | Pegatron Corporation<br>Representative: Jason Cheng | 91,709,603     |
| Director             | Pegatron Corporation<br>Representative: Jason Cheng | 91,283,134     |
| Director             | Advantech Investment Co., Ltd.                      | 90,910,685     |
| Independent Director | Chi-Tung, Chang                                     | 90,792,494     |
| Independent Director | Ming-Chih Chou                                      | 90,348,607     |
| Independent Director | Tony Chen                                           | 90,277,924     |

#### 7. Other Motions :

(Proposed by the Board)

Proposal : Removal of the non-compete restrictions on the newly elected directors.

Explanation :

- 1.) According to Article 209 of the “Company Act,” A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. Here to propose to request the shareholders' meeting to lift the non-competition restrictions on the newly appointed directors and their representatives.
- 2.) For a detailed list of restrictions to be lifted, please refer to Attachment 6 of this Handbook.
- 3.) After the proposal is approved by the board of directors, it will be submitted to the shareholders' meeting for resolution in accordance with the law.

Resolution : the proposal was approved after voting.

Voting Result : Shares represented at the time of voting: 92,812,972

| Voting Results  | Number of shares presented at the time of voting<br>(including votes casted electronically) |
|-----------------|---------------------------------------------------------------------------------------------|
| Votes in favor  | 91,452,194<br>(98.53% of the total represented share present)                               |
| Votes against   | 573,260                                                                                     |
| Votes invalid   | 0                                                                                           |
| Votes abstained | 787,518                                                                                     |

No question was raised by shareholders on the proposal.

8. Extemporaneous Motions : None.

7. The meeting was adjournment at 09:37 a.m.

(Note : This minutes is extracted from the 2024 Annual General Shareholders' Meeting, the details are subject to the audio and video recording.)

## **AzureWave Technologies, Inc. 2023 Business Report**

The world economy in 2023 was a year of sluggishness. When we enter the post-epidemic era, the economic recovery, which we expected originally, was continuously affected by elevated inflation, higher interest rates, technology trade wars, geopolitics, extreme weather and other events, making the global growth to slow from 3.5 percent in 2022 to 3.1 percent in 2023, advanced economies to slow from 2.6 percent in 2022 to 1.6 percent in 2023, where only the U.S. economy is unexpectedly robust; in addition, the recovery momentum of emerging market countries is not as strong as expected after pandemic in China, and most economies are facing the dual impact of currency crashes and high raw material prices, making economic performance still a depression by contrast before the COVID.

Under the influence of various unfavorable factors, global demand for end products has been weak, and therefore the manufacturing activities in various countries appear to be slowly reviving, resulting in very low demand for worldwide personal computers, consumer goods and even business. The global market of personal computer has experienced an unprecedented continuous decline, which is in sharp contrast to the historical trend since 1995. The global shipments of personal computers fell by 13.9 percent year-on-year in 2023, reaching 259 million units. Although the momentum of terminal demand is not as good as expected, with the efforts of our team to strictly control costs, expenses and capital expenditures persistently, the inventory level has promptly returned to the pre-epidemic level, which enabled us to achieve our operating goals set originally.

The Company's operating results for the previous year and future business outlook are summarized as follows :

### **1.Revenue and profitability**

In 2023, the Company's consolidated revenue was NT\$9,531,300 thousand, a decline of 5.35% compared to NT\$10,069,943 thousand in 2022, mainly due to the fact that notebook computers and consumer electronics products have been affected by inventory depletion and weak terminal demand. However, the production capacity has reached economies of scale, and the share of fixed manufacturing costs has been lowered, through the improvement of manufacturing efficiency and adjustment of product mix and higher unit price models, bringing boost to the overall operation, resulting in an increase in gross margin from 12.33% in 2022 to 13.28% in 2023. Net income after tax for 2023 was NT\$333,439 thousand, an increase of NT\$38,317 thousand from 2022, and earnings per share were NT\$2.18.

## **2. Research and development**

The R&D expenses for 2023 were NT\$530,402 thousand, accounting for 5.56% of annual revenue, an increase of NT\$18,608 thousand compared to NT\$511,794 thousand for 2022.

The focus of product development for the year was on wireless modules and camera modules for notebook computers, game consoles, consumer electronics, vehicle electronics and other IoT related products.

In the R&D of wireless modules products, the Company has launched mass-production of the first WiFi 7 product in the first quarter of 2024, and successfully shipped it to many Tier 1 notebook brand factories, making it the pioneer in the industry. In the next step, we will continue to expand the research and development of WiFi 7 modules for more IC solutions, as well as the development of corresponding self-developed automated test programs. In addition, in terms of the development of automotive products, we shall continue the development of AECQ-104 automotive module and continue to enrich the automotive scale products to provide customers with more choices. Furthermore, our long-established Thread, WiFi HaLow, SoM, SiP, MCU+WiFi and UWB product lines are becoming more comprehensive to meet the needs of customers in different fields around the world.

In the R&D of camera modules, in addition to the main camera modules for notebook products, we are also proactively developing camera modules for in-vehicle, IoT products, 360 degree panoramic view system, AR /VR, various types of robots and other applications. At this stage, the notebook market is beginning to develop towards higher resolutions such as 5M, so the research and development of 5M camera modules will be the focus this year, especially with our patented Flip-chip (Flip-chip packaging) + GOS (IR Glass on Sensor) + AA (Active Focus) processes, to develop 5M camera modules with slimmer and narrower camera products to meet customers' needs. Moreover, we already started to conduct the process development of the DIH (Die in Through Hole) this year, which will provide customers with an option of lower cost but with a thickness and width close to flip-chip. In addition to strengthening the production process, we also actively cooperate with chip manufacturers for AI solutions to develop camera modules with ISP built-in AI and independent AI chips to meet the needs of customers for different applications such as HPD. We have established the technology and capabilities related to large wide-angle active focusing Active Alignment in 2024 and have successfully trial-produced and sent samples of wide-angle products, which will be able to meet the diverse needs of customers in the future.

## **3. Business development**

With the effect of the pandemic slowed down, and the global shipments of personal computer declined due to reduced demand for working from home and online learning. As a result, the Company's revenue fell by 5.35% from the previous year and the shipment volume increased slightly by 0.89% compared to the previous year, but the annual revenue and shipment volume were still higher than the performance before the pandemic.

#### 1) In wireless modules products

Due to the severe global economic conditions, brand manufacturers adjusting inventory, and the still high prices of emerging display technologies including OLED, Mini LED backlight, naked-view 3D and other products, the driving force of market demand is obviously insufficient. In 2023, the Company's has shipped 112 million of wireless modules. In the future, the development trend of wireless modules will be towards higher speed, wider coverage, lower power consumption, higher security, and more standard support to meet people's increasing communication needs and diversified needs of application scenarios. The Company can not only provide wireless modules with different functions such as the fastest performance, longest distance, smallest size, and lowest power consumption according to different applications, but also provide the best service in terms of quality, time efficiency, and technology to expand our customer base. Additionally, the vehicle wireless module products are expected to start for the trial production gradually, which is also one of our future development focuses.

#### 2) In camera modules products

The Company is currently ranked among the top three in the notebook camera modules industry in terms of shipment volume and has a broad customer base, with most of the notebook brand customers already receiving product support services provided by the Company. As demand for personal computers and consumer products in 2023 continues to be weak, the rate of inventory depletion is expected to be slower than originally expected, and the supply chain is expected to remain at its worst until the second quarter of 2024, when inventory depletion may gradually end. However, due to the slow depletion of market inventory and the development time needed to introduce new customers, overall shipments in 2023 have undergone structural adjustments to eliminate less profitable customers and strive to increase the share of high-quality customers. Meanwhile, we actively explore the market development of camera modules for e-sports, consumer and business/educational notebooks and the development of high-end image quality products. The Company will continue to sell and provide higher quality camera modules to meet customer needs in the notebook market in line with its existing customer base, while continuing to gain a higher market share and expand the use of Value IoT and handheld devices with its leading position in ultra-thin and ultra-narrow modules for notebooks with narrow bezel screens, it is expected to bring more concrete contributions to the development of camera modules products.

### **4. 2024 business outlook**

Looking forward to 2024, due to rising geopolitical risks, endless wars, and the delay in interest rate cuts by European and American central banks to fight against inflation, the global economic performance is expected to be bleaker than in 2023. However, we also expect that the post-epidemic replacement wave and the growth in demand in emerging markets, coupled with the arrival of AI PC models, will bring shipment momentum to overall notebook products. We believe that our wireless modules products have been cultivated for many years, and we are the pioneer in providing the latest and fastest

technology modules and camera modules products, grasping the key components of module thinness in terms of technology, and utilizing the advantages of system integration capabilities, there will be more room for further development in the future, especially in the new generation of wireless technology WiFi 7, AI PC modules, AI image recognition sensor module and high-end multi-camera module automotive products, so to seize the opportunity in the development of the next generation electronics industry.

In addition, the management team will continue to promote intelligent manufacturing to enhance production efficiency and quality stability, and strengthen the control of manpower and inventory in order to enhance operational efficiency to strengthen future growth momentum. In respect to the global manufacturing deployment, in addition to the main production base in Mainland China, Vietnam operation center has been set up in June this year and put to production in Q1 2024. Relevant product lines are also being built gradually to adjust production capacity at any time in response to changes in customer terminal demand, continue to stabilize shipment momentum, and to achieve the purpose of regionalization to serve our customers. In addition to keeping up with the pace of technological development and facing the global focus on the promotion of ESG, AzureWave as a global supply chain, the Company not only follows the code of conduct of the Responsible Business Alliance (RBA) and implements occupational safety and labor rights in accordance with international initiatives and customer regulations, but also actively carry out annual energy conservation and carbon reduction plans, deepen sustainability into every aspect of corporate management from the inside out, achieve sustainability as well as common good and create maximum benefits for our shareholders!

|          |             |
|----------|-------------|
| Chairman | Jason Cheng |
|----------|-------------|

|                   |                  |
|-------------------|------------------|
| President and CEO | Kuang-Chih Cheng |
|-------------------|------------------|

|                    |              |
|--------------------|--------------|
| Accounting Officer | Ching-I Hung |
|--------------------|--------------|

## **AzureWave Technologies, Inc. Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 Financial Statements, the Financial Statements have been audited by Deloitte & Touche, and an audit report has been issued.

The Audit committee members have reviewed the 2023 Business Report and Proposal for Distribution of 2023 Earnings and determined they are in compliance with the Company Act and other applicable laws and regulations and pursuant to the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

We hereby submit this report for your review.

AzureWave Technologies, Inc.  
Chairman of the Audit Committee : Tony Chen

Date: March 8, 2024

**Deloitte.**

**勤業眾信**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
AzureWave Technologies, Inc.

### **Opinion**

We have audited the accompanying parent company only financial statements of AzureWave Technologies, Inc. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the parent company only financial statements for the year ended December 31, 2023 are stated as follows:

#### Revenue Recognition

Revenue from the sale of goods is recognized when significant risks and control are transferred to the customers. We conducted an analysis of the sales revenue for the year ended December 31, 2023. Some of the sales revenue amounts have a significant impact on the parent company only financial statements. After considering the sales process, these sales revenues are recognized as key audit matters for the current year.

For the accounting policy on revenue recognition, refer to Note 4.

We understood and tested the effectiveness of the main internal control design and execution regarding the authenticity of sales revenue. We also conducted sampling and confirmation procedures for the full-year sales revenue of these sales to test the authenticity of sales transactions.

#### Evaluation of Investments Accounted for Using the Equity Method

As stated in Note 10 to the parent company only financial statements, as of December 31, 2023, the carrying amount of the investment in subsidiaries accounted for using the equity method was \$2,569,681 thousand, representing 45% of the Company's assets. For the year ended December 31, 2023, the amount of share of gain of subsidiaries was \$314,216 thousand, representing 94% of the Company's profit before income tax, which is material to the parent company only financial statements. Therefore, evaluation of investments in subsidiaries accounted for using the equity method was deemed to be a key audit matter.

In order to evaluate investments in subsidiaries accounted for using the equity method appropriately, we performed the audit procedures as follows:

1. We conducted our audits of the parent company only financial statements of subsidiaries in accordance with the Standards on Auditing of the Republic of China, the subsidiaries' financial statements have been prepared in accordance with the same accounting principles as the Company.
2. We obtained the investments in subsidiaries accounted for using the equity method for the year ended December 31, 2023, reviewed the calculation by the Company and evaluated the accuracy and completeness of the recognition of investment gain or loss.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but

to do so.

Those charged with governance, including management and the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chin-Chuan Shih and Wen-Ya Shu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2024

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# AZUREWAVE TECHNOLOGIES, INC.

## BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

|                                                                                                 | 2023                |            | 2022                |            |
|-------------------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| ASSETS                                                                                          | Amount              | %          | Amount              | %          |
| CURRENT ASSETS                                                                                  |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                                                       | \$ 918,076          | 16         | \$ 264,987          | 5          |
| Accounts receivable, net (Notes 4, 5 and 8)                                                     | 1,596,460           | 28         | 1,597,956           | 32         |
| Accounts receivable - related parties (Notes 4, 5, 8 and 27)                                    | 27,458              | -          | 64,063              | 1          |
| Other receivables (Notes 4, 8 and 27)                                                           | 1,890               | -          | 1,890               | -          |
| Inventories (Notes 4, 5 and 9)                                                                  | 557,334             | 10         | 848,091             | 17         |
| Other current assets (Notes 4 and 14)                                                           | <u>29,758</u>       | <u>-</u>   | <u>29,907</u>       | <u>1</u>   |
| Total current assets                                                                            | <u>3,130,976</u>    | <u>54</u>  | <u>2,806,894</u>    | <u>56</u>  |
| NON-CURRENT ASSETS                                                                              |                     |            |                     |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 19,596              | 1          | -                   | -          |
| Investments accounted for using the equity method (Notes 4 and 10)                              | 2,569,681           | 45         | 2,086,654           | 42         |
| Property, plant and equipment (Notes 4 and 11)                                                  | 17,754              | -          | 29,013              | 1          |
| Right-of-use assets (Notes 4 and 12)                                                            | 15,310              | -          | 25,938              | 1          |
| Intangible assets (Notes 4 and 13)                                                              | 733                 | -          | 1,066               | -          |
| Deferred tax assets (Notes 4 and 21)                                                            | 19,052              | -          | 21,404              | -          |
| Refundable deposits (Note 14)                                                                   | 2,262               | -          | 2,262               | -          |
| Net defined benefit assets (Notes 4 and 18)                                                     | <u>4,883</u>        | <u>-</u>   | <u>5,071</u>        | <u>-</u>   |
| Total non-current assets                                                                        | <u>2,649,271</u>    | <u>46</u>  | <u>2,171,408</u>    | <u>44</u>  |
| TOTAL                                                                                           | <u>\$ 5,780,247</u> | <u>100</u> | <u>\$ 4,978,302</u> | <u>100</u> |
| LIABILITIES AND EQUITY                                                                          |                     |            |                     |            |
| CURRENT LIABILITIES                                                                             |                     |            |                     |            |
| Short-term borrowings (Note 15)                                                                 | \$ -                | -          | \$ 380,000          | 8          |
| Accounts payable (Note 16)                                                                      | 1,490,293           | 26         | 1,567,386           | 31         |
| Accounts payable - related parties (Notes 16 and 27)                                            | 1,167,971           | 20         | 237,599             | 5          |
| Other payables (Notes 17 and 27)                                                                | 83,377              | 1          | 78,549              | 1          |
| Lease liabilities - current (Notes 4 and 12)                                                    | 11,337              | -          | 11,808              | -          |
| Other current liabilities (Notes 17 and 27)                                                     | <u>47,705</u>       | <u>1</u>   | <u>44,997</u>       | <u>1</u>   |
| Total current liabilities                                                                       | <u>2,800,683</u>    | <u>48</u>  | <u>2,320,339</u>    | <u>46</u>  |
| NON-CURRENT LIABILITIES                                                                         |                     |            |                     |            |
| Lease liabilities - non-current (Notes 4 and 12)                                                | 4,346               | -          | 14,617              | -          |
| Credit balance of investments accounted for using the equity method (Notes 4 and 10)            | <u>24,538</u>       | <u>1</u>   | <u>23,824</u>       | <u>1</u>   |
| Total non-current liabilities                                                                   | <u>28,884</u>       | <u>1</u>   | <u>38,441</u>       | <u>1</u>   |
| Total liabilities                                                                               | <u>2,829,567</u>    | <u>49</u>  | <u>2,358,780</u>    | <u>47</u>  |
| EQUITY (Notes 19 and 23)                                                                        |                     |            |                     |            |
| Share capital                                                                                   |                     |            |                     |            |
| Ordinary shares                                                                                 | <u>1,525,976</u>    | <u>26</u>  | <u>1,527,388</u>    | <u>31</u>  |
| Capital surplus                                                                                 | <u>1,101,742</u>    | <u>19</u>  | <u>1,103,725</u>    | <u>22</u>  |
| Legal reserve                                                                                   | 6,924               | -          | -                   | -          |
| Special reserve                                                                                 | 52,355              | 1          | -                   | -          |
| Unappropriated earnings                                                                         | <u>343,082</u>      | <u>6</u>   | <u>69,239</u>       | <u>2</u>   |
| Total retained earnings                                                                         | <u>402,361</u>      | <u>7</u>   | <u>69,239</u>       | <u>2</u>   |
| Other equity                                                                                    | <u>(79,399)</u>     | <u>(1)</u> | <u>(80,830)</u>     | <u>(2)</u> |
| Total equity                                                                                    | <u>2,950,680</u>    | <u>51</u>  | <u>2,619,522</u>    | <u>53</u>  |
| TOTAL                                                                                           | <u>\$ 5,780,247</u> | <u>100</u> | <u>\$ 4,978,302</u> | <u>100</u> |

The accompanying notes are an integral part of the financial statements.

# AZUREWAVE TECHNOLOGIES, INC.

## STATEMENTS OF COMPREHENSIVE INCOME PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                | 2023             |            | 2022             |            |
|----------------------------------------------------------------|------------------|------------|------------------|------------|
|                                                                | Amount           | %          | Amount           | %          |
| OPERATING REVENUE (Notes 4 and 27)                             |                  |            |                  |            |
| Sales                                                          | \$ 7,918,535     | 100        | \$ 8,614,797     | 100        |
| Other operating revenue                                        | <u>9,540</u>     | <u>-</u>   | <u>33,904</u>    | <u>-</u>   |
| Total operating revenue                                        | <u>7,928,075</u> | <u>100</u> | <u>8,648,701</u> | <u>100</u> |
| OPERATING COSTS (Notes 9, 20 and 27)                           | <u>7,533,585</u> | <u>95</u>  | <u>7,709,836</u> | <u>89</u>  |
| GROSS PROFIT                                                   | <u>394,490</u>   | <u>5</u>   | <u>938,865</u>   | <u>11</u>  |
| OPERATING EXPENSES (Notes 8, 18, 20 and 27)                    |                  |            |                  |            |
| Selling and marketing expenses                                 | 74,585           | 1          | 74,434           | 1          |
| General and administrative expenses                            | 103,559          | 1          | 115,996          | 1          |
| Research and development expenses                              | 226,479          | 3          | 193,054          | 2          |
| Expected credit gain                                           | <u>-</u>         | <u>-</u>   | <u>(5,611)</u>   | <u>-</u>   |
| Total operating expenses                                       | <u>404,623</u>   | <u>5</u>   | <u>377,873</u>   | <u>4</u>   |
| (LOSS) PROFIT FROM OPERATIONS                                  | <u>(10,133)</u>  | <u>-</u>   | <u>560,992</u>   | <u>7</u>   |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 10, 20, 27 and 29) |                  |            |                  |            |
| Finance costs                                                  | (2,727)          | -          | (15,502)         | -          |
| Share of profit or loss of subsidiaries                        | 314,216          | 4          | (272,027)        | (3)        |
| Interest income                                                | 16,340           | -          | 1,121            | -          |
| Other income                                                   | 143              | -          | 180              | -          |
| Other gains and losses                                         | 3,444            | -          | 358              | -          |
| Gain on foreign exchange                                       | <u>14,754</u>    | <u>-</u>   | <u>20,000</u>    | <u>-</u>   |
| Total non-operating income and expenses                        | <u>346,170</u>   | <u>4</u>   | <u>(265,870)</u> | <u>(3)</u> |
| PROFIT BEFORE INCOME TAX FROM<br>CONTINUING OPERATIONS         | 336,037          | 4          | 295,122          | 4          |
| INCOME TAX EXPENSE (Notes 4 and 21)                            | <u>(2,598)</u>   | <u>-</u>   | <u>-</u>         | <u>-</u>   |
| NET PROFIT FOR THE YEAR<br>(Continued)                         | <u>333,439</u>   | <u>4</u>   | <u>295,122</u>   | <u>4</u>   |

# AZUREWAVE TECHNOLOGIES, INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                 | 2023              |          | 2022              |          |
|-----------------------------------------------------------------------------------------------------------------|-------------------|----------|-------------------|----------|
|                                                                                                                 | Amount            | %        | Amount            | %        |
| OTHER COMPREHENSIVE INCOME (LOSS)                                                                               |                   |          |                   |          |
| Items that will not be reclassified subsequently to profit or loss:                                             |                   |          |                   |          |
| Remeasurement of defined benefit plans (Note 18)                                                                | \$ (317)          | -        | \$ 652            | -        |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 19) | (91)              | -        | -                 | -        |
| Items that may be reclassified subsequently to profit or loss:                                                  |                   |          |                   |          |
| Exchange differences on translation of the financial statements of foreign operations (Note 19)                 | <u>(19,216)</u>   | <u>-</u> | <u>206,220</u>    | <u>2</u> |
| Other comprehensive (loss) income for the year, net of income tax                                               | <u>(19,624)</u>   | <u>-</u> | <u>206,872</u>    | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                                         | <u>\$ 313,815</u> | <u>4</u> | <u>\$ 501,994</u> | <u>6</u> |
| EARNINGS PER SHARE (Note 22)                                                                                    |                   |          |                   |          |
| From continuing operations                                                                                      |                   |          |                   |          |
| Basic                                                                                                           | <u>\$ 2.18</u>    |          | <u>\$ 1.93</u>    |          |
| Diluted                                                                                                         | <u>\$ 2.18</u>    |          | <u>\$ 1.93</u>    |          |

The accompanying notes are an integral part of the financial statements.

(Concluded)

# AZUREWAVE TECHNOLOGIES, INC.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                        |                     |                     | Retained Earnings |                    |                                                         | Exchange<br>Differences on<br>Translation of<br>the Financial<br>Statements of<br>Foreign<br>Operations | Other Equity<br>Unrealized<br>Valuation Loss<br>on Financial<br>Assets<br>at Fair Value<br>Through<br>Other<br>Comprehensiv<br>e Income | Unearned<br>Employee<br>Benefits | Total Equity        |
|------------------------------------------------------------------------|---------------------|---------------------|-------------------|--------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------|
|                                                                        | Share Capital       | Capital<br>Surplus  | Legal Reserve     | Special<br>Reserve | (Accumulated<br>Deficit)<br>Unappropriat<br>ed Earnings |                                                                                                         |                                                                                                                                         |                                  |                     |
| BALANCE AT JANUARY 1, 2022                                             | \$ 1,504,418        | \$ 1,066,058        | \$ -              | \$ -               | \$ (226,535)                                            | \$ (258,575)                                                                                            | \$ -                                                                                                                                    | \$ -                             | \$ 2,085,366        |
| Share-based payments transaction                                       | 22,970              | 37,667              | -                 | -                  | -                                                       | -                                                                                                       | -                                                                                                                                       | (28,475)                         | 32,162              |
| Net profit for the year ended December 31, 2022                        | -                   | -                   | -                 | -                  | 295,122                                                 | -                                                                                                       | -                                                                                                                                       | -                                | 295,122             |
| Other comprehensive income for the year ended December 31, 2022        | -                   | -                   | -                 | -                  | 652                                                     | 206,220                                                                                                 | -                                                                                                                                       | -                                | 206,872             |
| Total comprehensive income for the year ended December 31, 2022        | -                   | -                   | -                 | -                  | 295,774                                                 | 206,220                                                                                                 | -                                                                                                                                       | -                                | 501,994             |
| BALANCE AT DECEMBER 31, 2022                                           | 1,527,388           | 1,103,725           | -                 | -                  | 69,239                                                  | (52,355)                                                                                                | -                                                                                                                                       | (28,475)                         | 2,619,522           |
| Appropriation of 2022 earnings                                         |                     |                     |                   |                    |                                                         |                                                                                                         |                                                                                                                                         |                                  |                     |
| Legal reserve                                                          | -                   | -                   | 6,924             | -                  | (6,924)                                                 | -                                                                                                       | -                                                                                                                                       | -                                | -                   |
| Special reserve                                                        | -                   | -                   | -                 | 52,355             | (52,355)                                                | -                                                                                                       | -                                                                                                                                       | -                                | -                   |
| Share-based payments transaction                                       | (1,412)             | (1,983)             | -                 | -                  | -                                                       | -                                                                                                       | -                                                                                                                                       | 20,738                           | 17,343              |
| Net profit for the year ended December 31, 2023                        | -                   | -                   | -                 | -                  | 333,439                                                 | -                                                                                                       | -                                                                                                                                       | -                                | 333,439             |
| Other comprehensive loss for the year ended December 31, 2023          | -                   | -                   | -                 | -                  | (317)                                                   | (19,216)                                                                                                | (91)                                                                                                                                    | -                                | (19,624)            |
| Total comprehensive income (loss) for the year ended December 31, 2023 | -                   | -                   | -                 | -                  | 333,122                                                 | (19,216)                                                                                                | (91)                                                                                                                                    | -                                | 313,815             |
| BALANCE AT DECEMBER 31, 2023                                           | <u>\$ 1,525,976</u> | <u>\$ 1,101,742</u> | <u>\$ 6,924</u>   | <u>\$ 52,355</u>   | <u>\$ 343,082</u>                                       | <u>\$ (71,571)</u>                                                                                      | <u>\$ (91)</u>                                                                                                                          | <u>\$ (7,737)</u>                | <u>\$ 2,950,680</u> |

The accompanying notes are an integral part of the financial statements.

# AZUREWAVE TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                                  | 2023             | 2022             |
|----------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                  |                  |
| Income before income tax                                                         | \$ 336,037       | \$ 295,122       |
| Adjustments for:                                                                 |                  |                  |
| Depreciation expense                                                             | 28,362           | 30,558           |
| Amortization expense                                                             | 333              | 334              |
| Expected credit gain recognized on accounts receivable                           | -                | (5,611)          |
| Finance costs                                                                    | 2,727            | 15,502           |
| Interest income                                                                  | (16,340)         | (1,121)          |
| Compensation costs of employee share options                                     | 17,343           | 32,162           |
| Share of profit (loss) of subsidiaries                                           | (314,216)        | 272,027          |
| Changes in operating assets and liabilities                                      |                  |                  |
| Accounts receivable                                                              | 1,496            | 726,565          |
| Accounts receivable - related parties                                            | 36,605           | (31,569)         |
| Other receivables                                                                | -                | 10               |
| Inventories                                                                      | 290,757          | 28,575           |
| Net defined benefit assets                                                       | (129)            | (16)             |
| Other current assets                                                             | 1,481            | 1,198            |
| Accounts payable                                                                 | (77,093)         | (194,711)        |
| Accounts payable - related parties                                               | 930,372          | (284,578)        |
| Other payables                                                                   | 6,948            | (1,852)          |
| Other current liabilities                                                        | 2,708            | 37,179           |
| Cash generated from operations                                                   | 1,247,391        | 919,774          |
| Interest received                                                                | 16,340           | 1,121            |
| Interest paid                                                                    | (2,727)          | (15,502)         |
| Income tax paid                                                                  | (1,578)          | (20)             |
| Net cash flows generated from operating activities                               | <u>1,259,426</u> | <u>905,373</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                  |                  |
| Acquisition of financial assets at fair value through other comprehensive income | (19,687)         | -                |
| Acquisition of the investments accounted for using the equity method             | (191,313)        | -                |
| Payments for property, plant and equipment                                       | (7,156)          | (5,765)          |
| Increase in refundable deposits                                                  | -                | (310)            |
| Decrease in refundable deposits                                                  | -                | 1                |
| Dividends received from subsidiaries                                             | <u>4,000</u>     | <u>6,000</u>     |
| Net cash used in investing activities                                            | <u>(214,156)</u> | <u>(74)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                  |                  |
| Decrease in short-term borrowings                                                | (380,000)        | (697,732)        |
| Repayment of the principal portion of lease liabilities                          | <u>(12,181)</u>  | <u>(10,813)</u>  |
| Net cash used in financing activities                                            | <u>(392,181)</u> | <u>(708,545)</u> |

(Continued)

**AZUREWAVE TECHNOLOGIES, INC.**

**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

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|                                                        | <u>2023</u>       | <u>2022</u>       |
|--------------------------------------------------------|-------------------|-------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS              | \$ 653,089        | \$ 196,754        |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>264,987</u>    | <u>68,233</u>     |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR       | <u>\$ 918,076</u> | <u>\$ 264,987</u> |

The accompanying notes are an integral part of the financial statements.

(Concluded)

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
AzureWave Technologies, Inc.

#### Opinion

We have audited the accompanying consolidated financial statements of AzureWave Technologies, Inc. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2023 is stated as follows:

#### Revenue Recognition

Revenue from the sale of goods is recognized when significant risks and control are transferred to the customers. We conducted an analysis of the consolidated sales revenue for the year ended December 31, 2023. Some of the sales revenue amounts have a significant impact on the consolidated financial statements. After considering the sales process, these sales revenues are recognized as key audit matters for the current year.

For the accounting policy on revenue recognition, refer to Note 4.

We understood and tested the effectiveness of the main internal control design and execution regarding the authenticity of sales revenue. We also conducted sampling and confirmation procedures for the full-year sales revenue of these sales to test the authenticity of sales transactions.

#### **Other Matters**

We have also audited the parent company only financial statements of AzureWave Technologies, Inc. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including management and the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chin-Chuan Shih and Wen-Yea Shyu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2024

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall*

# AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                                                 | 2023                |            | 2022                |            |
|-------------------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| ASSETS                                                                                          | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>                                                                           |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                                                       | \$ 1,171,114        | 21         | \$ 477,012          | 9          |
| Accounts receivable, net (Notes 4, 5 and 8)                                                     | 1,762,492           | 32         | 1,679,167           | 30         |
| Accounts receivable - related parties (Notes 4, 5, 8 and 28)                                    | 27,458              | 1          | 62,734              | 1          |
| Other receivables (Notes 4 and 8)                                                               | 109                 | -          | 119                 | -          |
| Inventories (Notes 4, 5 and 9)                                                                  | 1,383,700           | 25         | 1,996,891           | 35         |
| Other current assets (Notes 4, 15 and 28)                                                       | <u>64,693</u>       | <u>1</u>   | <u>62,733</u>       | <u>1</u>   |
| Total current assets                                                                            | <u>4,409,566</u>    | <u>80</u>  | <u>4,278,656</u>    | <u>76</u>  |
| <b>NON-CURRENT ASSETS</b>                                                                       |                     |            |                     |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 19,596              | -          | -                   | -          |
| Property, plant and equipment (Notes 4, and 11)                                                 | 831,960             | 15         | 1,115,371           | 20         |
| Right-of-use assets (Notes 4, 12 and 28)                                                        | 187,558             | 4          | 168,781             | 3          |
| Investment properties (Notes 4 and 13)                                                          | 31,023              | 1          | 33,985              | 1          |
| Intangible assets (Notes 4 and 14)                                                              | 2,676               | -          | 3,736               | -          |
| Deferred tax assets (Notes 4 and 22)                                                            | 19,303              | -          | 21,404              | -          |
| Refundable deposits (Note 15)                                                                   | 11,617              | -          | 11,222              | -          |
| Net defined benefit assets (Notes 4 and 19)                                                     | 4,883               | -          | 5,071               | -          |
| Other non-current assets (Note 15)                                                              | <u>2,488</u>        | <u>-</u>   | <u>3,146</u>        | <u>-</u>   |
| Total non-current assets                                                                        | <u>1,111,104</u>    | <u>20</u>  | <u>1,362,716</u>    | <u>24</u>  |
| <b>TOTAL</b>                                                                                    | <u>\$ 5,520,670</u> | <u>100</u> | <u>\$ 5,641,372</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>                                                                   |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>                                                                      |                     |            |                     |            |
| Short-term borrowings (Note 16)                                                                 | \$ -                | -          | \$ 380,000          | 7          |
| Accounts payable (Note 17)                                                                      | 2,096,765           | 38         | 2,105,616           | 37         |
| Accounts payable - related parties (Notes 17 and 28)                                            | 363                 | -          | 1,252               | -          |
| Other payables (Notes 18 and 28)                                                                | 209,722             | 4          | 215,827             | 4          |
| Current tax liabilities (Notes 4 and 22)                                                        | -                   | -          | 3,801               | -          |
| Lease liabilities - current (Notes 4, 12 and 28)                                                | 78,221              | 1          | 52,243              | 1          |
| Other current liabilities (Note 18)                                                             | <u>55,041</u>       | <u>1</u>   | <u>137,006</u>      | <u>3</u>   |
| Total current liabilities                                                                       | <u>2,440,112</u>    | <u>44</u>  | <u>2,895,745</u>    | <u>52</u>  |
| <b>NON-CURRENT LIABILITIES</b>                                                                  |                     |            |                     |            |
| Lease liabilities - non-current (Notes 4, 12 and 28)                                            | 129,840             | 3          | 126,092             | 2          |
| Guarantee deposits received (Note 18)                                                           | <u>38</u>           | <u>-</u>   | <u>13</u>           | <u>-</u>   |
| Total non-current liabilities                                                                   | <u>129,878</u>      | <u>3</u>   | <u>126,105</u>      | <u>2</u>   |
| Total liabilities                                                                               | <u>2,569,990</u>    | <u>47</u>  | <u>3,021,850</u>    | <u>54</u>  |
| <b>EQUITY (Notes 20 and 24)</b>                                                                 |                     |            |                     |            |
| Share capital                                                                                   |                     |            |                     |            |
| Ordinary shares                                                                                 | <u>1,525,976</u>    | <u>28</u>  | <u>1,527,388</u>    | <u>27</u>  |
| Capital surplus                                                                                 | <u>1,101,742</u>    | <u>20</u>  | <u>1,103,725</u>    | <u>19</u>  |
| Legal reserve                                                                                   | 6,924               | -          | -                   | -          |
| Special reserve                                                                                 | 52,355              | 1          | -                   | -          |
| Unappropriated earnings                                                                         | <u>343,082</u>      | <u>6</u>   | <u>69,239</u>       | <u>1</u>   |
| Total retained earnings                                                                         | <u>402,361</u>      | <u>7</u>   | <u>69,239</u>       | <u>1</u>   |
| Other equity                                                                                    | <u>(79,399)</u>     | <u>(2)</u> | <u>(80,830)</u>     | <u>(1)</u> |
| Total equity                                                                                    | <u>2,950,680</u>    | <u>53</u>  | <u>2,619,522</u>    | <u>46</u>  |
| <b>TOTAL</b>                                                                                    | <u>\$ 5,520,670</u> | <u>100</u> | <u>\$ 5,641,372</u> | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.

# AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                            | 2023             |           | 2022             |           |
|------------------------------------------------------------|------------------|-----------|------------------|-----------|
|                                                            | Amount           | %         | Amount           | %         |
| OPERATING REVENUE (Notes 4 and 28)                         |                  |           |                  |           |
| Sales                                                      | \$ 9,519,539     | 100       | \$ 10,035,909    | 100       |
| Other operating revenue                                    | <u>11,761</u>    | <u>-</u>  | <u>34,034</u>    | <u>-</u>  |
| Total operating revenue                                    | 9,531,300        | 100       | 10,069,943       | 100       |
| OPERATING COSTS (Notes 9, 21 and 28)                       | <u>8,265,853</u> | <u>87</u> | <u>8,828,337</u> | <u>88</u> |
| GROSS PROFIT                                               | <u>1,265,447</u> | <u>13</u> | <u>1,241,606</u> | <u>12</u> |
| OPERATING EXPENSES (Notes 19, 21 and 28)                   |                  |           |                  |           |
| Selling and marketing expenses                             | 139,840          | 1         | 161,742          | 1         |
| General and administrative expenses                        | 280,895          | 3         | 290,803          | 3         |
| Research and development expenses                          | 530,402          | 6         | 511,794          | 5         |
| Expected credit gain                                       | <u>-</u>         | <u>-</u>  | <u>(9,873)</u>   | <u>-</u>  |
| Total operating expenses                                   | <u>951,137</u>   | <u>10</u> | <u>954,466</u>   | <u>9</u>  |
| PROFIT FROM OPERATIONS                                     | <u>314,310</u>   | <u>3</u>  | <u>287,140</u>   | <u>3</u>  |
| NON-OPERATING INCOME AND EXPENSES<br>(Notes 21, 28 and 30) |                  |           |                  |           |
| Interest income                                            | 18,392           | -         | 3,658            | -         |
| Rental income                                              | 143              | -         | 180              | -         |
| Finance costs                                              | (12,782)         | -         | (24,078)         | -         |
| Gain on foreign exchange                                   | 15,241           | -         | 28,529           | -         |
| Other gains                                                | 2,650            | -         | 510              | -         |
| Loss on disposal of property, plant and<br>equipment       | <u>(373)</u>     | <u>-</u>  | <u>(756)</u>     | <u>-</u>  |
| Total non-operating income and expenses                    | <u>23,271</u>    | <u>-</u>  | <u>8,043</u>     | <u>-</u>  |
| PROFIT BEFORE INCOME TAX FROM<br>CONTINUING OPERATIONS     | 337,581          | 3         | 295,183          | 3         |
| INCOME TAX EXPENSE (Notes 4 and 22)                        | <u>(4,142)</u>   | <u>-</u>  | <u>(61)</u>      | <u>-</u>  |
| NET PROFIT FOR THE YEAR<br>(Continued)                     | <u>333,439</u>   | <u>3</u>  | <u>295,122</u>   | <u>3</u>  |

# AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                 | 2023              |          | 2022              |          |
|-----------------------------------------------------------------------------------------------------------------|-------------------|----------|-------------------|----------|
|                                                                                                                 | Amount            | %        | Amount            | %        |
| OTHER COMPREHENSIVE INCOME (LOSS)                                                                               |                   |          |                   |          |
| Items that will not be reclassified subsequently to profit or loss:                                             |                   |          |                   |          |
| Remeasurement of defined benefit plans (Note 19)                                                                | \$ (317)          | -        | \$ 652            | -        |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 20) | (91)              | -        | -                 | -        |
| Items that may be reclassified subsequently to profit or loss:                                                  |                   |          |                   |          |
| Exchange differences on translation of the financial statements of foreign operations (Note 20)                 | <u>(19,216)</u>   | <u>-</u> | <u>206,220</u>    | <u>2</u> |
| Other comprehensive (loss) income for the year, net of income tax                                               | <u>(19,624)</u>   | <u>-</u> | <u>206,872</u>    | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                                         | <u>\$ 313,815</u> | <u>3</u> | <u>\$ 501,994</u> | <u>5</u> |
| NET PROFIT ATTRIBUTABLE TO:                                                                                     |                   |          |                   |          |
| Owners of the Company                                                                                           | <u>\$ 333,439</u> | <u>4</u> | <u>\$ 295,112</u> | <u>3</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                                                                     |                   |          |                   |          |
| Owners of the Company                                                                                           | <u>\$ 313,815</u> | <u>3</u> | <u>\$ 501,994</u> | <u>5</u> |
| EARNINGS PER SHARE (Note 23)                                                                                    |                   |          |                   |          |
| From continuing operations                                                                                      |                   |          |                   |          |
| Basic                                                                                                           | <u>\$ 2.18</u>    |          | <u>\$ 1.93</u>    |          |
| Diluted                                                                                                         | <u>\$ 2.18</u>    |          | <u>\$ 1.93</u>    |          |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                        | Retained Earnings   |                     |                 |                  |                                               | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Other Equity Unrealized Valuation Loss on Financial Assets at Fair Value Through Other Comprehensive Income | Unearned Employee Benefits | Total Equity        |
|------------------------------------------------------------------------|---------------------|---------------------|-----------------|------------------|-----------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------|---------------------|
|                                                                        | Share Capital       | Capital Surplus     | Legal Reserve   | Special Reserve  | (Accumulated Deficit) Unappropriated Earnings |                                                                                       |                                                                                                             |                            |                     |
| BALANCE AT JANUARY 1, 2022                                             | \$ 1,504,418        | \$ 1,066,058        | \$ -            | \$ -             | \$ (226,535)                                  | \$ (258,575)                                                                          | \$ -                                                                                                        | \$ -                       | \$ 2,085,366        |
| Share-based payments transaction                                       | 22,970              | 37,667              | -               | -                | -                                             | -                                                                                     | -                                                                                                           | (28,475)                   | 32,162              |
| Net profit for the year ended December 31, 2022                        | -                   | -                   | -               | -                | 295,122                                       | -                                                                                     | -                                                                                                           | -                          | 295,122             |
| Other comprehensive income for the year ended December 31, 2022        | -                   | -                   | -               | -                | 652                                           | 206,220                                                                               | -                                                                                                           | -                          | 206,872             |
| Total comprehensive income for the year ended December 31, 2022        | -                   | -                   | -               | -                | 295,774                                       | 206,220                                                                               | -                                                                                                           | -                          | 501,994             |
| BALANCE AT DECEMBER 31, 2022                                           | 1,527,388           | 1,103,725           | -               | -                | 69,239                                        | (52,355)                                                                              | -                                                                                                           | (28,475)                   | 2,619,522           |
| Appropriation of 2022 earnings                                         |                     |                     |                 |                  |                                               |                                                                                       |                                                                                                             |                            |                     |
| Legal reserve                                                          | -                   | -                   | 6,924           | -                | (6,924)                                       | -                                                                                     | -                                                                                                           | -                          | -                   |
| Special reserve                                                        | -                   | -                   | -               | 52,355           | (52,355)                                      | -                                                                                     | -                                                                                                           | -                          | -                   |
| Share-based payments transaction                                       | (1,412)             | (1,983)             | -               | -                | -                                             | -                                                                                     | -                                                                                                           | 20,738                     | 17,343              |
| Net profit for the year ended December 31, 2023                        | -                   | -                   | -               | -                | 333,439                                       | -                                                                                     | -                                                                                                           | -                          | 333,439             |
| Other comprehensive loss for the year ended December 31, 2023          | -                   | -                   | -               | -                | (317)                                         | (19,216)                                                                              | (91)                                                                                                        | -                          | (19,624)            |
| Total comprehensive income (loss) for the year ended December 31, 2023 | -                   | -                   | -               | -                | 333,122                                       | (19,216)                                                                              | (91)                                                                                                        | -                          | 313,815             |
| BALANCE AT DECEMBER 31, 2023                                           | <u>\$ 1,525,976</u> | <u>\$ 1,101,742</u> | <u>\$ 6,924</u> | <u>\$ 52,355</u> | <u>\$ 343,082</u>                             | <u>\$ (71,571)</u>                                                                    | <u>\$ (91)</u>                                                                                              | <u>\$ (7,737)</u>          | <u>\$ 2,950,680</u> |

The accompanying notes are an integral part of the consolidated financial statements.

# AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                                  | 2023             | 2022             |
|----------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                  |                  |
| Income before income tax                                                         | \$ 337,581       | \$ 295,183       |
| Adjustments for:                                                                 |                  |                  |
| Depreciation expense (including depreciation of investment properties)           | 404,855          | 465,970          |
| Amortization expense (including amortization of other non-current assets)        | 3,118            | 3,221            |
| Expected credit gain recognized on accounts receivable                           | -                | (9,873)          |
| Finance costs                                                                    | 12,782           | 24,078           |
| Interest income                                                                  | (18,392)         | (3,658)          |
| Compensation costs of employee share options                                     | 17,343           | 32,162           |
| Loss on disposal of property, plant and equipment                                | 373              | 756              |
| Changes in operating assets and liabilities                                      |                  |                  |
| Accounts receivable                                                              | (83,325)         | 965,824          |
| Accounts receivable - related parties                                            | 35,276           | (30,240)         |
| Other receivables                                                                | 10               | 1,983            |
| Inventories                                                                      | 613,191          | (128,860)        |
| Net defined benefit assets                                                       | (129)            | (16)             |
| Other current assets                                                             | (614)            | (1,341)          |
| Accounts payable                                                                 | (8,851)          | (636,306)        |
| Accounts payable - related parties                                               | (889)            | 506              |
| Other payables                                                                   | 3,847            | (11,122)         |
| Other current liabilities                                                        | (81,965)         | 121,752          |
| Cash generated from operations                                                   | 1,234,211        | 1,090,019        |
| Interest received                                                                | 18,392           | 3,658            |
| Interest paid                                                                    | (12,782)         | (24,078)         |
| Income tax paid                                                                  | (7,188)          | (3,810)          |
| Net cash generated from operating activities                                     | <u>1,232,633</u> | <u>1,065,789</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                  |                  |
| Acquisition of financial assets at fair value through other comprehensive income | (19,687)         | -                |
| Payments for property, plant and equipment                                       | (68,644)         | (147,636)        |
| Proceeds from disposal of property, plant and equipment                          | 320              | 1,940            |
| Increase in refundable deposits                                                  | -                | (309)            |
| Decrease in refundable deposits                                                  | 21               | 154              |
| Payments for intangible assets                                                   | (1,418)          | (435)            |
| Net cash used in investing activities                                            | <u>(89,408)</u>  | <u>(146,286)</u> |
| (Continued)                                                                      |                  |                  |

## AZUREWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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|                                                                                       | <u>2023</u>         | <u>2022</u>       |
|---------------------------------------------------------------------------------------|---------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES                                                  |                     |                   |
| Decrease in short-term borrowings                                                     | \$ (380,000)        | \$ (750,330)      |
| Repayment of the principal portion of lease liabilities                               | <u>(46,673)</u>     | <u>(47,176)</u>   |
| Net cash used in financing activities                                                 | <u>(426,673)</u>    | <u>(797,506)</u>  |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE<br>BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(22,450)</u>     | <u>81,085</u>     |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                                             | 694,102             | 203,082           |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF<br>THE YEAR                             | <u>477,012</u>      | <u>273,930</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE<br>YEAR                                   | <u>\$ 1,171,114</u> | <u>\$ 477,012</u> |

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

## **AzureWave Technologies, Inc.**

### **Issuance Rules of Employee Restricted Stock Awards for Year 2024**

#### **1. Purpose**

In order to attract and retain professional talents for the company and to increase employees' cohesion and loyalty to the company for mutually supporting the company's and shareholders' interests, the Company stipulate these Issuance Rules of Employee Restricted Stock Awards (hereinafter referred to as the "RSAs") for Year 2024 (hereinafter referred to as the "Rules"), in accordance to Paragraphs 9 and 10, Article 267 of the Company Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" promulgated by the Financial Supervisory Commission, Executive Yuan (hereinafter referred to as the "Regulations").

#### **2. Issuance Period**

Within two years of receiving the approval notice by the competent authority, the Company, depending on its actual needs, may issue in one or several times, and the actual issuance date shall be determined by the board of directors authorized by the chairman of the board.

#### **3. Type of Issued Shares**

After RSAs stipulated hereunder are issued, except for the requirement for being entrusted to a depository pursuant to the Rules and the restricted rights subject to vesting conditions stipulated hereunder, they shall have the same rights as the outstanding common stocks of the Company.

#### **4. Total Amount (Shares) of the Issue : NT\$ 25,000,000, and NT\$ 10 per share.**

A total of 2,500,000 ordinary shares were issued.

#### **5. Issue Price : Issued gratuitously.**

#### **6. Qualification and conditions for employees to be eligible for subscription**

A. Employees eligible for subscription are limited to full-time employees within the formal organization of the Company who are employed as of the grant date of RSAs. The eligible employees and actual number for subscription will be based on seniority, job grades and levels, work performance, overall contribution, special achievements, and other conditions needed for management and will be reviewed by the Chairman and submitted to the Board of Directors for approval. For employees who are managerial officers, the eligibility and number for subscription shall be first approved by the Compensation Committee; and for employees who are non-managerial officers, the eligibility and number for subscription shall be first approved by the Audit Committee in accordance with Article 14-5, Paragraph 1, Subparagraph 11 of the Securities and Exchange Act.

B. The cumulative number of shares of employee stock warrants issued by the Company, under Paragraph 1, Article 56-1 of the Regulations, that can be subscribable by a single employee, in combination with the cumulative number of RSAs obtained by the single employee, may not exceed 0.3 percent of the Company's total issued shares. Additionally, the above in combination with the cumulative number of shares issued by the Company under Paragraph 1, Article 56 of the Regulations, that can be subscribable by a single employee of employee stock warrants, may not exceed 1 percent of the Company's total issued shares. However, with special approval from the central competent authority of the relevant industry, the total number of employee stock warrants and RSAs obtained by a single employee may be exempted from the above-mentioned restriction.

## 7. Vesting Conditions

From the date when an employee subscribes for new restricted employee in accordance with these procedures (i.e., the base date of the capital increase of new restricted employee shares), if the employee is still employed after the following period and meets the conditions required by the company, the proportion of shares that can meet the vested conditions is as follows:

### a. Company performance criteria:

- (1) For the company's EPS in the previous year better than NT\$2.5 (inclusive), the overall weight was 100%.
- (2) For the company's EPS in the previous year between NT\$2.5 (non-inclusive) ~ NT\$2 (inclusive), the overall weight was 80%.
- (3) For the company's EPS in the previous year between NT\$2 (non-inclusive) ~ NT\$1.5 (inclusive), the overall weight was 50%.
- (4) For the company's EPS in the previous year less than NT\$1.5 (non-inclusive), the overall weight was 0%.

The above-mentioned earnings per share refers to the basic earnings per share disclosed in the consolidated comprehensive income statement in the consolidated financial statements after audit and approval by CPAs.

### b. Employee performance criteria:

- (1) After one year of employment, the performance appraisal in the first vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 30% shares are multiplied by the overall weight.
- (2) After two years of employment, the performance appraisal in the second vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 30% shares are multiplied by the overall weight.
- (3) After three years of employment, the performance appraisal in the third vested year was B or above, and in such case where there has been no violation of laws, company service agreements, integrity and confidentiality commitments, company work rules, business ethics codes of conduct and other relevant norms and agreements, the vested 40% shares are multiplied by the overall weight.

8. Handling of the situations where the company performance criteria or the employee performance criteria does not meet the vesting conditions
- Where the company performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be taken back by the Company without charge and will be written off. Where the employee performance criteria does not meet the vesting conditions, all of the unvested RSAs, upon the expiry of the vesting period, will be taken back by the Company without charge and will be written off.
9. Handling of the situations where the employees resign, retire, are disabled or deceased due to occupational accidents, deceased, transferred to an affiliated enterprise, apply for position retain without pay, etc.
- A. In the case of employees who voluntarily resigned, are dismissed due to inability to perform at their work, are terminated, retired, or deceased due to non-occupational accidents are deemed no longer eligible to meeting the vesting conditions as of the date of resignation, retirement or decease, and all of the unvested RSAs will be taken back by the Company without charge.
- B. In the case of termination for reasons other than inability to perform at their work, if the employee meets the other vesting conditions stipulated under Article 7 of the Rules in the year of dismissal, the number of shares that meet the vesting conditions for RSAs shall be calculated by multiplying the proportion of days employed in the current year by the number of shares that meet the predetermined conditions for RSAs under Article 7 of this regulation in the current year. The remaining shares shall be deemed lost on the day of termination, and the Company shall be taken back all such shares without charge.
- C. Disabled or deceased due to occupational accidents :
- Employees who are disabled and thus dismissed or deceased due to occupational accidents, if meeting the other vesting conditions stipulated under Article 7 of the Rules in the year of dismissal or decease, are deemed meeting vesting conditions upon the expiry of the vesting period of the same year but no longer eligible for meeting vesting conditions for the next year and afterwards. All of the unvested RSAs will be taken back by the Company without charge.
- D. Transferred to an affiliated enterprise :
- For the purpose of the Company's operation, employees of the Company, if asked by the Company to be transferred to an affiliated enterprise of the Company and meeting the other vesting conditions stipulated under Article 7 of the Rules in the year of transfer, may be reviewed by the Chairman or his/her authorized executives for the percentage and time limit of meeting the vesting conditions within the timeframes and ratios stipulated under Article 7 of the Rules.
- E. Position retain without pay :
- For employees who apply for position retain without pay and are approved by the Company, if meeting the other vesting conditions stipulated under Article 7 of the Rules in the year when the application becomes effective, the employment period stipulated under Article 7 of the Rules for the unvested RSAs is deferred based on the actual period of position retain without pay.
- F. The RSAs taken back by the Company pursuant to the Rules will have their registration cancelled
10. Restricted rights subject to vesting conditions after subscription
- A. New restricted employee shares (including stock dividends) allocated to employees in accordance with these Procedures shall be fully delivered to the trust for safekeeping before vesting conditions are met.

- B. Except for the restrictions in the custody agreement in the preceding paragraph, the new restricted employee shares (including stock dividends) allocated to employees in accordance with these Procedures may not be sold, pledged, transferred, donated to others, imposed on others, or proposed in other ways before the vesting conditions are met.
  - C. Before the vesting conditions are met for the new restricted employee shares allocated to employees in accordance with these Procedures, other rights, including but not limited to dividends, bonus and allocation right of capital reserve, stock warrants for cash capital increase, etc., are the same as the common shares issued by the company.
  - D. Shareholders' meeting proposals, speeches, voting rights and other matters related to shareholders' rights and interests:  
Authorizing a trust custody agency for execution in accordance with relevant laws and regulations.
11. Other important matters agreed upon by the contracting parties
- A. Employees shall entrust their subscribed RSAs pursuant to the Rules to a depository before vesting conditions are met. The vested RSAs will be transferred to the employee's personal account from the trust account within one month of the date when vesting conditions are met.
  - B. Signing and non-disclosure:
    - a. After the total units of issuance, subscription price, distribution rules and the list of employees eligible for subscription of RSAs are confirmed, the handling department of the Company will notify eligible employees to sign the grant agreement, acknowledgement of honesty, integrity, and confidentiality and its amendments, depository documents, etc. Employees who fail to sign the relevant documents will lose their eligibility for subscription.
    - b. Employees eligible for subscription shall comply with the Company's nondisclosure provisions and shall not enquire about or disclose the contents and number of RSAs granted. Any violations thereof may be punished by the Company according to the seriousness.
    - c. Any rights-holder who subscribes for RSAs and their derivative benefits pursuant to the Rules shall comply with the Rules, the grant agreement, and relevant provisions of the trust.
  - C. Taxation:
    - a. Taxes accrued due to employees' subscription for RSAs shall be handled in accordance with applicable laws and regulations of the Republic of China.
    - b. When the Company redeem the new restricted employee shares pursuant to these Procedures, if securities transaction tax should be in paid by the regulation of laws of the Republic of China, then the Company shall be responsible for the payment.
  - D. These Procedures shall become effective after the review by the Audit Committee, approved by the majority votes in a meeting of the board of directors at which two-thirds or more of the directors are present, and followed by special resolution by the shareholders' meeting, as well as submission to and approval by the competent authority, and revision before the release shall apply mutatis mutandis. If during the review process after submission, modifications are required due to the request from the competent authority, the chairman of the board shall be authorized to amend these procedures, which will then be submitted to the audit committee and the board of directors for ratification before release.
  - E. Any matters not covered by the Rules, shall be handled in accordance with the relevant laws and regulations.

**AzureWave Technologies, Inc.**

## List of Director Candidates

As of April 22, 2024; Unit: Shares

| ITEM                 | Director                                                                                                   | Director                                                                                                                                                                                          | Director                                                                                                                                                                                                       | Director                       |
|----------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| NAME                 | Pegatron Corporation, Legal Representative: Jason Cheng                                                    | Pegatron Corporation, Legal Representative: Kuang-Chih Cheng                                                                                                                                      | Pegatron Corporation, Legal Representative: Te-Tzu Yao                                                                                                                                                         | Advantech Investment Co., Ltd. |
| EDUCATION BACKGROUND | Master of Electrical Engineering from University of Southern California                                    | Master of Information Engineering, Tamkang University                                                                                                                                             | Master of International Management from Thunderbird Business School, USA<br>Master of Psychology, National Taiwan University                                                                                   | Not Applicable                 |
| WORK EXPERIENCE      | Vice Chairman and General Manager, Pegatron Corporation<br>Deputy General Manager, ASUS Computer Co., Ltd. | President and Co-CEO, Pegatron Corporation<br>Deputy General Manager of R&D, Pegatron Corporation<br>Special Assistant to the Chairman's Office<br>R&D Associate Manager, ASUS Computer Co., Ltd. | COO, Pegatron Corporation<br>Deputy Chief of Staff, ASUS Computer Co., Ltd.<br>Deputy General Manager of Material Management, Wistron<br>Chief Auditor, Operations Director, Global Operations Associate, ACER | Not Applicable                 |
| CURRENT SERVICE      | Vice Chairman and Deputy CSO, Pegatron Corporation                                                         | President and Co-CEO, Pegatron Corporation                                                                                                                                                        | Special Assistant and Senior Deputy General Manager, Pegatron Corporation                                                                                                                                      | Not Applicable                 |
| HOLDING SHARES       | 35,750,000                                                                                                 | 35,750,000                                                                                                                                                                                        | 35,750,000                                                                                                                                                                                                     | 29,212,000                     |

## List of Independent Director Candidates

As of April 22, 2024; Unit: Shares

| ITEM                    | Independent Director                                                                                                                                                    | Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Independent Director                                                                                   |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| NAME                    | Chi-Tung, Chang                                                                                                                                                         | Ming-Chih Chou                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Tony Chen                                                                                              |
| EDUCATION<br>BACKGROUND | Master of Mechanical Engineering,<br>National Taiwan University                                                                                                         | Master of Management, National<br>Taiwan University of Science and<br>Technology                                                                                                                                                                                                                                                                                                                                                                                           | Bachelor of International Trade,<br>Tamkang University                                                 |
| WORK<br>EXPERIENCE      | Associate Manager of Engineering,<br>Trident Microsystems<br>VP of Marketing, Alcor Micro Corp.<br>General Manager, Alcor Micro<br>Corp.<br>Chairman, Alcor Micro Corp. | Computer Center Manager, ASUS<br>Computer Co., Ltd.<br>Chairman, Mingxin Venture Capital<br>(Co., Ltd.)<br>Chairman, Zhixin Investment Co.,<br>Ltd.                                                                                                                                                                                                                                                                                                                        | Deputy Manager of the Audit<br>Department, Deloitte & Touche<br>32-year practice, Sunrise CPAs<br>Firm |
| CURRENT<br>SERVICE      | Director, Alcor Micro Corp.<br>Legal Representative of Director,<br>Qunsheng Technology (Shenzhen)<br>Co., Ltd.                                                         | Chairman, Mingxin Venture Capital<br>(Co., Ltd.)<br>Chairman, Zhixin Investment Co.,<br>Ltd.<br>Director, AMTRAN<br>Legal Representative of Director,<br>Hongxuan Venture Capital (Co.,<br>Ltd.)<br>Director, BMA Venture Capital<br>Investment Corp.<br>Director, BMB Venture Capital<br>Investment Corp.<br>Chairman, RFIC Technology Corp.<br>Legal Representative of Director,<br>Taiwan Star Venture Capital Co.,<br>Ltd.<br>Director, DIGITAL-CAN TECH.<br>CO., LTD. | Vice director, Sunrise CPAs Firm                                                                       |
| CONCURRENT<br>SERVICE   | -                                                                                                                                                                       | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                                                                                                      |
| HOLDING<br>SHARES       | -                                                                                                                                                                       | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                                                                                                      |

【Attachment 6】

Proposal of removal of the non-competition restrictions on the directors

| ROLE            | CANDIDATE                           | CONTENT                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Director</b> | Pegatron Corporation                | Vice Chairman and Deputy CSO, Pegatron Corporation<br>Chairman, AzureWave Technologies, Inc.<br>Chairman, Casetek Holdings Limited (CAYMAN)<br>Chairman and CEO, FuYang Technology Corp.<br>Chairman, Pegatron Technology India Private Limited<br>Chairman, Pegatron Electronics India Private Limited                                                                                                                            |
|                 | Representative:<br>Jason Cheng      | Director, Huawei Investment Co., Ltd.<br>Director, Huayu Investment Co., Ltd.<br>Director, Huahsu Investment Co., Ltd.<br>Director, RI-KUAN METAL Corp.<br>Director, Pegatron Czech s.r.o.<br>Director, Pegatron USA, Inc.<br>Director, Azware Holdings (Samoa) Inc.<br>Director, Alcor Micro Corp.<br>Director, Epoch Foundation                                                                                                  |
|                 | Representative:<br>Kuang-Chih Cheng | President&CEO, AzureWave Technologies, Inc.<br>General Manager and CEO, Pegatron Corporation<br>Director, AzureWave Technologies, Inc.<br>Director, ASRock Inc.<br>Director, AzureWave (USA)<br>Director, Kinsus Corp.<br>Director, Taipei Computer Association<br>Director, Contact Lens Society of Taiwan                                                                                                                        |
|                 | Representative:<br>Te-Tzu Yao       | Special Assistant and Senior Deputy General Manager, Pegatron Corporation<br>Director, AzureWave Technologies, Inc.                                                                                                                                                                                                                                                                                                                |
|                 | Advantech Investment Co., Ltd.      | Cermate Technologies Inc.<br>Deneng Scientific Research Co., Ltd.<br>DotZero Co., Ltd.<br>MILDEX OPTICAL INC.<br>International Integrated Systems, Inc.<br>HwaCom Systems Inc.<br>Impelex Data Transfer Co., Ltd.<br>VSO Electronics Co., Ltd.<br>SPINGENCE Technology Co., Ltd.<br>Advantech iHealthcare Co., Ltd.<br>Freedom Systems Inc.<br>Yanxu Green Power Co., Ltd.<br>Hengshang enterprise co., ltd.<br>Expotech Co., Ltd. |

| <b>ROLE</b>                 | <b>CANDIDATE</b> | <b>CONTENT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Independent Director</b> | Chi-Tung, Chang  | Director, Alcor Micro Corp.<br>Legal Representative of Director, Qunsheng Technology (Shenzhen) Co., Ltd.                                                                                                                                                                                                                                                                                                                                       |
| <b>Independent Director</b> | Ming-Chih Chou   | Chairman, Mingxin Venture Capital (Co., Ltd.)<br>Chairman, Zhixin Investment Co., Ltd.<br>Director, AMTRAN<br>Legal Representative of Director, Hongxuan Venture Capital (Co., Ltd.)<br>Director, BMA Venture Capital Investment Corp.<br>Director, BMB Venture Capital Investment Corp.<br>Chairman, RFIC Technology Corp.<br>Legal Representative of Director, Taiwan Star Venture Capital Co., Ltd.<br>Director, DIGITAL-CAN TECH. CO., LTD. |
| <b>Independent Director</b> | Tony Chen        | Vice director, Sunrise CPAs Firm                                                                                                                                                                                                                                                                                                                                                                                                                |