

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2023  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-30540

**GIGAMEDIA LIMITED**

(Exact name of registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

**REPUBLIC OF SINGAPORE**

(Jurisdiction of incorporation or organization)

8 TH FLOOR, NO. 22, LANE 407, SECTION 2 TIDING BOULEVARD, TAIPEI 114-740, TAIWAN, R.O.C.  
(Address of principal executive offices)

CHENG-MING HUANG, Chief Executive Officer

8 TH FLOOR, NO. 22, LANE 407, SECTION 2 TIDING BOULEVARD, TAIPEI 114-740, TAIWAN, R.O.C.  
Tel: 886-2-2656-8000; Fax: 886-2-2656-8003

**Securities registered or to be registered pursuant to Section 12(b) of the Exchange Act:**

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Ordinary Shares	GIGM	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Exchange Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**11,052,235 ordinary shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this annual report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards

Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that require a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International  
Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Auditor Firm Id:

1060

Auditor Name:

Deloitte & Touche

Auditor Location:

Taipei, Taiwan

---

---

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I</u></b> .....	3
ITEM 1. <a href="#"><u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u></a> .....	3
ITEM 2. <a href="#"><u>OFFER STATISTICS AND EXPECTED TIMETABLE</u></a> .....	3
ITEM 3. <a href="#"><u>KEY INFORMATION</u></a> .....	3
ITEM 4. <a href="#"><u>INFORMATION ON THE COMPANY</u></a> .....	14
ITEM 4A. <a href="#"><u>UNRESOLVED STAFF COMMENTS</u></a> .....	24
ITEM 5. <a href="#"><u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u></a> .....	24
ITEM 6. <a href="#"><u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u></a> .....	34
ITEM 7. <a href="#"><u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u></a> .....	39
ITEM 8. <a href="#"><u>FINANCIAL INFORMATION</u></a> .....	40
ITEM 9. <a href="#"><u>THE OFFER AND LISTING</u></a> .....	40
ITEM 10. <a href="#"><u>ADDITIONAL INFORMATION</u></a> .....	40
ITEM 11. <a href="#"><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></a> .....	47
ITEM 12. <a href="#"><u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u></a> .....	48
<b><u>PART II</u></b> .....	48
ITEM 13. <a href="#"><u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u></a> .....	48
ITEM 14. <a href="#"><u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u></a> .....	48
ITEM 15. <a href="#"><u>CONTROLS AND PROCEDURES</u></a> .....	48
ITEM 16. <a href="#"><u>RESERVED</u></a> .....	49
ITEM 16A. <a href="#"><u>AUDIT COMMITTEE FINANCIAL EXPERT</u></a> .....	49
ITEM 16B. <a href="#"><u>CODE OF ETHICS</u></a> .....	49
ITEM 16C. <a href="#"><u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u></a> .....	49
ITEM 16D. <a href="#"><u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u></a> .....	50
ITEM 16E. <a href="#"><u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u></a> .....	50
ITEM 16F. <a href="#"><u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u></a> .....	50
ITEM 16G. <a href="#"><u>CORPORATE GOVERNANCE</u></a> .....	50
ITEM 16H. <a href="#"><u>MINE SAFETY DISCLOSURE</u></a> .....	50
ITEM 16I. <a href="#"><u>DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</u></a> .....	50
ITEM 16J. <a href="#"><u>INSIDER TRADING POLICIES</u></a> .....	50
ITEM 16K. <a href="#"><u>CYBERSECURITY</u></a> .....	51
<b><u>PART III</u></b> .....	52
ITEM 17. <a href="#"><u>FINANCIAL STATEMENTS</u></a> .....	52
ITEM 18. <a href="#"><u>FINANCIAL STATEMENTS</u></a> .....	52
ITEM 19. <a href="#"><u>EXHIBITS</u></a> .....	53

## CERTAIN TERMS AND CONVENTIONS

In this annual report, all references to

- (i) “we,” “us,” “our,” “our Company” or “GigaMedia” are to GigaMedia Limited and, unless the context requires otherwise, its subsidiaries, or where the context refers to any time prior to the incorporation of any of its subsidiaries, the businesses which predecessors of the present subsidiaries were engaged in and which were subsequently assumed by such subsidiaries;
- (ii) “Shares” are to ordinary shares of our Company;
- (iii) “FunTown” are to our digital entertainment service business operated through our two operating subsidiaries, Hoshin GigaMedia and FunTown World Limited;
- (iv) “GigaMedia Cloud” are to GigaMedia Cloud Services Co. Ltd., a wholly owned subsidiary incorporated under the laws of Taiwan, Republic of China (“Taiwan” or “R.O.C.”);
- (v) “Hoshin GigaMedia” are to Hoshin GigaMedia Center Inc., a wholly owned subsidiary incorporated under the laws of Taiwan; and
- (vi) “Aeolus” are to Aeolus Robotics Corporation, a private company incorporated in the Cayman Islands (“Cayman”).

For the purpose of this annual report only, geographical references to “China” and the “PRC” are to the People’s Republic of China and do not include Taiwan, the Hong Kong Special Administrative Region (“Hong Kong”) or the Macau Special Administrative Region (“Macau”). Except if the context otherwise requires, and for the purpose of this annual report only, references to “Greater China” include the PRC, Taiwan, Hong Kong and Macau. References to “Korea” or “South Korea” are to the Republic of Korea.

All references in this annual report to “U.S. dollar,” “\$” or “US\$” are to the legal currency of the United States; all references to “NT dollar” or “NT\$” are to the legal currency of Taiwan; all references to “RMB,” “Rmb” or “Renminbi” are to the legal currency of the PRC; all references to “Hong Kong dollar” or “HK\$” are to the legal currency of Hong Kong; all references to “Korean won” or “KRW” are to the legal currency of the Republic of Korea and all references to “Singapore dollar” or “S\$” are to the legal currency of the Republic of Singapore.

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. While our Company’s consolidated financial statements are presented in U.S. dollars, a large portion of our operations are conducted through subsidiaries located in Taiwan, and therefore adopt NT dollars as their functional currency. Assets and liabilities reported in our consolidated balance sheets denominated in currencies other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. With respect to NT dollars, the year-end exchange rates used are 30.705, 30.71 and 27.68 to one U.S. dollar as of December 31, 2023, 2022 and 2021, respectively, which are each based on the middle rate quoted by the Bank of Taiwan. Income and expense items reported in our consolidated statements of operations denominated in currencies other than U.S. dollars are translated into U.S. dollars using average exchange rates. Certain other operating financial information denominated in currencies other than U.S. dollars, not included in our consolidated financial statements and provided in this annual report, are translated using average exchange rates.

We have approximated certain numbers in this annual report to their closest round numbers or a given number of decimal places. Due to rounding, figures shown as totals in tables may not be arithmetic aggregations of the figures preceding them.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes “forward-looking statements” within the meaning of, and intended to qualify for the safe harbor from liability established by, the United States Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, may consist of or contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed under Item 3, “Key Information — D. Risk Factors” and elsewhere in this annual report. In some cases, you can identify these forward-looking statements by words such as “aim,” “anticipate,” “believe,” “consider,” “continue,” “estimate,” “expect,” “forecast,” “going forward,” “intend,” “ought to,” “plan,” “potential,” “predict,” “project,” “propose,” “seek,” “can,” “could,” “may,” “might,” “will,” “would,” “should,” “shall,” “is likely to” or similar expressions, including their negatives. These forward-looking statements include, without limitation, statements relating to:

- our business plan and strategies;
- our future business development and potential financial condition, results of operations and other projected financial information;
- our ability to manage current and potential future growth;
- expected continued acceptance of our revenue model;
- our plans for strategic partnerships, licenses and alliances;

- our acquisitions and strategic investments, and our ability to successfully integrate any acquisitions into our operations;
- our ability to protect our intellectual property rights and the security of our customers' information;
- the launch of new digital entertainment services according to our timetable;
- expected continued acceptance of our digital entertainment services, including expected growth of the digital entertainment industry, and consumer preferences for our products and services;
- the in-house development of new digital entertainment products;
- our plans to license additional digital entertainment products from third parties, and the launch of these new products, including the timing of any such development, licenses or launches, in various geographic markets;
- our ability to maintain and strengthen our position as one of the largest online MahJong operators in Taiwan;
- changes in the competitive environment in which we operate, including the potential entry of new competitors in any of our business lines;
- the outcome of ongoing, or any future, litigation or arbitration;
- our corporate classification by various governmental entities;
- fluctuations in foreign currency rates, in particular, any material appreciation of the NT dollar against the U.S. dollar, and our ability to manage such risks;
- the political stability of our local region; and
- general local and global economic conditions and the impact of geopolitical tensions on such conditions.

These forward-looking statements are based on our own information and on information from other sources we believe to be reliable. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of risk factors and other factors noted throughout this annual report, including those described under Item 3, "Key Information — D. Risk Factors" and those detailed from time to time in other filings with the United States Securities and Exchange Commission (the "SEC"). We do not guarantee that the transactions and events described in this annual report will happen as described or that they will happen at all. We undertake no obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. Given this level of uncertainty, you are advised not to place undue reliance on such forward-looking statements.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. [Reserved]

#### B. Capitalization and Indebtedness

Not applicable.

#### C. Reasons for the Offer and Use of Proceeds

Not applicable.

#### D. Risk Factors

##### Risks Related to Our Business and Industry

**We may not be successful in operating and improving our existing digital entertainment services to satisfy the changing demands and preferences of consumers.**

The level of demand and market acceptance of our existing digital entertainment services is subject to a high degree of uncertainty. Our future operating results will depend on numerous factors, many of which are beyond our control. These factors include:

- the popularity of existing and new digital entertainment services operated by us;
- the introduction of new digital entertainment services by us or third parties, competing with or replacing our existing services;
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending;
- changes in our customer demands and preferences;
- regulatory and other risks associated with our operations in Taiwan and Hong Kong;
- the availability of other forms of amusement and entertainment; and
- critical reviews and public tastes and preferences, all of which change rapidly and cannot be predicted.

Our ability to plan for product development and distribution and promotional activities will be significantly affected by how well we anticipate and adapt to relatively rapid changes in consumer tastes and preferences. Currently, a substantial portion of our digital entertainment services revenue is derived from revenues from PC-based online games including MahJong games and other casual games offered in Taiwan and Hong Kong by FunTown and the licensed online games such as *Tales Runner*, a multi-player sports game, and *Yume100*, a single player role-playing game. In recent years, revenues from our PC-based games have been largely flat or declining, reflecting the overall shift in player preferences, and the lack of growth momentum in PC-based games. This decline in the popularity of PC-based online games, and declines in the popularity of online games in general, is likely to adversely affect our business, financial condition and results of operations. To maintain competitiveness of our digital entertainment services, we must regularly invest in enhancing, improving, expanding or upgrading our services. If we fail to do so, revenues generated from our existing services will likely decline.

**As our services are currently accessed primarily through PC and, increasingly, mobile devices, successful development of services for such devices will be imperative if we are to maintain or increase our revenues, and our inability to do so may result in lower growth of or a decline in revenues.**

Devices other than personal computers, such as mobile phones and tablets, are used increasingly to access the Internet. We believe that, for our business to be successful, we will need to develop versions of our existing digital entertainment offerings, our pipeline offerings and any future offerings that work well with such devices. Manufacturers of such devices may establish restrictive conditions for developers of applications to be used on such devices, and as a result our offerings may not work well, or at all, on such devices. As new devices are released or updated, we may encounter problems in developing versions of our offerings for use on such devices and we may need to devote significant resources to the creation, support, and maintenance of games for such devices. If we are unable to successfully expand the types of devices on which our existing and future offerings are available, or if the versions of our offerings that we create for such devices do not function well or are not attractive to consumers, our revenues may fail to grow and may decline.

**The digital entertainment industry is characterized by rapid technological change, and failure to respond quickly and effectively to new Internet technologies or standards may have a material adverse effect on our business.**

The digital entertainment industry is evolving rapidly. Any new technologies or new standards may require increases in expenditures for development and operations. In addition, we use internally developed software systems that support nearly all aspects of our billing and payment transactions in our digital entertainment service business. All of our businesses may be adversely affected if we are unable to upgrade our systems effectively to accommodate future traffic levels, to avoid obsolescence or to successfully integrate any newly developed or acquired technology with our existing systems. Capacity constraints could cause unanticipated system disruptions and slower responses, which could adversely affect data transmission and service experience. These factors could, among other things, cause us to lose existing or potential users and existing or potential service development partners.

**In operating our digital entertainment service business, we may fail to launch new products according to our timetable, and our new products may not be commercially successful.**

In order for our digital entertainment service business strategy to succeed over time, we will need to license, acquire or develop new digital entertainment products that can generate additional revenue and further diversify our revenue sources. A number of factors, including technical difficulties, government approvals and licenses of intellectual property rights required for launching new products, lack of sufficient development personnel and other resources, and adverse developments in our relationship with the licensors of our new licensed products could result in delay in launching our new products. Therefore, we cannot assure you that we will be able to meet our timetable for new launches.

There are many factors that may adversely affect the popularity of our new products. For example, we may fail to anticipate and adapt to future technical trends and new business models, fail to satisfy consumer preferences and requirements, fail to effectively plan and organize marketing and promotion activities, fail to effectively detect and prevent programming errors or defects in the products, and fail to operate our new products at acceptable costs. We cannot assure you that our new products will gain market acceptance and become commercially successful. If we are not able to license, develop or acquire additional digital entertainment products that are commercially successful, our future revenues and profitability may decline.

**Our digital entertainment service business faces intense competition, which may adversely affect our revenues, profitability and planned business expansion.**

The digital entertainment market is highly competitive. Online game operators in Taiwan and Hong Kong are currently our primary competitors. Our major competitors in Taiwan and Hong Kong include Soft-World International Corporation (“Soft-World”), International Games System, Co., Ltd. (“IGS”), UserJoy Technology Co., Ltd. (“UserJoy”) and GodGame Inc. (“GodGame”). In addition, we compete for users against various offline amusement and entertainment, such as console games, arcade games and handheld games, as well as various other forms of traditional or online entertainment.

We expect more digital entertainment service providers to enter the markets where we operate, and a wider range of digital entertainment products to be introduced to these markets, given the relatively low entry barriers to the digital entertainment industry and the increasing popularity of Internet-based businesses. Our competitors vary in size and include private and public companies, many of which have greater financial, marketing and technical resources as well as name brand recognition than us. We intend to continue to enhance our market position through providing competitive products and quality services that meet market trends and users’ preferences, as well as strengthening sales effectiveness. As a result of the above, significant competition may reduce the number of our users or the growth rate of our user base, reduce the average hours spent on our services, or cause us to reduce usage fees. All of these competitive factors could have a material adverse effect on our business, financial condition and results of operations.

**Our results of operations are subject to significant fluctuations. We have incurred operating and net losses in past years, and we may experience losses in the future.**

Our revenues, expenses and results of operations have varied in the past and may fluctuate significantly in the future due to a variety of factors, many of which are beyond our control. In 2023, 2022 and 2021, we incurred consolidated operating losses of US\$3.2 million, US\$3.0 million and US\$4.0 million as well as net losses of US\$3.4 million, US\$2.8 million and US\$3.4 million, respectively. Our future profitability will depend to a great extent upon the performance of our digital entertainment service business, as well as certain non-operating aspects. The key factors affecting our businesses or profitability include:

- our ability to retain existing users;
- attracting new users and maintaining user satisfaction;
- the pace of rolling out new offerings or updating existing ones by us or our competitors;
- the amount and timing of operating costs and capital expenditures relating to our business operations and expansion;
- seasonal trends in Internet use;
- price competition in the industry;
- regulatory and other risks associated from our operations in Taiwan and Hong Kong;
- interest rate regarding our time deposits; and
- operational and financial prospects of our investees, specifically Aeolus.

In addition, our operating expenses are based on our expectations of the future demand for our services and are relatively fixed in the short term. We may be unable to adjust spending quickly enough to offset any unexpected demand shortfall. A decrease in revenues in relation to our expenses could have a material and adverse effect on our business, results of operations and financial condition. You should not place undue reliance on year-to-year or quarter-to-quarter comparisons of our results of operations as indicators of our future performance and we cannot assure you that we will not experience operating or net losses in future periods.

**Our business strategy, which contemplates growth through acquisitions and strategic investments, exposes us to significant risks.**

We have pursued and may continue to pursue growth through acquisitions and strategic investments. Any acquisition or investment is subject to a number of risks. Such risks include the diversion of management time and resources, disruption of our ongoing business, lack of familiarity with new markets, difficulties in supporting the acquired business, and dilution to existing stockholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition. For any business expansion into an industry that is very different from the one in which we currently operate, we may face financial challenges and difficulties arising from a very different cost structure and business model; we may also be exposed to a very different set of labor relations, technological, environmental, regulatory and other non-market risks associated with any new industry we seek to enter.

We entered into multiple strategic alliances in the past and later recognized related impairment losses on investments and goodwill. We may incur debts in the future upon an acquisition or suffer losses related to impairment of these investments. We will continue to examine the merits, risks and feasibility of potential transactions, and expect to explore additional acquisition opportunities in the future. Such examination and exploration efforts, and any related discussions with third parties, may or may not lead to future acquisitions and investments. We may not be able to complete acquiring or investing transactions that we initiate. Our ability to grow through such acquisitions and investments will depend on many factors, including the availability of suitable acquisition candidates at an acceptable cost, our ability to reach agreement with acquisition candidates or investee companies on commercially reasonable terms, the availability of financing to complete transactions and our ability to obtain any required governmental approvals.

We also face challenges in integrating any acquired business. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures, maintaining the relationship with the suppliers, vendors and/or distributors of acquired businesses, and achieving cost reductions and cross-selling opportunities. There can be no assurance that we will be able to successfully integrate all aspects of acquired businesses. The process of integrating the acquired business may disrupt our business and divert our resources, including the resources of our management. In addition, the benefits of an acquisition or investment transaction may take considerable time to be fully realized and we cannot assure you that any particular acquisition or investment and the subsequent integration will produce the intended benefits.



Further, our business could be adversely impacted by the performance of our investments in other entities. Our investments may generate significant losses arising from factors that may be out of our control, such as economic downturns, geopolitical tensions and macroeconomic volatility. We may incur impairment charges in respect of our equity investees and investments in debt securities, which may affect our results of operations. With respect to equity method investees, if any, we may be required to share a portion of such investees' losses in accordance with U.S. GAAP. In each case, our results of operations may be adversely impacted if our investments do not perform.

**Our business could suffer if we do not successfully achieve and manage current growth and potential future growth.**

We are pursuing a number of growth strategies. Some of these strategies relate to services, products or markets in which we lack experience and expertise. Anticipated expansion of our operations will place a significant strain on our management, operation systems and resources. In addition to training and managing our workforce, we will need to continue to develop and improve our financial and management controls and our reporting systems and procedures, including those of acquired businesses. We cannot assure you that we will be able to effectively manage the growth of our operations, and any failure to do so may limit our future growth and materially and adversely affect our business, financial condition and results of operations.

**Undetected programming errors or defects in our software, services and games and the proliferation of cheating programs could materially and adversely affect our digital entertainment service business, financial condition and results of operations.**

Our digital entertainment services may contain undetected programming errors or other defects. These errors or other defects could damage our reputation and subject us to liability. As to online games, parties unrelated to us may develop cheating programs that enable users to acquire superior features for their game characters that they would not have otherwise. Furthermore, certain cheating programs could cause the loss of a character's superior features acquired by a user. The occurrence of undetected errors or defects in our digital entertainment services, and our failure to discover and disable cheating programs affecting the fairness of our service environment, could disrupt our operations, damage our reputation and ruin our users' experiences. As a result, such errors, defects and cheating programs could materially and adversely affect our business, financial condition and results of operations. If such errors, defects and cheating programs occur in software, services and games we operate, our business operations and, in turn, our business and financial condition, could be materially and adversely affected.

**Increased energy costs, power outages, and limited availability of electrical resources may adversely affect our operating results.**

Our data centers are susceptible to increased costs of power and to electrical power outages. Our customer contracts do not contain provisions that would allow us to pass on any increased costs of energy to our customers, which could affect our operating margins. Any increases in the price of our services to recoup these costs could not be implemented until the end of a customer contract term. Further, power requirements at our data centers are increasing as a result of the increasing power demands of today's servers. Increases in our power costs could impact our operating results and financial condition. Since we rely on third parties to provide our data centers with power sufficient to meet our needs, our data centers could have a limited or inadequate amount of electrical resources necessary to meet our customer requirements. We attempt to limit exposure to system downtime due to power outages by using backup generators and power supplies. However, these protections may not limit our exposure to power shortages or outages entirely. Any system downtime resulting from insufficient power resources or power outages could damage our reputation and lead us to lose current and potential customers, which would harm our operating results and financial condition.

**We may need additional capital in the future, and it may not be available on acceptable terms.**

The development of our business may require significant additional capital in the future to:

- fund our operations;
- enhance and expand the range of products and services we offer; and
- respond to competitive pressures and perceived opportunities, such as investment, acquisition and international expansion activities.

We cannot assure you that additional financing will be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be forced to curtail or cease our operations. Moreover, even if we are able to continue our operations, any failure to obtain additional financing could have a material and adverse effect on our business, financial condition and results of operations, and we may need to delay the deployment of our services. See Item 5, "Operating and Financial Review and Prospects — B. Liquidity and Capital Resources."

## Risks Related to Our Reliance on Third Parties

### **Dependence on network suppliers may adversely affect our operating results.**

Our success depends in part upon the capacity, reliability, and performance of our network infrastructure, including the capacity leased from our Internet bandwidth suppliers. We depend on these companies to provide uninterrupted and error-free service through their telecommunications networks. We exercise little control over these providers, which increases our vulnerability to problems with the services they provide. We have experienced and expect to continue to experience interruptions or delays in network service. Any failure on our part or the part of our third-party suppliers to achieve or maintain high data transmission capacity, reliability or performance could significantly reduce customer demand for our services and damage our business. As our customer base grows and their usage of telecommunications capacity increases, we will be required to make additional investments in our capacity to maintain adequate data transmission speeds, the availability of which may be limited or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability or performance. In addition, our business would suffer if our network suppliers increased the prices for their services and we were unable to pass along the increased costs to our customers.

### **We rely on Google Cloud for certain of our mobile-based digital entertainment services. Any disruption of or interference with our use of the Google Cloud operation would negatively affect our operations and seriously harm our business.**

Google provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a "cloud" computing service, and we currently rely on Google Cloud for certain of our mobile-based digital entertainment services. Any significant disruption of or interference with our use of Google Cloud would negatively impact our operations and our business would be seriously harmed. If our users are not able to access our products through Google Cloud or encounter difficulties in doing so, we may lose users. The level of service provided by Google Cloud may also impact the usage of and our users' satisfaction with our products and could seriously harm our business and reputation. If Google Cloud experiences interruptions in service regularly or for a prolonged basis, or other similar issues, our business would be seriously harmed. Hosting costs will also increase as our user base and user engagement grows and may seriously harm our business if we are unable to grow our revenues faster than the cost of utilizing the services of Google or similar providers.

In addition, Google may take actions beyond our control that could seriously harm our business, including:

- discontinuing or limiting our access to its Google Cloud platform;
- increasing pricing terms;
- terminating or seeking to terminate our contractual relationship altogether;
- establishing more favorable relationships with one or more of our competitors; or
- modifying or interpreting its terms of service or other policies in a manner that impacts our ability to run our business and operations.

Google has broad discretion to change and interpret its terms of service and other policies with respect to us, and those actions may be unfavorable to us. Google may also alter how we are able to process data on the Google Cloud platform. If Google makes changes or interpretations that are unfavorable to us, our business would be seriously harmed.

### **Any failure to maintain a stable and efficient distribution and payment network could have a material and adverse impact on our digital entertainment service business, financial condition and results of operations.**

Our digital entertainment service business operation relies heavily on a multi-layer distribution and payment network composed of third-party distributors for our sales to, and collection of payment from, our users. As we do not enter into long-term agreements with any of our distributors, we cannot assure you that we will continue to maintain favorable relationships with them. If we fail to maintain a stable and efficient distribution and payment network, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our ability to process electronic commerce transactions depends on bank processing and credit card systems. In order to prepare for certain types of system problems, we have a formal disaster recovery plan. Nevertheless, any system failure, including network, software or hardware failure, which causes a delay or interruption in our e-commerce services could have a material adverse effect on our business, revenues, results of operations and financial condition.

## Risks Related to Intellectual Property

### **We may be subject to claims of intellectual property right infringement by third parties, which could subject us to significant liabilities and other costs.**

Our success depends largely on our ability to use and develop our technology and know-how without infringing upon the intellectual property rights of third parties. There has been substantial litigation in the various segments of the technology, PC application and mobile application markets, including with respect to the online content, electronics, and related industries regarding intellectual property rights. From time to time, third parties may claim infringement by us of their intellectual property rights. Our broad range of application of current technology and technology under development increases the likelihood that third parties may claim infringement by us of their intellectual property rights. The validity and scope of claims relating to the intellectual property may involve complex scientific, legal and factual questions and analysis, and tend to be uncertain. If third parties assert copyright or patent infringement or violation of other intellectual property rights against us, we will have to defend ourselves in legal or administrative proceedings, which can be costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, or prevent us from selling our products and services. The imposition of liabilities that are not covered by insurance, in excess of insurance coverage or for which we are not indemnified by a content provider, could have a material adverse effect on our business, results of operations and financial condition.

Certain technologies necessary for us to provide our services may, in fact, be patented by other parties either now or in the future. If such technology were held under patent by another person, we would have to negotiate a license for the use of that certain technology. We may not be able to negotiate such a license at a price that is acceptable. The existence of such patents, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using such technology and offering products and services incorporating such technology. If we were found to be infringing on the intellectual property rights of any third party in lawsuits or other claims and proceedings that may be asserted against us in the future, we could be subject to liabilities for such infringement, which could be material. We could also be required to refrain from using, manufacturing or selling certain products or using certain processes, either of which could have a material adverse effect on our business and operating results. From time to time, we may receive in the future, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. We cannot assure you that we will always prevail in these discussions and actions or that other actions alleging infringement by us of third-party patents will not be asserted or prosecuted against us. Furthermore, lawsuits like these may require significant time and expense to defend, may divert management's attention away from other aspects of our operations and, upon resolution, may have an adverse effect on our business, results of operations, financial condition and cash flows.

### **We may need to incur significant expenses to protect our intellectual property rights, and if we are unable to adequately protect our intellectual property rights, our competitive position could be harmed.**

We regard our copyrights, service marks, trademarks, trade secrets, patents and other intellectual property as critical to our success. We rely on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements, and other contractual provisions to protect our proprietary software, trade secrets and similar intellectual property. We have patents, copyrights and trademarks in certain jurisdictions and may apply for further trademark and copyright registrations and additional patents, which may provide such protection in relevant jurisdictions. However, we cannot assure you that our efforts will prove to be sufficient or that third parties will not infringe upon or misappropriate our proprietary rights. Unauthorized use of the intellectual property, whether owned by or licensed to us, could adversely affect our business and reputation.

The validity, enforceability and scope of protection of intellectual property in Internet-related industries are evolving, and therefore, uncertain. In particular, the laws and enforcement procedures of Taiwan and Hong Kong are uncertain or do not protect intellectual property rights to the same extent as the laws and enforcement procedures of the United States do. We may have to engage in litigation or other legal proceedings to enforce and protect our intellectual property rights, which could result in substantial costs and diversion of our resources, and have a material adverse effect on our business, financial condition and results of operations.

**Our future results of operations or the growth of our business may suffer if the licensors of our digital entertainment services fall short of providing us sufficient and continual support for the operation of licensed games.**

While we are focused on strengthening our ability to develop our own casual games, we have historically sourced, and may in the future source, casual games, advanced casual games and other forms of digital entertainment services through licensing from developers in various regions where digital entertainment development is relatively established. We depend on our licensors to provide the necessary technical support for the operation of the licensed games as well as expansion packs and upgrades that sustain continuing interest in the games. The licensors' ability and willingness to continually provide us sufficient support is very critical. Therefore, apart from the ability of our licensors' continual development of the licensed games, we also need to maintain stable and satisfactory working relationships with our licensors in order to ensure the steady operation of our licensed games and our continued access to upgrades and new content of the games. Our ability to maintain satisfactory working relationships with our licensors may also influence our access to license new products developed by the same or other licensors. If our licensors fall short of providing us sufficient and continual support for the operation of licensed games, or if we are unable to maintain satisfactory relationships with our licensors, our financial condition, results of operations, future profitability and growth prospects may be materially and adversely affected.

## **Risks Related to Cybersecurity and Technology Infrastructure**

**Our digital entertainment service business depends on the reliability of the network infrastructure and related services provided by ourselves and third parties, which is subject to physical, technological, security and other risks. We could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm and other serious negative consequences if we sustain damages, cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our customers or other third parties.**

The development and operation of our online networks are subject to physical, technological, security and other risks which may result in interruption in service or reduced capacity. These risks include physical damage, power loss, telecommunications failure, capacity limitation, hardware or software failures or defects and breaches of physical and cybersecurity by computer viruses, system break-ins or otherwise. An increase in the volume of usage of online services could strain the capacity of the software and hardware employed to prevent and identify such failures, breaches and attacks, which could result in slower response time or system failures. In particular, our industry has witnessed an increase in the number, intensity and sophistication of cybersecurity incidents caused by hackers and other malicious actors such as foreign governments, criminals, hacktivists, terrorists and insider threats. Hackers and other malicious actors may be able to penetrate our network security and misappropriate or compromise our confidential, sensitive, personal or proprietary information, or that of third parties, and engage in the unauthorized use or dissemination of such information. They may be able to create system disruptions, or cause shutdowns. Hackers and other malicious actors may be able to develop and deploy viruses, worms, ransomware and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our systems. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs," cybersecurity vulnerabilities and other problems that could unexpectedly interfere with the operation or security of our systems.

We have a variety of backup servers at our primary site to deal with possible system failures. However, we do not have redundant facilities in the event of an emergency. The occurrence of any of these events could result in interruptions, delays or cessation in service to users of our online services, which could have a material adverse effect on our business and results of operations. We may be required to expend significant capital or other resources to protect against the threat of security breaches and attacks or to alleviate problems caused by such actions, including the following:

- expenses to rectify the consequences of the damage, security breach or cyber attack;
- liability for stolen assets or leaked information;
- costs of repairing damage to our systems;
- lost revenue and income resulting from any system downtime caused by such breach or attack;
- loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack;
- increased costs of cyber security protection;
- costs of incentives we may be required to offer to our customers or business partners to retain their business; and
- damage to our reputation.

In addition, any compromise of security from a security breach or cyber attack could deter customers or business partners from entering into transactions that involve providing confidential information to us. As a result, any compromise to the security of our systems could have a material adverse effect on our business, reputation, financial condition, and operating results.

Our network may be vulnerable to unauthorized access, computer viruses, denial of service and other disruptive problems. For example, in recent years, we have detected and mitigated incidents of denial-of-service attacks against network providers that affected latency of connections to our games. Such incidents, however, did not result in significant financial impact on our operations and financial results. We have experienced in the past, and may experience in the future, security breaches or attacks. There can be no assurance that any measures implemented will not be circumvented in the future.

The audit committee of the board of directors oversees our cyber risk management and periodically reviews summaries of recent cybersecurity incidents, if any, and updates on the execution of our risk management program, as prepared by our management team. If a material cybersecurity incident were to occur, our board of directors would be responsible for making a prompt assessment of our countermeasures and mitigation actions. See Item 16K, “Cybersecurity” in this annual report.

Our business is also vulnerable to delays or interruptions due to our reliance on infrastructure and related services provided by third parties. End-users of our offerings depend on Internet Service Providers (“ISPs”) and our system infrastructure for access to the Internet games and services we offer. Some of these services have experienced service outages in the past and could experience service outages, delays and other difficulties due to system failures, stability or interruption. For example, prior earthquakes in Taiwan, Indonesia and Japan have caused damage to undersea fiber optic cables linking Malaysia, Singapore, Australia, Japan, South Korea, China, the United States and Europe, causing disruptions in Internet traffic worldwide. We may lose customers as a result of delays or interruption in service, including delays or interruptions relating to high volumes of traffic or technological problems, which may prevent communication over the Internet and could materially adversely affect our business, revenues, results of operations and financial condition.

**We could be liable for breaches of security on our web site, fraudulent activities of our users, or the failure of third-party vendors to deliver credit card transaction processing services.**

A fundamental requirement for operating our Internet-based, international communications service and electronic billing of our customers is the secure transmission of confidential information and media (such as customers’ credit card numbers and expiration dates, personal information and billing addresses) over public networks. Although we have developed systems and processes that are designed to protect consumer information and prevent fraudulent credit card transactions and other security breaches and are not aware of any breaches of security on our websites having occurred, failure to mitigate such fraud or breaches may expose us to litigation and possible liability for failing to secure confidential customer information and could harm our reputation and ability to attract and retain customers, consequently adversely affect our operating results. The laws relating to the liability of providers of online payment services are currently unsettled and certain jurisdictions may enact their own rules with which we may not comply. We rely on third-party providers to process and guarantee payments made by our subscribers up to certain limits, and we may be unable to prevent our customers from fraudulently receiving goods and services. Our risk of liability will increase if a larger portion of our transactions involve fraudulent or disputed credit card transactions. Any costs we incur as a result of fraudulent or disputed transactions could harm our business. In addition, the functionality of our current billing system relies on certain third-party vendors delivering services. If these vendors are unable or unwilling to provide services, we will not be able to charge for our services in a timely or scalable fashion, which could significantly decrease our revenue and have a material adverse effect on our business, financial condition and operating results.

**We may experience losses due to subscriber fraud and theft of service.**

Subscribers may obtain access to our service without paying for service by unlawfully using our authorization codes or by submitting fraudulent credit card information. To date, no material losses from unauthorized credit card transactions and theft of service have occurred. We have implemented anti-fraud procedures in order to control losses relating to these practices, but these procedures may not be adequate to effectively limit all of our exposure in the future from fraud. If our procedures are not effective, consumer fraud and theft of service could significantly decrease our revenue and have a material adverse effect on our business, financial condition and operating results.

## **Risks Related to Legal and Regulatory Compliance**

**We may face litigation risks and regulatory disputes in the course of our business.**

In the ordinary course of our business, claims and disputes involving business partners, customers, regulatory authorities and other parties may be brought against us and by us in connection with our business. Claims may be brought against us for alleged defective or incomplete work, breaches of contractual obligations, infringement of intellectual property or otherwise. Such claims can involve actual damages and liquidated damages and could be expensive to defend, even if we believe that they are without merit. If found to be liable, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance. The defense of such claims and any adverse ruling against us could have an adverse impact on our business, financial condition and results of operations.

On January 15, 2018, Ennoconn Corporation (“Ennoconn”) filed a complaint against one of our subsidiaries, GigaMedia Cloud Services Co., Ltd. (“GigaMedia Cloud”), in the Taiwan Taipei District Court. The complaint alleged that GigaMedia Cloud is obligated to pay Ennoconn NTD 79,477,648 (approximately \$2,697,471) in connection with a transaction to purchase taximeters in 2015. GigaMedia Cloud filed an answer to the complaint denying Ennoconn’s allegations for a lack of factual and legal basis on March 1, 2018. On November 15, 2018, the Taiwan Taipei District Court determined that all of Ennoconn’s claims were without merit and made a judgment denying the complaint. On January 3, 2019, Ennoconn filed an appeal demanding the judgment entered by the District Court be reversed and amended. The civil court of the second instance, the Taiwan High Court, ruled on January 8, 2020, that the decision of the Taiwan Taipei District Court should be partially modified and Ennoconn is entitled to NTD 27,084,180 (approximately \$882,077). GigaMedia Cloud filed another appeal with the Taiwan Supreme Court on February 4, 2020. On May 5, 2021, the Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. Under the Taiwan Supreme Court’s ruling, the appeal made by Ennoconn should be reviewed by the Taiwan High Court by following the instructions of the Taiwan Supreme Court. On May 18, 2022, the Taiwan High Court found such appeal meritless and made a civil judgment denying the complaint by Ennoconn. On June 15, 2022, Ennoconn filed an appeal and demanded that the Taiwan Supreme Court reverse this civil judgment and remand the case to the Taiwan High Court. On February 22, 2023 the Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. On October 30, 2023, the Taiwan High Court ruled such appeal meritorious and Ennoconn has the right to claim compensation from GigaMedia Cloud. On November 16, 2023, GigaMedia Cloud filed an appeal against the Taiwan High Court’s decision, and the appeal has been transferred to Taiwan Supreme Court on January 2, 2024. On April 17, 2024, the Taiwan Supreme Court, in a written notice, denied GigaMedia’s appeal.

**Our transactions with related parties may not benefit us and may harm our Company.**

We have entered into several transactions with certain related parties in the past. We believe that we have conducted our related-party transactions on an arm’s-length basis and on terms comparable to, or more favorable to us than, similar transactions we would enter into with independent third parties. However, we cannot assure you that all our future transactions with related parties will be beneficial to us. See Item 7, “Major Shareholders and Related Party Transactions” in this annual report.

**Risks Related to Geopolitical and Macroeconomic Factors**

**Our results of operations and financial condition may be affected by political instability as well as the occurrence of natural disasters and epidemics.**

We operate our digital entertainment business in Taiwan, Hong Kong and Macau. Political unrest, war, acts of terrorism and other instability, as well as natural disasters such as earthquakes and typhoons, which are common in Taiwan, can result in disruption to our business. For example, the 2019 civil unrest in Hong Kong caused a few days of disruption to our Hong Kong operations. Our business also could be adversely affected by the effects of regional or global epidemics or pandemics, as has occurred with respect to influenza A virus subtypes, such as H1N1 and H5N1, SARS, and COVID-19. Any prolonged recurrence of such adverse public health developments in the regions where we operate may have material adverse effects on our business operations. These could include illness and loss of our management and key employees, or reduced productivity in an emergency remote working plan due to part or all of our personnel being under voluntary or compulsory home quarantine requirements. Natural disasters or outbreak of epidemics may result in a decrease in economic activities or temporary closure of many businesses and disruption in our operations. In addition, other major natural disasters may also adversely affect our business by, for example, causing disruptions of the Internet network or otherwise affecting access to our services.

**There are economic risks associated with doing business in Taiwan, particularly due to the tense relationship between Taiwan and the PRC.**

Our principal executive office and a significant portion of our assets are located in Taiwan and a major portion of our revenues of digital entertainment service business are derived from our operations in Taiwan. Taiwan, as part of the Republic of China, has a unique international political status. The PRC asserts sovereignty over mainland China and Taiwan and does not recognize the legitimacy of the Taiwan government. Concerns regarding relations between Taiwan and the PRC and the United States and the PRC and other factors affecting the political or economic conditions of Taiwan could adversely affect our business and results of operations, including as a result of foreign investors withdrawing regional investments, limitations to our ability to access the capital markets, and other regional or global economic effects.

**Game players’ spending on our games may be adversely affected by slower growth in the Greater China economy and adverse conditions in the global economy.**

We rely for our revenues on the spending of our game players, which in turn depends on the players’ level of disposable income, perceived future earnings capabilities and willingness to spend. Economic slowdowns in Greater China, especially Taiwan or Hong Kong, could in turn result in a reduction in spending by our game players.

In addition, the global economy has experienced significant instability and there has been volatility in global financial and credit markets in recent years. It is unclear how long such instability and volatility will continue, and how much adverse impact such instability and volatility or any such downturn might have on the economies of Greater China and other jurisdictions where we operate our games. Any such instability, volatility or adverse impact in Greater China or in overseas markets could cause our game players to reduce their spending on our games and reduce our revenues.

**Fluctuations in the exchange rates between the U.S. dollar and other currencies in which we conduct our business could adversely affect our profitability.**

The operations of our digital entertainment service business are conducted in NT dollars and Hong Kong dollars. Accordingly, fluctuations in the exchange rates could have a positive or negative effect on our reported results. Generally, an appreciation of NT dollars or Hong Kong dollars against U.S. dollars results in a foreign exchange loss for monetary assets denominated in U.S. dollars, and a foreign exchange gain for monetary liabilities denominated in U.S. dollars. On the contrary, a devaluation of NT dollars, or Hong Kong dollars against U.S. dollars results in a foreign exchange gain for monetary assets denominated in U.S. dollars, and a foreign exchange loss for monetary liabilities denominated in U.S. dollars. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. There can be no assurance that we will not experience currency losses in the future, which could have a material adverse effect on our business, revenues, results of operations and financial condition.

**Risks Related to Ownership of our Shares**

**Our Shares are listed on The Nasdaq Capital Market and if we fail to meet the standards for continued listing of our Shares on Nasdaq, the Shares could be delisted from The Nasdaq Capital Market.**

Our Shares are listed on The Nasdaq Capital Market. The Nasdaq Capital Market has several quantitative and qualitative requirements companies must comply with to maintain listing, including a US\$1.00 minimum bid price per share. If a company trades for 30 consecutive business days below the US\$1.00 minimum bid price requirement, Nasdaq will commence delisting proceedings if compliance is not regained within a 180-day compliance period.

In the past we have failed to satisfy the US\$1.00 minimum bid price requirement at times. Although we were able to regain compliance with this requirement, there can be no assurance that we will maintain compliance and continue to meet all of the requirements for continued Nasdaq listing. If we fail to comply again in the future, our Shares could still be delisted from Nasdaq, which could have a material adverse effect on our stock prices and our standing with current and future investors.

**The price of our Shares has been volatile historically and may continue to be volatile, which may make it difficult for holders to resell our Shares when desired or at attractive prices.**

The trading price of our Shares has been and may continue to be subject to wide fluctuations. In 2023, the closing prices of our Shares on The Nasdaq Capital Market ranged from US\$1.20 to US\$1.57 per share, and the closing price on April 11, 2024 was US\$1.2955. Our Share price may fluctuate in response to a number of events and factors. In addition, the financial markets in general, and the market prices for Internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our Shares, regardless of our operating performance.

**A substantial percentage of our outstanding Shares are beneficially owned by Mr. John-Lee Andre Koo, who accordingly has considerable influence to the outcome of any corporate transaction or other matters submitted to our shareholders for approval, and his interests may differ from yours.**

As of March 31, 2024, Mr. John-Lee Andre Koo beneficially owned 19.54% of our outstanding Shares. Accordingly, he has considerable influence over the outcome of any corporate transaction or other matters submitted to our shareholders for approval, including but not limited to mergers, consolidations, and the power to prevent or cause a change in control. The interests of Mr. Koo may differ from your interests.

**The ability of our subsidiaries in Taiwan to distribute dividends to us may be subject to restrictions under the laws of Taiwan.**

We are a holding company, and some of our assets constitute our ownership interests in our subsidiaries in Taiwan, including Hoshin GigaMedia, which owns the Taiwan-based operations of our digital entertainment service business. Accordingly, part of our primary internal source of funds to meet our cash needs is our share of the dividends, if any, paid by our subsidiaries, including those in Taiwan. The distribution of dividends to us from these subsidiaries in Taiwan is subject to restrictions imposed by the applicable corporate and tax regulations in these countries, which are more fully described in Item 5, “Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Dividends from Our Subsidiaries” in this annual report. In addition, although there are currently no foreign exchange control regulations which restrict the ability of our subsidiaries in Taiwan to distribute dividends to us, the relevant regulations may be changed and the ability of these subsidiaries to distribute dividends to us may be restricted in the future.

**We are a Singapore company, and because the rights of shareholders under Singapore law differ from those under U.S. law, you may have difficulty in protecting your shareholder rights or enforcing any judgment obtained in the U.S. against us or our affiliates.**

Our Company is incorporated under the laws of the Republic of Singapore. Our corporate affairs are governed by our memorandum and articles of association (collectively, our “Constitution”) and by the applicable laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of members of our board of directors under Singapore law are different from those applicable to a corporation incorporated in the United States and, therefore, our shareholders may have more difficulty protecting their interests in connection with actions against us or our affiliates, including our management or members of our board of directors, than they would as shareholders of a corporation incorporated in the United States.

Many of our directors and senior management reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or any of these persons or to enforce in the United States any judgment obtained in the U.S. courts against us or any of these persons, including judgments based upon the civil liability provisions of the U.S. federal securities laws or any state or territory of the United States. Judgments of the U.S. courts based upon the civil liability provisions of the U.S. federal securities laws may not be enforceable in Singapore courts, and it is unclear whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the U.S. federal securities laws.

**Anti-takeover provisions under the Singapore Securities and Futures Act 2001 and the Singapore Code on Takeovers and Mergers may delay, deter or prevent a future takeover or change of control of our Company, which could adversely affect the price of our Shares.**

The Singapore Code on Takeovers and Mergers (the “Code”), issued pursuant to Section 321 of the Singapore Securities and Futures Act 2001 regulates the acquisition of ordinary shares of, inter alia, listed public companies and contains certain provisions that may delay, deter or prevent a future takeover or change of control of our Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting shares in our Company must, except with the prior consent of the Singapore Securities Industry Council (the “SIC”), extend a takeover offer for the remaining voting shares in our Company in accordance with the provisions of the Code. Likewise, any person holding between 30% and 50% of the voting shares in our Company, either on his own or together with parties acting in concert with him, must, except with the prior consent of the SIC, make a takeover offer in accordance with the provisions of the Code if that person together with parties acting in concert with him acquires additional voting shares in excess of one percent of the total number of voting shares in any six-month period.

Under the Code, an offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

These provisions contained in the Code may discourage or prevent transactions that involve an actual or threatened change of control of our Company. This may harm you because an acquisition bid may allow you to sell your Shares at a price above the prevailing market price.

**Our shareholders may be subject to Singapore taxes.**

Singapore tax law may differ from the tax laws of other jurisdictions, including the United States. Gains from the sale of our Shares by a person not tax resident in Singapore may be taxable in Singapore if such gains are part of the profits of any business carried on in Singapore. For additional information, see Item 10, “Additional Information—E. Taxation—Singapore Tax Consideration” in this annual report. You should consult your tax advisors concerning the overall tax consequences of acquiring, owning or selling the Shares.

**We may be deemed to be an investment company under the United States Investment Company Act of 1940, which could have a significant negative impact on our results of operations.**

We may be deemed to be an investment company under the United States Investment Company Act of 1940 (the “1940 Act”), and may suffer adverse consequences as a result. Generally, the 1940 Act provides that a company is an investment company if the company (i) is, holds itself out as or proposes to be engaged primarily in the business of investing, reinvesting or trading in securities or (ii) is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire “investment securities” having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities or cash items) on an unconsolidated basis. Under the 1940 Act, investment securities include, among other things, securities of non-majority owned businesses. However, a company that is primarily engaged, directly or through wholly owned subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding or trading in securities is not an investment company.



In the past, we disposed of our online gambling business and made several significant investments in online game developers and operators. As a result of these transactions, we have a significant amount of cash and securities. Consequently, there is a risk that we could be deemed to be an investment company because our investment securities may be deemed to comprise more than 40% of our total assets (exclusive of U.S. government securities or cash items) on an unconsolidated basis pending investment of disposal proceeds into our businesses.

However, based on our historical and current business activities, our intentions, the manner in which we hold ourselves out to the public, the primary activities of our officers and directors and an analysis of our non-cash assets and income during 2023, the first quarter of 2024 and in prior periods, we believe that we are not an investment company. Nevertheless, a part of the determination of whether we are an investment company is based upon the composition and value of our non-cash assets, a significant portion of which presently comprise our strategic investments. As a result, we could be deemed to be an investment company.

We intend to continue to conduct our businesses and operations so as to avoid being required to register as an investment company. We have sought opportunities to deploy our capital in a manner which would result in the Company acquiring majority interests in entities or businesses that complement or enhance our remaining businesses or would otherwise assist the Company in achieving our current corporate objectives. We have also limited, and intend to continue to limit, new strategic investments to those opportunities which would present excellent opportunities to complement or enhance our remaining businesses or would otherwise assist the Company in achieving our current corporate objectives. If, nevertheless, we were to be required to register as an investment company, because we are a foreign company, the 1940 Act would prohibit us and any person deemed to be an underwriter of our securities from offering for sale, selling or delivering after sale, in connection with a public offering, any security issued by the Company in the United States. Additionally, we may be unable to continue operating as we currently do and might need to acquire or sell assets that we would not otherwise acquire or sell in order to avoid being treated as an “investment company” as defined under the 1940 Act. We may incur significant costs and management time in this regard, which could have a significant negative impact on our results of operations.

**We may be classified as a passive foreign investment company for U.S. federal income tax purposes. As a result, you may be subject to materially adverse tax consequences with respect to Shares.**

In light of our significant cash balances and portfolio of investment securities, we believe that it is likely that we were classified as a passive foreign investment company, or PFIC, for the taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year ending December 31, 2024, unless our share value increases substantially and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. In addition, it is possible that one or more of our subsidiaries may be or become classified as a PFIC for U.S. federal income tax purposes. We generally will be classified as a PFIC for any taxable year in which 75% or more of our gross income consists of certain types of “passive” income or 50% or more of the average quarterly value of our assets (as generally determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash and other assets readily convertible into cash are generally classified as passive and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive.

If we were to be classified as a PFIC in any taxable year during which a U.S. person (as defined in “E. Taxation—U.S. Tax Considerations—Passive Foreign Investment Company”) holds our Shares, such U.S. person may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the Shares and on the receipt of distributions on the Shares to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules. Furthermore, a U.S. person will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. person’s holding period in which we become a PFIC and subsequent taxable years (“PFIC-Tainted Shares”) even if we cease to be a PFIC in subsequent taxable years. Accordingly, a U.S. person, who acquires our Shares during the current taxable year or subsequent taxable years, should, to the extent an election is available, consider making a “mark-to-market” election in the first taxable year of such holder’s holding period to avoid owning PFIC-Tainted Shares. For more information, see the section entitled “E. Taxation—U.S. Tax Considerations—Passive Foreign Investment Company”.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of Our Company**

Our business was founded as Hoshin GigaMedia in Taiwan in October 1998. For the purpose of a public equity offering, GigaMedia Limited was incorporated in Singapore in September 1999 as a company limited by shares. We acquired a 99.99% equity interest in Hoshin GigaMedia in November 1999 and the remaining 0.01% in October 2002. In more recent years, we have established additional subsidiaries inside and outside Taiwan to conduct parts of our operations. Please see Item 4.C, “Organizational Structure” for our organizational chart.

In February 2000, we completed the initial public offering of our Shares. Our Shares are traded on The Nasdaq Capital Market of The Nasdaq Stock Market under the symbol GIGM.

In January 2006, we acquired FunTown, a digital entertainment business operated in Taiwan and Hong Kong.

Our Singapore company registration number is 199905474H. Our principal executive office is located at 8F, No. 22, Lane 407, Section 2, Tiding Boulevard, Taipei 114-740, Taiwan R.O.C., and our telephone number is 886-2-2656-8000. Our agent in the U.S. is Computershare Limited and its office address is 480 Washington Blvd., Jersey City, New Jersey.

The SEC maintains an Internet site that contains reports and other information we filed electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>. Our website address is: <http://www.gigamedia.com>. Information contained on our website is not incorporated herein by reference and does not constitute part of this annual report.

## **B. Business Overview**

We are a diversified provider of digital entertainment services in Taiwan, Hong Kong and Macau. We do not utilize variable-interest entities in our operations.

We currently operate in the digital entertainment services, where we own 100% of and operate FunTown, a leading digital entertainment portal in Taiwan and Hong Kong. FunTown is focused on the high-growth mobile and browser-based casual games market in Asia.

### **Digital Entertainment Service Business**

#### *Overview*

Our digital entertainment service business, FunTown, has a strong track record of developing and monetizing PC-based casual games in Asia. FunTown also had one of the largest online social gaming platforms in Taiwan by revenue and still maintains strong brand awareness, which we now leverage as we restructure our business and extend our offerings to mobile and browser-based games in select areas and geographies.

We also publish and operate PC- and mobile-based games under licensing agreements, predominantly in the territories of Taiwan, Hong Kong and Macau. Our understanding of local markets enables us to introduce foreign niche products by concentrating marketing efforts on a specific and well-defined segment of the population.

Most of our digital entertainment products are operated or expected to be operated under the item-billing revenue model, which we refer to as the Item-Billing model. Under the Item-Billing model, users are able to access the basic functions of a casual online game for free. Players may choose to purchase in-game value-added services as well as in-game virtual items and premium features to enhance the game experience. This allows players to utilize more functions, improve performance and skills, and personalize the appearance of a game character. Game points are consumed as users purchase value-added services and in-game items.

To complement our offerings and strengthen their appeal, we are focusing on building community-based online platforms that cater to different social networking needs of our users and provide various channels to facilitate communications among them. We intend to continue to grow and enhance our market position in the digital entertainment industry by increasing focus on mobile and browser-based entertainment services. We expect to drive growth both organically and through accretive transactions.

#### ***Our Digital Entertainment Products***

##### *MahJong and Other Casual Games*

MahJong is a traditional and highly popular Chinese tile-based game that is widely played in Taiwan, Hong Kong, the PRC, Japan, South Korea and other regions throughout Asia. Similar to poker, MahJong involves skill, strategy and calculation, as well as a certain degree of chance.

Through our FunTown-branded platform, we develop and offer various local versions of MahJong for players in Asia, particularly in Taiwan and Hong Kong. To play our online MahJong games, players install software that can be downloaded free of charge from our game websites. Players can compete with anyone on the FunTown network. Our MahJong games are designed for players of all levels of skill and experience. To accommodate various needs of players, we offer different online MahJong rooms based on skill levels or stakes. We believe our online MahJong game site is one of the most popular online MahJong networks in Taiwan.

Players may play our online MahJong free of charge. While a player may win virtual currency in the game without paying, an average player typically has to pay to continue playing on a regular basis or to establish a track record inside our online MahJong community. Players may choose to purchase game points through various distribution channels, such as convenience stores, payment processing terminals or online/mobile payment channels. Players may exchange purchased game points for virtual currency and deposit into their virtual bank accounts. The virtual currency may be used to play MahJong and other games on the FunTown game site or to purchase in-game virtual items, but cannot be redeemed for cash.

Our PC-based MahJong offering has faced strong competition in recent years from the growth of mobile and browser-based online games, driven by the popularity of social networks and high mobile device usage in our markets. We responded by launching our MahJong game application which uses a web or browser-based technology with no download required. This simplified user sign-in procedures and enabled tighter integration with social networking platforms by allowing users to log into our game directly via their accounts at a given social networking platform.

We also offer various other casual card and table games through our FunTown-branded platform. These online games are Internet-based and developed through computer simulation and adaptation of non-computer games, which are traditionally played offline. The FunTown platform targets players in different regions, particularly Taiwan and Hong Kong.

Our offerings include many different online card games which are popular in various regions in Asia. Players can select their desired table based on the level of skill or stakes. These games are designed with online multiplayer features that allow players to compete against one another. We also offer chance-based games, including bingo, lotto, horse racing, Sic-Bo, slots and other simple casual games.

Like online MahJong, players may play our other casual games for free. They may choose to purchase virtual currency to play on a continuous and regular basis. Virtual currencies may be used to play all games on the FunTown game site or to purchase virtual items, but cannot be redeemed for cash.

Our revenues generated from MahJong and other casual games were approximately US\$1.1 million in 2023, decreased from US\$1.3 million in 2022 and US\$1.5 million in 2021.

### *Role-Playing and Sports Games*

In Taiwan and Hong Kong, we offer through our FunTown platform online games of various sub-genres besides MahJong and other card or table games.

In June 2006, we launched the PC-based online sports game *Tales Runner*. *Tales Runner* is a PC-based multiplayer obstacle running game in which players compete by running, jumping, dashing and using items. With its fairy-tale style and constantly changing running tracks, *Tales Runner* has been a popular game in Hong Kong.

Our revenues generated from *Tales Runner* were approximately US\$2.7 million in 2023, decreased from US\$3.4 million in 2022, but higher than US\$2.4 million in 2021. The falling back in revenues was mainly due to the lift of travel and social restrictions that had been imposed during the COVID-19 pandemic, and the resultant effect that fewer people spent as much time online than previously.

Traditionally, for our PC-based online games, players download and install client software from our websites. Our online games are offered free-of-charge to all players. Players may purchase virtual items that enhance their characters' performance and game playing experience, or personalize their characters.

We have launched eleven mobile role-playing online games in past years. In particular, *Yume100*, which was launched at the end of September 2015, outperformed other mobile role-playing games. *Yume100* is a story-based game that primarily targets female players in the age range of 15 to 35 years old. In the game, which has certain romantic elements, players assume game characters and complete challenges. As of December 31, 2023, the accumulated sales revenues of *Yume100* since its launch were approximately US\$12.8 million. Leveraging the operating experience of *Yume100*, in mid-December 2017, we launched *Akaseka*, a similarly female-oriented game. Furthermore, we launched *Shinobi Master New Link*, a male-oriented game, in April 2019.

For our mobile games, players usually download the game software, or "app", from third-party digital distribution platforms, such as "Google Play" or the "Apple App Store." Like our PC-based games, while our mobile games are offered free-of-charge, players may purchase virtual items to progress more quickly in the game, to enhance their characters' performance and game playing experience, or to personalize their characters.

### ***Sources of Our Offerings***

#### *In-house development of Casual Games and other offerings*

We develop the casual games offered on our FunTown game platform, including online MahJong, card games, and other simple casual games. Our in-house development enables us to have better control of the game features and allow for seamless integration onto our FunTown platform. In order to support product development capabilities and develop our proprietary digital entertainment offerings, we intend to expand our browser/mobile-based development capabilities.

We made a direct investment of more than \$0.7 million during 2023 in developing our own offerings.

## *Sources of Role-playing and Sports Games*

Historically, we have sourced role-playing and sports games through licensing from developers in various regions where game development is well established. As part of our long-term planning, we monitor markets in the United States, South Korea, the PRC, Japan, Southeast Asia and Europe, and maintain communications with a number of leading game development studios to identify and source new online games.

The cost of licensing games from developers generally consists of an upfront licensing fee, which we typically pay in several installments, and ongoing licensing fees, or royalties, which are equal to a percentage of revenues generated from operation of the game.

In preparing for the commercial launch of each new game, we cooperate with the game developer to localize the game to make it suitable for the target markets where we plan to launch. Once the developer completes the localization and provides the first-built version, we conduct closed beta testing of the game with a select group of users. During the test period, we identify and eliminate any technical problems, assess how likely users will be to play the game regularly over a period of time (referred to as user “stickiness”), and modify and add certain game features in order to increase user stickiness.

Following the commercial launch of a game, we regularly implement improvements and upgrades to our games.

### ***FunTown Platform and Services***

Our FunTown platform provides many digital entertainment services for users to enhance their playing and entertainment experiences, facilitate information communication among them and support the development of a strong player community. These services include:

- **Player Clubs.** FunTown offers online club services in its game community. FunTown players can also form their own clubs, invite other players with similar interests or skill levels to join, and organize online and offline events for club members. Player clubs complement the strong social features of online games by helping to maintain an online game community.
- **Tournaments.** FunTown provides various tournaments for its online MahJong players. After players join a club, they can participate in biweekly online inter-club tournaments.
- **Avatars.** To enhance players’ overall entertainment experience, FunTown offers many in-game virtual items which may be purchased by players to customize their online personal graphic profiles, or avatars. Players use avatars to create their own unique look while participating in the online community. The virtual items for avatars include facial expressions, clothes and different accessories. These items are particularly popular with younger players, who customize their avatars to establish unique identities and pursue distinct fashions in the online community.
- **Friends and Family Messenger and Online Chatting System.** The FunTown platform has a unique function designed for players’ personal contacts, which is similar to the contact list of instant message programs. This enables players to see when their friends and family members are online and invite people in their personal network to play games together.
- **Customer Services.** FunTown provides support and services to its customers primarily through walk-in customer service centers in Taipei and Hong Kong, via e-mail and through an in-game report system where players can inquire and receive responses from FunTown.
- **Mobile Platforms.** FunTown now provides a mobile platform for casual games, which works on both Google’s Android and Apple’s iOS operating systems and allows data synchronization between the two systems.
- **Customer Platform.** FunTown now provides a customer platform called Dream Village, which began as a community space constructed for players of our female-oriented games. Now it not only runs an online shop for game-related virtual goods and character merchandise, but is also capable of intermediating as a payment gateway for third-party online and offline retailers.

### ***Our Marketing***

Our marketing strategy is to capitalize on our established brand names and utilize our diverse distribution networks to retain our existing users and attract new users. We use various qualitative and quantitative market research methods to analyze our target market and differentiate our product offerings from those of our competitors. We are engaged in a variety of traditional and online marketing programs and promotional activities, including the following:

#### *In-Game Events and Online Marketing*

We organize in-game events for our users, which we believe encourages the development of online communication and teamwork among our users and increases user interest in our games. Examples of in-game events include scheduled challenges or competitions for prizes. In addition, we use in-game events to introduce and market new features of our games to our current users.

We advertise our brands and our digital entertainment products across a variety of online media, including traditional online advertisements like YouTube, Google and Meta. We also collaborate with new media channels, including micro-blogging services provided with websites and search engine services.

#### *Offline Promotions and Advertisements*

We advertise our brand names and our digital entertainment products across a variety of offline platforms, including television and outdoor advertisements. From time to time we distribute game-related posters, promotional prepaid virtual points for new users and souvenirs at trade shows and other locations. We conduct events at popular venues to stage exhibitions, distribute software and game content-related merchandise, and interact directly with our users. For our role-playing games, we also collaborate with book shops, coffee shops and similar businesses to host fan meetings, where we provide immersive customer experience to promote and strengthen customers' emotional connections with our role-playing games.

#### ***Our Distribution and Payment Channels***

We sell game points for our digital entertainment services through various channels. Our distribution and payment channels are described below.

#### *Internet-Based Distribution Channels*

Internet-based distribution channels consist of various websites, including the official website of FunTown. Users may purchase game points through these websites with their credit cards or computer-based payment processing terminals.

We also use third-party digital distribution platforms, such as "Google Play" or the "Apple App Store," to provide our mobile game apps to users of various types of mobile devices.

#### *Telecommunication Network Operators*

We also distribute game points through cooperation with telecommunication network operators and their service providers. Our cooperating operators and service providers charge fees to the purchasers' phone bills, which are prepared and collected by the network operators.

#### *Payment Aggregators*

We also work with established payment aggregators. These payment aggregators allow users to pay for a variety of products and services, such as mobile phone calls and game points of different game operators, using their pre-paid scratch cards, vouchers or codes printed on receipts.

#### *Offline Physical Distribution Channels*

Physical distribution channels mainly consist of convenience chain stores, where users may use interactive kiosk machines to purchase pre-paid game points with varying amounts.

#### ***Our Operation Architecture***

We have a scalable and modular operation architecture that enables us to support and expand our digital entertainment offerings. The architecture consists of several key subsystems, including game services, a central user database, billing and payment, online customer service, game telemetry and monitoring. FunTown has its own unified user account system, which allows players to use a single account to access all FunTown games. Our billing and game management system supports various billing models and deposit options, and accommodate in-house developed games and licensed games. Our customer service system enables us to assist our players inside and outside the games. Our game telemetry and monitoring system allows us to track our concurrent online users in real time and effectively identify and fix technical problems in our server network.

#### ***Technology Infrastructure***

Due to the real-time interaction among thousands of users, the stable operation of our online games requires a significant number of servers and a significant amount of connectivity bandwidth. We have developed an extensive technology infrastructure that supports the operation of our online games. We seek to adapt our infrastructure promptly in response to changing circumstances.

#### ***Our Customers***

In Taiwan and Hong Kong, as of December 31, 2023, we had an aggregate of approximately 9.1 million unique registered customers of our digital entertainment services, most of which were located in Taiwan. During the year ended December 31, 2023, we recorded approximately 33,000 active paying users, with monthly average revenue per paying user ("ARPPU") ranging from approximately \$40 to \$100 for different services.

### ***Competition***

Our primary competitors in the digital entertainment business are online game operators based in Taiwan and Hong Kong. Our major competitors in Taiwan include Soft-World, IGS, UserJoy and GodGame.

In addition, we compete for users against various offline entertainment products, such as console games, arcade games and handheld games, as well as various other forms of traditional or online entertainment.

We expect more digital entertainment companies to enter into the markets where we operate, and a wider range of digital entertainment products to be introduced to the market given the relatively low entry barriers to entry in the industry. Our competitors vary in size and include private and public companies, many of which have greater financial, marketing and technical resources as well as name recognition. We intend to continue to enhance our market position through providing competitive products and quality services that meet market trends and users' preferences, as well as strengthening sales effectiveness.

### ***Seasonality***

Our business experiences seasonality in the form of slower sales of FunTown's digital entertainment business in the second and fourth quarters. In recent years, our first and third quarters have been our strongest revenue periods due to the Chinese New Year holidays, students' winter and summer vacations, as well as anniversary promotion campaigns in the third quarter for one of our popular games.

### ***Regulation***

Our business is subject to various laws and regulations in the jurisdictions we operate relating to the digital entertainment industry, and is regulated by various government authorities.

### **Regulations Relating to Digital Entertainment**

#### ***Taiwan***

At present, there is no specific law in Taiwan governing digital entertainment services, nor are there any specific licensing requirements imposed on Internet content providers in connection with offering online game services.

#### ***The Protection of Children and Youths Welfare and Rights Act***

The rating of internet content is governed by Article 46 of the Protection of Children and Youths Welfare and Rights Act, which requires that all internet platform providers adopt their own rules implementing "clear and practicable" protection measures in accordance with the internet content supervisory institutions engaged by the National Communications Commission (the "NCC") and other relevant authorities to prevent youth and children from having access to harmful internet content. An internet platform provider is required to restrict children and youths from having access to internet content upon the relevant authority's notification that such internet content may be harmful or that such internet platform provider failed to implement "clear and practicable" protection measures.

## *Computer Software Ratings*

In July 2006, the Ministry of Economic Affairs announced the Computer Software Ratings pursuant to the Protection of Children and Youths Welfare and Rights Act, which took effect in January 2007. These regulations were amended on May 29, 2012 and renamed the Game Software Rating Management Regulations, and were last amended on May 23, 2019. Matters related to game software rating have been changed to the jurisdiction of the Ministry of Digital Development after August 27, 2022, they are originally under the jurisdiction of the Ministry of Economic Affairs. The definition of “game software” and the rating system have been significantly modified in the 2012 amendment. Game software means software that integrates digitalized text, sound, visual effects, music, pictures, images or animation, which allows users to achieve certain goals of the game by operation of electronic equipment such as computer, hand-held or wearable reality devices, but excluding software installed upon the “electronic game arcade” as defined in the Electronic Game Arcade Business Regulation Act. Manufacturers, distributors, agents, sellers, rental service operators, disseminators, exhibitors and download providers are responsible for the administration of ratings. There are five ratings: (i) Restricted (allowed for ages 18 and above); (ii) Parental Guidance 15 (allowed for ages 15 and above); (iii) Parental Guidance 12 (allowed for ages 12 and above); (iv) Parent Protection (allowed for ages 6 and above); and (v) General Audience (suitable for all ages). According to the 2012 amendment, game software that uses virtual currency to play simulated MahJong, poker, dice, steel ball, horse racing, roulette, slot machine and other games of similar nature, and the outcome of the games may result in increase or decrease of the virtual currency, must be rated as Parental Protection. If the contents of such game software meet the requirements under the rating criteria for Restricted, Parental Guidance 15 or Parental Guidance 12, such games must be rated accordingly. Furthermore, according to the 2018 amendment, games adopting chess or puzzle as the main content must be provided with warning statements showing that it may not be used for gambling or the engagement of any violation of laws and regulations or other similar conducts. In addition, according to the 2019 amendment, “card and intelligence-beneficial entertainment games” differ from the “chess games.” However, games shall be rated “PG 15” (age of 15 or above), if virtual game tokens are used and increase or decrease when performing the games. If that is not the situation, the games shall be rated “PG 12” (age of 12 or above). The rating must be indicated on the product package or next to the user’s guide, downloaded page, homepage or link for the game. If the purchase of game points (cards), virtual game currencies or virtual treasures are used as payment methods, the content and amount of payment, content or services that require additional payment, or other similar warnings shall be also provided.

## *Online Game Regulations and Standard Contract Template*

The Ministry of Economic Affairs and the Consumer Protection Commission, pursuant to the Consumer Protection Act, announced the Regulations Mandatory and Prohibitory Provisions of Standard Contracts to Be Used for the Online Game Services, and also published a standard contract template that sets out permitted terms and limitations with respect to online game services offered in Taiwan. The regulations and the standard contract template were last amended in August 2022. Generally, consumers should be given at least three days to review such contract. Amendments or changes to fees payable for services offered must be publicly announced at least thirty days prior to such amendment and notification of such amendment was provided to consumers. For lucky draw events in which consumers pay for opportunities to obtain goods or activities, the online game operator is required to provide full disclosure of complete information, including by clarifying the content of lucky draw events and potential awards. Furthermore, since January 1, 2023, in order to ensure that consumers can correctly identify and monitor their own consumption, the online game operator must clearly specify the "probability" of the consumer obtaining the goods or activities. When a consumer’s ID and/or password has been compromised, the online game operator must provide assistance and information to him or her. Consumer game records must be maintained by each online game operator for a minimum period of thirty days and shall be open to inspection by such consumers. Suspension periods for consumers who have breached the terms of their online game contracts may not exceed seven days. The termination date of online game operation must be publicly announced at least thirty days prior to such date, and notification must be provided to consumers. The online game operator cannot limit the use period of purchasing the game points in the online game contract. Furthermore, the online game operator cannot specify in the online game contract that it has the right to interpret the contract terms and conditions. Under the Consumer Protection Act, an online game operator using the online game contract that violates the above mandatory or prohibitory provisions and fails to take corrective actions ordered within the time limit prescribed by the competent authorities shall be punished by an administrative fine of NT\$30,000 to NT\$300,000, unless the law provides otherwise. Moreover, if an online game operator fails to take corrective actions within the time limit prescribed by the competent authorities, it shall be punished for each violation by an administrative fine of NT\$50,000 to NT\$500,000.

## *Personal Data Protection Act*

On April 27, 2010, the Legislative Yuan passed a bill to amend the Computer-processed Personal Data Protection Act, which was renamed as the Personal Data Protection Act. The Personal Data Protection Act was last amended on May 31, 2023. Personal data includes the name, date of birth, I.D. card number, passport number, characteristics, fingerprints, marital status, family, education, occupation, medical record, medical treatment, genetic information, sexual life, health examination, criminal record, contact information, financial conditions, social activities and other information that may be used to identify a natural person, both directly and indirectly. Whenever an entity collects personal data from any individual, it shall inform such individual about (i) the name and identity of the collecting entity; (ii) the purpose of collection; (iii) how the collected personal data will be used; (iv) his/her rights; and (v) the consequences of his/her failure to provide the required personal data. If personal data is not provided by individuals, in addition to the information required to be disclosed as described above, the collecting entity shall inform such individual of the source of the data before processing or using the data. Prior consent from the individual is required for use of his/her personal data. These requirements shall be exempted if relevant personal data of the individual (i) is used for public interests; or (ii) is available from the public domain and the interest to be protected is more important than the privacy of such individual. Depending on the gravity of a violation, damages of NT\$500 to NT\$20,000 may be claimed against a person for each violation of the Personal Data Protection Act even if the actual damage cannot be proved. If there is more than one victim in a single violation, the maximum damages would be up to NT\$200,000,000. However, if the interests involved therein exceed NT\$200,000,000, restrictions on maximum amount for damages to be claimed and on minimum amount for damages to be claimed (NT\$500 per person for each violation) shall not apply.

The Ministry of Digital Development, the central government authorities in charge of the digital and economic industry, pursuant to the Article 27 of the Personal Data Protection Act, announced the Security and Maintenance Plan for the Protection of Personal Data Files for Digital and Economic Industry on October 12, 2023. The purpose of the regulation is to ensure that non-government agencies in possession of personal data files shall implement proper security measures to prevent the personal data from being stolen, altered, damaged, destroyed or disclosed.

## ***Hong Kong***

### *Personal Data (Privacy) Ordinance*

The Personal Data (Privacy) Ordinance (Cap. 486) came into effect in Hong Kong on December 20, 1996. A significant amendment to this Ordinance took effect on October 1, 2012, and the latest amendment was on October 8, 2021. The Hong Kong government has set up the Office of the Privacy Commissioner, which is an independent statutory body to oversee the enforcement of the Ordinance. The objective of the Personal Data (Privacy) Ordinance is to protect the privacy rights of a person in relation to personal data (Data Subject). Everyone who is responsible for handling data (Data User) should follow the Six Data Protection Principles ("DPPs"), including: (i) Data Collection Principle; (ii) Accuracy & Retention Principle; (iii) Data Use Principle; (iv) Data Security Principle; (v) Openness Principle; and (vi) Data Access & Correction Principle. Non-compliance with DPPs does not itself constitute a criminal offence. However, the Commissioner may serve an Enforcement Notice to direct the data user to remedy the contravention and/or instigate a prosecution action. Contravention of an enforcement notice is an offense that could result in a maximum fine of HK\$50,000 and imprisonment for two years. Moreover, the Ordinance also criminalizes misuse or inappropriate use of personal data in direct marketing activities (Part VI A), non-compliance with Data Access Request (section 19), or unauthorized disclosure of personal data obtained without data user's consent (section 64). An individual who suffers damage, by reason of a contravention of the Ordinance in relation to his or her personal data may seek compensation from the data user concerned. Following the passing of the Personal Data (Privacy) (Amendment) Bill 2021 (the Amendment Bill) on September 29, 2021, the amended provisions of the Personal Data (Privacy) Ordinance, which target doxxing acts, take effect on October 8, 2021. Most significantly, the amendments introduce changes that create offences to curb doxxing acts, empower the Privacy Commissioner to carry out criminal investigations and to institute prosecution, and confer on the Privacy Commissioner statutory powers to demand the cessation of doxxing contents.

## **Dividends from Our Subsidiaries**

Under Singapore tax regulations, foreign-sourced dividend income used for capital expenditures, including investments, and repayment of borrowings, is not deemed as remitted to Singapore and is therefore not taxable.

## **Listing and Offering**

Under Nasdaq Rule 5210(c), as amended ("Rule 5210(c)"), all securities listed on Nasdaq must be eligible for a direct registration program, or DRS, operated by a registered clearing agency, unless the foreign private issuer is prohibited from complying by a law or regulation in its home country.

Our Company is incorporated under the laws of the Republic of Singapore and is subject to the provisions of the Companies Act 1967 of Singapore (the "Companies Act"). Under the Companies Act, Singapore-incorporated companies are required to issue physical share certificates to registered shareholders as prima facie evidence of a registered shareholder's title to the shares and there are no exceptions to or exemptions from this requirement that would enable us to amend our constitutional documents to allow for the issue of non-certificated shares. Therefore, we are not able to comply with the DRS eligibility provisions of Rule 5210(c).

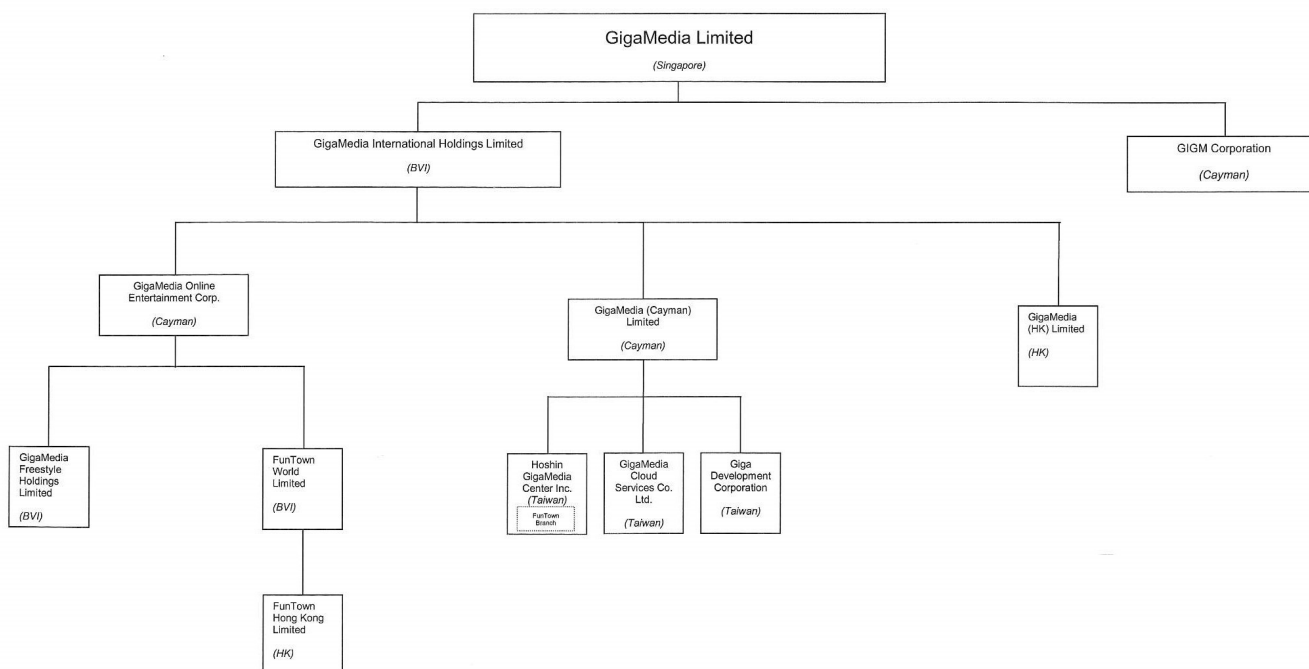


However, as a foreign private issuer, we are allowed under Nasdaq listing rules to follow our home country practice in lieu of the requirements set out in Rule 5210(c). We rely on this accommodation for foreign private issuers for an exemption from compliance with the DRS eligibility requirements under Rule 5210(c). We have informed The Nasdaq Stock Market about our election to comply with the laws of Singapore in lieu of the DRS eligibility provisions of Rule 5210(c).

### C. Organizational Structure

We were incorporated in Singapore as a company limited by shares on September 13, 1999. As of the date of this annual report, our principal operating subsidiaries include Hoshin GigaMedia and FunTown World Limited. Hoshin GigaMedia, our wholly owned subsidiary incorporated in Taiwan, operates our digital entertainment service business in Taiwan. FunTown World Limited, our wholly owned subsidiary incorporated in the British Virgin Islands, operates our digital entertainment service business in Hong Kong and Macau. We do not utilize variable-interest entities in our operations.

The following organization chart and table set forth our business structure and selected information for each of our principal subsidiaries as of the date of this annual report:



\* Includes our operating subsidiaries or companies holding material investments or contracts only. All subsidiaries are 100% owned.

<b>Entity</b>	<b>Place of Incorporation</b>	<b>Relationship</b>
<b><i>Held by our Company</i></b>		
GigaMedia International Holdings Limited	British Virgin Islands	Wholly owned subsidiary
GIGM Corporation	Cayman Islands	Wholly owned subsidiary
<b><i>Held by GigaMedia International Holdings Limited</i></b>		
GigaMedia Online Entertainment Corp.	Cayman Islands	Wholly owned subsidiary
GigaMedia (HK) Limited	Hong Kong	Wholly owned subsidiary
GigaMedia (Cayman) Limited	Cayman Islands	Wholly owned subsidiary
<b><i>Held by GigaMedia Online Entertainment Corp.</i></b>		
FunTown World Limited	British Virgin Islands	Wholly owned subsidiary
GigaMedia Freestyle Holdings Limited	British Virgin Islands	Wholly owned subsidiary
<b><i>Held by FunTown World Limited</i></b>		
FunTown Hong Kong Limited	Hong Kong	Wholly owned subsidiary
<b><i>Held by GigaMedia (Cayman) Limited</i></b>		
Hoshin GigaMedia Center Inc.	Taiwan	Wholly owned subsidiary
GigaMedia Development Corporation	Taiwan	Wholly owned subsidiary
GigaMedia Cloud Services Co. Ltd.	Taiwan	Wholly owned subsidiary

## D. Property, Plant and Equipment

As of April 6, 2024, we leased approximately 28,000 square feet as office premises as our corporate head office in Taipei, Taiwan and approximately 4,000 square feet as office premises for FunTown's office in Hong Kong.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Unless stated otherwise, the discussion and analysis of our financial condition and results of operations in this section apply to our consolidated financial statements as prepared in accordance with U.S. GAAP. You should read the following discussion of our financial condition and results of operations together with the consolidated financial statements and the notes to these statements included elsewhere in this annual report.

### A. Operating Results

The following selected consolidated balance sheet data as of December 31, 2023 and 2022 and the selected consolidated statement of operations data for the years ended December 31, 2023, 2022 and 2021 have been derived from our audited consolidated financial statements included in Item 18 in this annual report. The selected consolidated balance sheet data as of December 31, 2021, 2020 and 2019, and the selected consolidated statement of operations data for the years ended December 31, 2020 and 2019 have been derived from our audited consolidated financial statements for the years ended December 31, 2020 and 2019, which are not included in this annual report. The consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. You should read the following selected consolidated financial data in conjunction with the consolidated financial statements and the accompanying notes to those statements included in this annual report.

For the Years Ended December 31,  
(in thousands US\$, except for per share data)

	2023	2022	2021	2020	2019
<b>CONSOLIDATED STATEMENTS OF OPERATIONS DATA:</b>					
<b>OPERATING REVENUES</b>					
Digital entertainment service revenues	\$ 4,292	\$ 5,585	\$ 5,492	\$ 6,875	\$ 6,645
<b>COSTS OF REVENUES</b>					
Cost of digital entertainment service revenues	(1,846)	(2,335)	(2,584)	(2,956)	(3,064)
<b>GROSS PROFIT</b>	<b>2,446</b>	<b>3,250</b>	<b>2,908</b>	<b>3,919</b>	<b>3,581</b>
<b>OPERATING EXPENSES</b>					
Product development and engineering expenses	(729)	(1,110)	(1,449)	(1,327)	(1,186)
Selling and marketing expenses	(1,623)	(1,644)	(1,729)	(1,618)	(1,995)
General and administrative expenses	(3,242)	(3,515)	(3,697)	(3,121)	(3,182)
Impairment loss on property, plant, and equipment	—	—	—	—	(109)
Impairment loss on intangible assets	—	—	—	—	(15)
Impairment loss on prepaid licensing and royalty fees	—	—	—	—	(85)
Other	(7)	(2)	(7)	(5)	(24)
<b>Total operating expense</b>	<b>(5,601)</b>	<b>(6,271)</b>	<b>(6,882)</b>	<b>(6,071)</b>	<b>(6,596)</b>
<b>Loss from operations</b>	<b>(3,155)</b>	<b>(3,021)</b>	<b>(3,974)</b>	<b>(2,152)</b>	<b>(3,015)</b>
<b>Income tax benefit</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income (loss) attributable to shareholders of GigaMedia</b>	<b>\$ (3,399)</b>	<b>\$ (2,752)</b>	<b>\$ (3,425)</b>	<b>\$ (1,293)</b>	<b>\$ (1,659)</b>
<b>Earnings (loss) per share (in dollars):</b>					
Basic and diluted	\$ (0.31)	\$ (0.25)	\$ (0.31)	\$ (0.12)	\$ (0.15)

There were no dividends declared in 2023, 2022, 2021, 2020 and 2019.

As of December 31,  
(in thousands US\$, except for number of issued shares)

	2023	2022	2021	2020	2019
<b>CONSOLIDATED BALANCE SHEET DATA:</b>					
Total current assets	\$ 39,207	\$ 47,826	\$ 42,582	\$ 46,525	\$ 58,893
Investment in securities - noncurrent	5,777	2,371	10,322	10,000	—
Property, plant and equipment-net	111	103	88	22	—
Intangible assets-net	13	19	12	4	—
Total assets	46,497	52,136	55,518	57,023	59,222
Total current liabilities	2,464	2,637	3,216	2,923	3,584
Total GigaMedia's shareholders' equity	43,538	48,606	50,852	54,097	55,544
Ordinary shares, no par value, and additional paid-in capital	308,752	308,752	308,752	308,752	308,751
Number of issued shares (in thousands)	11,052	11,052	11,052	11,052	11,052

## Overview

We are a diversified provider of digital entertainment services. Our only segment and principal business is our digital entertainment service business, which operates a portfolio of digital entertainment products, primarily targeting digital entertainment service users across Asia. We operate our digital entertainment business in Taiwan, Hong Kong and Macau through FunTown.

In 2023, we had total operating revenues of approximately US\$4.3 million, which represents a decrease of approximately US\$1.3 million year-over-year. Our total costs and expenses also decreased by approximately US\$1.2 million year-over-year to US\$7.4 million, largely in line with the decrease of the revenues, and primarily due to our efforts in curbing growth of expenditures in the current inflationary environment. We incurred an operating loss of approximately US\$3.2 million, which represents a slight increase of loss of approximately US\$0.1 million year-over-year. We recognized a non-operating loss of approximately US\$0.2 million, compared to income of approximately US\$0.3 million in the prior year, primarily because of the loss on changes in the fair value of a financial instrument, partly offset by increase in interest income and less loss on foreign exchange. We did not recognize any significant income tax benefits or expenses in 2023 or 2022. We recognized a net loss of approximately US\$3.4 million, which represents an increase of loss of US\$0.6 million year-over-year, primarily resulting from the aforementioned factors.

Online game operators in Taiwan and Hong Kong are currently our primary competitors. Given the low barriers to entry in the digital entertainment industry and the increasing popularity of Internet-based businesses, there are a large number of potential competitors scattered throughout many different segments of the software and Internet industries. In addition to the aforementioned competitors, traditional entertainment service providers and other entities, many of which have significant financial resources and brand name recognition, may provide digital entertainment services in the future, and thus become our competitors.

Faced with our known competitors, and most likely additional new competitors that may be established in the near future, we will continue to improve on the principal competitive factors that we believe can differentiate our product offerings from those offered by our competitors, including: brand, technology, financial stability and resources, proven track record, independent oversight and transparency of business practices in our industry.

## Certain Significant Events Affecting Our Results of Operations for 2023, 2022 and 2021

### *Purchase, Partial Conversion and Partial Extension of Convertible Note of Aeolus Robotics Corporation*

On August 31, 2020, we entered into a convertible note purchase agreement to purchase a US\$10,000,000 principal amount convertible promissory note (the "Note") issued by Aeolus Robotics Corporation ("Aeolus"), a global company primarily engaged in designing, manufacturing, processing and sales of intellectual robotics.

The Note, which bears interest at a rate of 2% per annum, was due on August 30, 2022 but was extendable to August 30, 2023 at Aeolus's option, and all or a portion of the principal amount under the Note was convertible at our option upon maturity, upon prepayment, or when certain events occur, into ordinary shares of Aeolus at a price of US\$3.00 per share, or into preferred shares in Aeolus's nearest next round equity financing where Aeolus issues further preferred shares, at a price equal to the purchase price offered in such financing or with certain discount.

Effective December 30, 2021, we received 735,835 shares of the Series B preferred shares issued by Aeolus by converting 20% of the US\$10,000,000 principal amount of the Note. The conversion was exercised in accordance with the right under the Note at the conversion price of US\$2.718 per share.

On July 29, 2022, Aeolus notified GigaMedia that it had decided to exercise its right of extension under the Note to extend the original August 30, 2022 maturity date to August 30, 2023.

On August 31, 2023, we and Aeolus entered into an agreement to amend the Note. The amendment extends the maturity date of the Note after the partial repayment of US\$1,000,000 and the payment of accrued interest on the unpaid principal amount of the Note due through August 30, 2023 in the amount of US\$480,000 are made by Aeolus and the outstanding principal amount becomes US\$7,000,000 due thereunder. The US\$1,480,000 payment by Aeolus was made on September 6, 2023

Pursuant to the amendment to the Note, the remaining principal amount of US\$7,000,000 due thereunder will bear interest at a rate of 4% per annum, shall be due on February 28, 2025 (such date to be extended, at Aeolus's option, to February 28, 2026), and all or a portion of the principal amount due thereunder may be converted upon maturity, upon prepayment or upon the occurrence of certain specified events, upon Aeolus's next round of equity financing, or upon Aeolus's initial public offering, at the lower of US\$1.25 per share or 80% of the applicable offering price.

On August 15, 2023, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$105,346, issued by Aeolus, and on March 15, 2024, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$63,208, issued by Aeolus. These notes bear interest at a rate of 4.5% per annum and are convertible at US\$0.1 per share, while other terms and conditions are similar to the original Note.

## Results of Operations

### Factors Affecting Our Performance

We believe that competition is the principal factor affecting our results of operations.

Our digital entertainment service business operates in an extremely competitive industry. Our digital entertainment service business is characterized by rapid technological change and we face significant and intense competition from entertainment software design houses, application service providers and casual games operators.

We cannot assure you that we will be successful in establishing and maintaining quality of player experience, brand awareness, reputation and access to distribution channels more successfully than our competitors. We also may be unable to adapt to technological developments before our competitors. As a consequence, we may lose our existing customers and not expand our client base, which would have a material adverse effect on our revenues and financial condition.

The table below presents, for the years indicated, information regarding our revenues, costs and expenses for our consolidated operations.

	For the Year Ended December 31,					
	2023		2022		2021	
	Amount in US\$ thousands	% of total revenues	Amount in US\$ thousands	% of total revenues	Amount in US\$ thousands	% of total revenues
<b>OPERATING REVENUES</b>						
Digital entertainment service revenues	\$ 4,292	100.0	\$ 5,585	100.0	\$ 5,492	100.0
<b>COSTS OF REVENUES</b>						
Cost of digital entertainment service revenues	(1,846)	(43.0)	(2,335)	(41.8)	(2,584)	(47.1)
Gross profit	2,446	57.0	3,250	58.2	2,908	52.9
<b>OPERATING EXPENSES</b>						
Product development and engineering expenses	(729)	(17.0)	(1,110)	(19.9)	(1,449)	(26.4)
Selling and marketing expenses	(1,623)	(37.8)	(1,644)	(29.4)	(1,729)	(31.5)
General and administrative expenses	(3,242)	(75.5)	(3,515)	(63.0)	(3,697)	(67.3)
Other	(7)	(0.2)	(2)	0.0	(7)	0.0
Total operating expenses	(5,601)	(130.5)	(6,271)	(112.3)	(6,882)	(125.3)
Loss from operations	(3,155)	(73.5)	(3,021)	(54.1)	(3,974)	(72.4)
NON-OPERATING INCOME (EXPENSES), NET	(244)	(5.7)	269	4.8	549	10.0
LOSS BEFORE INCOME TAXES	(3,399)	(79.2)	(2,752)	(49.3)	(3,425)	(62.4)
INCOME TAX BENEFIT	—	0.0	—	0.0	—	0.0
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF GIGAMEDIA	\$ (3,399)	(79.2)	\$ (2,752)	(49.3)	\$ (3,425)	(62.4)

The key items included in our consolidated statements of operations are:

**OPERATING REVENUES.** Our operating revenues consist of revenues from our digital entertainment service business. Digital entertainment service revenues are related to our digital entertainment business in Asia and are collected through the sale of virtual points, pre-paid cards and game packs, and through licensing fee revenues. Revenues are collected in accordance with contracts and through monthly payment or in advance payments with discounts, and are recognized when (or as) we satisfy the related performance obligation.

**COSTS OF REVENUES.** Costs of revenues consist primarily of digital entertainment service processing costs, licensing and royalty fees, bandwidth costs, production costs for prepaid cards and game packs, amortization of intangible assets, cost of products, customer service department costs, operational department costs, depreciation, maintenance and other overhead expenses directly attributable to the provision of our digital entertainment services.

**OPERATING EXPENSES.** Operating expenses include product development and engineering expenses, selling and marketing expenses, general and administrative expenses, bad debt expenses and impairment losses on long-lived assets and prepaid licensing and royalty fees.

**NON-OPERATING INCOME (EXPENSES), NET.** Non-operating income and expenses include interest income and expenses, gain or loss on sales and fair value changes of investment in securities, and foreign exchange gain or loss.

**INCOME TAX EXPENSES (BENEFIT).** Taxes include current income tax in various jurisdictions in which our subsidiaries operate and deferred tax expenses related to temporary tax assets or liabilities that arise due to the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods. Taxes are measured using the tax rates and laws that have been enacted or subsequently enacted as of the date of the financial statements.

## Year to Year Comparisons

Please refer to the Item 5 in our previously filed Annual Report on Form 20-F for the year ended December 31, 2022 for the comparisons of our results of operations in fiscal years 2022 and 2021.

After conducting a comprehensive strategic business review, we concluded that:

- Compared to our in-house offerings, the operations of licensed games bear an uncompetitive cost structure where licensing costs and channel costs usually take a huge bite out of earnings, leaving little room for any marketing strategies.
- The operations of licensed games are inherently dependent on the licensors and it is therefore difficult for us to take the initiative in driving changes. As a result, these games are often slow in responding to a fad, a market trend or even a permanent change in customers' preference.

Accordingly, in recent years we have been implementing a strategy of optimizing our product portfolio by trimming off or terminating products or services that were below requirements, and selectively introducing licensed games. At the same time, we continued consolidating substantial resources for developing our own offerings, into which direct investment was US\$0.7 million, US\$1.1 million and US\$1.4 million during 2023, 2022 and 2021, respectively.

In prior years, we also invested further to enhance our customer relationship management system, which will contribute to our operations in building up relationships, saving marketing costs, and creating capacity for providing augmented products and services. The cultivation of a loyal customer base will eventually further boost customer value and create revenues and profits.

### Operating Revenues and Gross Margin

	For the Year Ended December 31,				
	2023		2022		2021
	Amount in US\$ thousands	% Change from 2022	Amount in US\$ thousands	% Change from 2021	Amount in US\$ thousands
Operating revenues	\$ 4,292	(23.2)%	\$ 5,585	1.7%	\$ 5,492
Cost of revenues	(1,846)	(20.9)%	(2,335)	(9.6)%	(2,584)
Gross profit	\$ 2,446	(24.7)%	\$ 3,250	11.8%	\$ 2,908
Gross margin	57.0%		58.2%		52.9%

### Operating Revenues

Our operating revenue in 2023 decreased by 23.2% from 2022. Revenues from mobile games declined to US\$0.4 million in 2023 from US\$0.8 million in 2022, while revenues from a certain licensed sports game decreased by US\$0.7 million, or 20.6%, to US\$2.7 million in 2023 from US\$3.4 million in 2022. While our monthly ARPPU remained constant in 2022 and 2023 in each year ranging from approximately \$40 to \$100 for different services, the decrease was mainly due to the lift of travel and social restrictions that had been imposed during the COVID-19 pandemic, and the resultant effect that fewer people spent as much time online than previously. Revenues from our legacy *MahJong* and casino games were US\$1.1 million in 2023, down from US\$1.3 million in 2022.

### Gross Margin

Our gross margin fluctuates with players paying through different channels, changes in price and product mix, cost improvement, and exchange rate, among other factors. Furthermore, our gross margins are negatively impacted in the year when upfront fees or initial costs are amortized for a newly introduced licensed game.

Our gross profit was US\$2.4 million in 2023 as compared to US\$3.3 million in 2022. Gross profit margin was 57.0 % in 2023, generally consistent with gross profit margin of 58.2% in 2022.

## Operating Expenses

	For the Year Ended December 31,					
	2023		2022		2021	
	Amount in US\$ thousands	% Change from 2022	Amount in US\$ thousands	% Change from 2021	Amount in US\$ thousands	
Product development and engineering expenses	\$ (729)	(34.3)%	\$ (1,110)	(23.4)%	\$ (1,449)	
Selling and marketing expenses	(1,623)	(1.3)%	(1,644)	(4.9)%	(1,729)	
General and administrative expenses	(3,242)	(7.8)%	(3,515)	(4.9)%	(3,697)	
Bad debt expense	(7)	250.0%	(2)	(71.4)%	(7)	
Total operating expenses	<u>\$ (5,601)</u>	<u>(10.7)%</u>	<u>\$ (6,271)</u>	<u>(8.9)%</u>	<u>\$ (6,882)</u>	
Percentage of operating revenues	(130.5)%		(112.3)%		(125.3)%	
Loss from operations	<u>\$ (3,155)</u>	<u>4.4%</u>	<u>\$ (3,021)</u>	<u>(24.0)%</u>	<u>\$ (3,974)</u>	
Operating margin	(73.5)%		(54.1)%		(72.4)%	

Operating expenses decreased by US\$0.7 million, or 10.7%, to US\$5.6 million in 2023.

In 2023, our efforts to curb expenditure growth in the current inflationary environment resulted in the decrease in overall operating expenses, except for bad debts.

### Product Development and Engineering Expenses

Our product development and engineering expenses amounted to US\$0.7 million in 2023, which comprised mainly personnel related expenses. This amount was reduced from the amounts in 2022 and 2021 as we streamlined the workforce of our development team. With a slimmer team in place for 2024, we plan to continue our exploration of digital entertainment to further develop our own products and services.

### Selling and Marketing Expenses

Selling and marketing expenses were US\$1.6 million in 2023, largely comparable to that in 2022. While prices and wage rates increased, we scaled back to control the expenditures.

### General and Administrative Expenses

General and administrative expenses amounted to US\$3.2 million in 2023, slightly decreased from US\$3.5 million in 2022, primarily due to our efforts in reducing expenditures in the current inflationary environment.



## Non-Operating Income and Expenses

	For the Year Ended December 31,				
	2023		2022		2021
	Amount in US\$ thousands	% Change from 2022	Amount in US\$ thousands	% Change from 2021	Amount in US\$ thousands
Interest income from financial institutions	\$ 1,609	187.8%	\$ 559	507.6%	\$ 92
Interest income on securities	202	27.0%	159	(0.6)%	160
Gain on sales or repayment of investment - debt securities	76	N/A	—	(100.0)%	125
Foreign exchange gain (loss), net	(34)	(96.4)%	(941)	(871.3)%	122
Changes in the fair value of investment in equity securities recognized at fair value	(2,110)	(615.9)%	409	N/A	—
Other non-operating income (expenses), net	13	(84.3)%	83	66.0%	50
Non-operating income (expenses), net	<u>\$ (244)</u>	<u>(190.7)%</u>	<u>\$ 269</u>	<u>(51.0)%</u>	<u>\$ 549</u>

Non-operating loss, net was US\$0.2 million in 2023 as compared to income of US\$0.3 million in 2022 and income of US\$0.5 million in 2021. Non-operating loss, net in 2023 primarily included (1) changes in the fair value of investments in the preferred shares of Aeolus, (2) interest income of US\$1.8 million generated from bank deposits and accrued from the convertible note of Aeolus, (3) foreign exchange loss of US\$34 thousand, and (4) realized foreign currency exchange gain of US\$76 thousand arising from the partial repayment of the convertible note of Aeolus. Non-operating income, net in 2022 primarily included (1) interest income of US\$718 thousand generated from bank deposits and accrued from the convertible note of Aeolus, (2) gain of US\$409 thousand on changes in the fair value of the preferred shares of Aeolus, and (3) foreign exchange loss of US\$941 thousand. In 2023, 2022 and 2021, the foreign exchange gain or loss were mainly arising from inter-company accounts between our wholly-owned entities using different functional currencies. While the balances of the inter-company accounts were fully eliminated in the consolidation, the foreign exchange gain or loss resulted remained in our consolidated statements of operations.

### Income Tax Benefit

	For the Year Ended December 31,				
	2023		2022		2021
	Amount in US\$ thousands	% Change from 2022	Amount in US\$ thousands	% Change from 2021	Amount in US\$ thousands
Loss before income taxes	\$ (3,399)	23.5%	\$ (2,752)	(19.6)%	\$ (3,425)
Income tax benefit	—	N/A	—	N/A	—
Net loss attributable to shareholders of GigaMedia	<u>\$ (3,399)</u>	<u>23.5%</u>	<u>\$ (2,752)</u>	<u>(19.6)%</u>	<u>\$ (3,425)</u>

In 2023 and 2022, no significant income tax benefits or expenses were incurred in our operations in respective tax jurisdictions, and full allowance was provided against all deferred tax assets.

## B. Liquidity and Capital Resources

Our principal source of liquidity in the year ended December 31, 2023, was our cash on hand. Our cash and cash equivalents are held primarily in U.S. dollars and NT dollars. Our policy with respect to liquidity management is to maintain sufficient cash and cash equivalents to fund operations and strategic transactions, while placing remaining funds in higher yield investment instruments. While we have zero bank borrowing as of December 31, 2023 and 2022, we have established strong relationships with financial institutions and expect to be able to secure lines of credit to fulfill operating and strategic needs.

Our future cash requirements will depend on a number of factors including:

- the rate at which we enter into strategic transactions;
- the rate at which we expand our operations and employee base;
- the timing of entry into new markets and new services offered;
- changes in revenues and cost splits with our business partners;
- the rate at which we invest in developing and licensing our products and upgrading and maintaining our network and future technologies; and
- the rate at which we grow and monetize our customer bases.

The following table set forth the summary of our cash flows for the years indicated:

(in US\$ thousands)	For the Year Ended December, 31		
	2023	2022	2021
Net cash used in operating activities	\$ (1,193)	\$ (2,509)	\$ (4,135)
Net cash provided by (used in) investing activities	837	(70)	(17)
Net cash used in financing activities	—	—	—
Exchange difference	32	(75)	(89)
Net decrease in cash, cash equivalents and restricted cash	(324)	(2,654)	(4,241)
Cash, cash equivalents and restricted cash at beginning of year	39,107	41,761	46,002
Cash, cash equivalents and restricted cash at end of year	\$ 38,783	\$ 39,107	\$ 41,761

**OPERATING ACTIVITIES.** In 2023, our net cash used in operating activities was approximately US\$1.2 million. We collected US\$4.0 million in cash from our customers, paid US\$1.3 million for license fees, royalties and channel costs, and paid approximately US\$5.9 million to employees, suppliers and vendors. In 2022, our net cash used in operating activities was approximately US\$2.5 million. We collected US\$6.5 million in cash from our customers, paid US\$2.6 million for license fees, royalties and channel costs, and paid approximately US\$6.3 million to employees, suppliers and vendors. In 2021, our net cash used in operating activities was approximately US\$4.1 million. We collected US\$5.4 million in cash from our customers, paid US\$1.9 million for license fees, royalties and channel costs, and paid approximately US\$7.8 million to employees, suppliers and vendors.

**INVESTING ACTIVITIES.** Our net cash provided by investing activities in 2023 was US\$837 thousand, which was primarily from partial repayment of the convertible note of Aeolus. Our net cash used in investing activities in 2022 and 2021 was US\$70 thousand and US\$17 thousand, respectively, primarily used for the purchase of property, plant and equipment.

**FINANCING ACTIVITIES.** Our net cash flow in financing activities in 2023, 2022 and 2021 was nil.

We believe that our existing cash, cash equivalents and restricted cash, and our ability to obtain short-term borrowings will be sufficient to meet our capital expenditure, debt, and operating cash obligations through 2024. We believe our working capital is sufficient for our present requirements. We continue to seek and review potential merger and acquisition opportunities on an ongoing basis, which may be funded through cash on our balance sheet, proceeds from sales of investments, bank borrowings or equity offerings. We do not believe that any potential merger or acquisition that we may be engaged in would alter our goal of preserving sufficient cash, cash equivalents and restricted cash to fund future operations.

## Obligations and Capital Expenditures

As of December 31, 2023, we had the following contractual obligations:

	As of December 31, 2023				
	Payment Due by Period (in US\$ thousands)				
	Within 1 year	1-3 years	3-5 years	>5 years	Total
Operating leases	\$ 486	\$ 499	\$ —	\$ —	\$ 985
Royalty fees	—	—	—	—	—
Total contractual cash obligations	\$ 486	\$ 499	\$ —	\$ —	\$ 985

Operating leases represent obligations under lease agreements with respect to certain office premises that we rent for operation.

In addition, we have contractual obligations under various license agreements to pay the licensors license fees and minimum guarantees against future royalties. There were no committed license fees and minimum guarantees against future royalties set forth in our significant license agreements as of December 31, 2023. For a specific licensed game, we are committed to paying an incentive fee of \$20 thousand to the licensor for every \$600 thousand in additional revenues generated from the game during the agreement period and extended period through January 2026. Since the revenues from particular games are uncertain, the table above only reflects incentive fee commitments that have been triggered by crossing the relevant revenue thresholds.

We typically finance our capital expenditures through cash holdings. Our gross capital expenditures in continuing operations for equipment, furniture and fixtures, intangible assets and other deferred assets were US\$58 thousand, US\$70 thousand and US\$93 thousand for 2023, 2022 and 2021, respectively. Capital expenditures during 2023 were primarily for software and computer hardware equipment for our digital entertainment business and for general corporate use. Our capital expenditure plans for 2024, which we expect to be primarily in software and computer hardware equipment, will aim to support our lean growth initiatives in our digital entertainment service business. We believe our working capital is sufficient for our 2024 needs but we may adjust the amount of our capital expenditures upward or downward based on cash flow from operations, the progress of our expansion plans, and market conditions.

## Dividends from Our Subsidiaries

Under Singapore tax regulations, foreign-sourced dividend income used for capital expenditures, including investments, and repayment of borrowings, is not deemed as remitted to Singapore and is therefore not taxable.

In accordance with R.O.C. law, an appropriation for legal reserve amounting to 10% of a company's net profit is required until the reserve equals the aggregate par value of such Taiwan company's issued capital stock. In 2023, Hoshin GigaMedia resolved to use all the legal reserves to offset its deficit. As of December 31, 2023, 2022 and 2021, the legal reserves of Hoshin GigaMedia were approximately US\$0, US\$1.5 million and US\$1.5 million, respectively. The reserve can only be used to offset a deficit or be distributed as a dividend of up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate paid-in capital of Hoshin GigaMedia.

## C. Research, Development, Patents and Licenses, etc.

We make investments in research and development to keep pace and remain competitive with technology advancements and product development relating to our digital entertainment service business. For the years 2023, 2022 and 2021, we incurred US\$0.7 million, US\$1.1 million and US\$1.4 million, respectively, in research and development activities.

## D. Trend Information

In the digital entertainment industry, the entire global business landscape is changing. Driven by the popularity of mobile phones and tablets and social networks, games are rapidly moving from PC-based formats to browser and mobile platforms. This in turn is causing changes in game content, as casual browser and mobile games require "light" content. In our markets, Taiwan and Hong Kong, the strongest demand is for casual browser/mobile games.

We are in the process of extending our products and services from a PC-based platform to browser/mobile platforms. We have a strong offering of casual games including Asian card-based games and *MahJong* and a good track record of developing and monetizing them, especially in the types of games that are most popular – casino games, such as poker, slots and *MahJong*. We are now leveraging that expertise to transition our game portfolio from social casino games designed for PC usage to other genres of digital entertainment for casual leisure and mobile play.

Please see Item 3, "Key Information — D. Risk Factors" and Item 5, "Operating and Financial Review and Prospects — A. Operating Results — Certain Significant Events Affecting Our Results of Operations for 2023, 2022 and 2021" for a discussion of the most recent trends in our operating costs and revenues since the end of 2022. In addition, please refer to discussions included in this Item for a discussion of known trends, uncertainties, demands, commitments or events that we believe are reasonable likely to have a material effect on our net operating revenues, income from continuing operations, profitability or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

## E. Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are derived from our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S., or U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. For a discussion of our Company's significant accounting policies, please refer to note 1 of our consolidated financial statements.

Critical accounting estimates are defined as those reflective of significant judgments, estimates and uncertainties, which may result in materially different results under different assumptions and conditions. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. We believe that the following are our critical accounting estimates:

- Revenue Recognition and Deferral
- Valuation of Investment in Securities

### ***Revenue Recognition and Deferral***

Our digital entertainment product and service revenues are mainly generated through sale of virtual points and in-game items, and those virtual goods purchased in our games can only be consumed in our games. Therefore, we regard the sale of a virtual good as a service, where the related performance obligation is satisfied over time, and revenues are recognized by measuring progress toward satisfying the performance obligation in a manner that best depicts the transfer of goods or services to the customer. Accordingly, we recognize revenues from the sale of virtual goods over the period of time using the output method, which is generally the estimated service period.

The virtual goods for our games may have different service periods. We use the weighted average number of days of a player's payment interval as the estimate for the service period of each game. We evaluate the appropriateness of such estimates quarterly to see if they are in line with our observations in the operations. We believe this provides a reasonable depiction of the transfer of services to our customers, as it is the best representation of the time period during which our customers play our games. Determining the estimated service period is subjective and requires management's judgment. Future usage patterns may differ from historical ones, and therefore the estimated service period may change in the future. The estimated service periods for players of our current games are generally less than 6 months.

Deferred revenues representing contract liabilities consist mainly of the advanced income related to our digital entertainment business. Deferred revenue represents proceeds received relating to the sale of virtual points and in-game items that are activated or charged to the respective user account by users, but which have not been consumed by the users or expired. Deferred revenue is credited to profit or loss when the virtual points and in-game items are consumed or have expired.

For deferred revenues, some users may not exercise all of their contractual rights, and those unexercised rights are referred to as breakage. We estimate and recognize the breakage amount as revenue when the likelihood of the customer exercising the remaining rights becomes remote. We consider a variety of data points when determining the estimated breakage amount, including the time when we ceased selling prepaid products for certain services and when such prepaid products were last used in charging users' accounts.

We have not made any material changes in the accounting methodology used to estimate the service period of the virtual goods and the breakage amount as of December 31, 2023 and 2022. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate the deferral and recognition of revenues. However, if actual results are not consistent with our estimates and assumptions used to calculate the deferral and recognition of revenues, we may be exposed to risks of inappropriately early or late recognition of the related revenues.

A hypothetical 10% increase in the estimated service period of the virtual goods would result in a decrease of earnings by \$3 thousand, \$5 thousand and \$4 thousand for 2023, 2022 and 2021, respectively, while a hypothetical 10% decrease would result in an increase of earnings by approximately \$6 thousand, \$11 thousand and \$10 thousand for 2023, 2022 and 2021, respectively.

### ***Valuation of Investment in Securities***

Our Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We determine fair value of investment in securities based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Our Company generally determines or calculates the fair value of financial instruments using quoted market prices in active markets when such information is available; otherwise we apply appropriate present value or other valuation techniques, such as the income approach, incorporating adjusted available market discount rate information and our Company's estimates for non-performance and liquidity risk, or the market approach, where we derive the implied value of financial instruments for the target company from a recent transaction involving the target company's own securities. These techniques rely extensively on the use of a number of assumptions, including the discount rate, credit spreads, and estimates of future cash flows. Please see note 4 to our consolidated financial statements for additional information.

We have not made any material changes in the accounting methodology used to evaluate investment in securities as of December 31, 2023 and 2022. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to evaluate fair values of the securities. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to impairment losses that could be material.

Please see note 4 to our consolidated financial statements for additional information.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The following table sets forth information with respect to our directors and executive officers as of the date of this annual report:

Name	Age	Position	Year Appointed to Current Position
HUANG, James Cheng-Ming	69	Chairman of the Board, Chief Executive Officer, Chief Financial Officer and Director	2017 <sup>(1)</sup>
HUANG, John Ping Chang	72	Chairman of the Compensation Committee of the Board and Independent Non-Executive Director	2012/2011 <sup>(2)</sup>
LIU, Nick Chia-En	62	Independent Non-Executive Director	2011 <sup>(3)</sup>
HONG, Chin Fock (Damian)	76	Independent Non-Executive Director	2013 <sup>(4)</sup>
LIN, Wan-Wan	61	Chairman of the Audit Committee of the Board and Independent Non-Executive Director	2023 <sup>(5)</sup>
TSAI, Chih-Hong	69	Independent Non-Executive Director	2023 <sup>(6)</sup>

(1) Mr. James Cheng-Ming HUANG was appointed as Chairman of the Board, Chief Executive Officer and Chief Financial Officer of our Company on May 5, 2017.

(2) Mr. John Ping Chang HUANG was appointed as an Independent Non-Executive Director of the Board on January 31, 2011. He was also appointed as Chairman of the Compensation Committee on November 26, 2012.

(3) Mr. Nick Chia-En LIU was appointed as an Independent Non-Executive Director of the Board on March 15, 2011. He was also appointed as a member of the Audit Committee on March 15, 2011.

(4) Mr. Damian HONG was appointed as an Independent Non-Executive Director of the Board on October 31, 2013.

(5) Ms. Wan-Wan LIN was appointed as an Independent Non-Executive Director of the Board, as well as Chairman of the Audit Committee and a member of the Compensation Committee on November 20, 2023.

(6) Mr. Chih-Hong TSAI was appointed as an Independent Non-Executive Director of the Board and a member of the Audit Committee on November 20, 2023.

Biographical information with respect to each of our directors and executive officers is set forth below.

#### Directors

JAMES CHENG-MING HUANG is the Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer of our Company. He has more than 30 years of experience in finance, investment and direct marketing. Mr. Huang also serves as Chairman of Grand Pacific Investment & Development Co., Ltd. and Sung Cheng Investment Co., Ltd. He holds a Master's degree of Science in Management from MIT Sloan School of Management, U.S.

JOHN PING CHANG HUANG is an independent non-executive director of our Company. Mr. Huang has more than 30 years of experience in hospitality management and investment. He is the consultant of Global Hospitality Group Inc. Mr. Huang holds a Bachelor of Arts degree from Soochow University and a degree of EMBA Program at National Taiwan University in Taiwan.

NICK CHIA-EN LIU is an independent non-executive director of our Company. He was the managing director in Taiwan for a U.S. based game development company. Mr. Liu holds an MBA degree from the Stern School of Business at NYU and a Bachelor's degree from the University of Southern California.

CHIN FOCK (DAMIAN) HONG is an independent non-executive director of our Company. He has more than 38 years of experience in taxation and tax law. Mr. Hong began his career with the Inland Revenue Authority of Singapore before joining KPMG and working with the firm in various capacities, including post-retirement, for more than two decades. He was also a tax consultant to the law firm Allen & Gledhill in Singapore for 12 years. Mr. Hong served as an independent director of Chailease Holding Co Ltd. and Riverstone Holdings Ltd until his retirement in 2020. In the same year he had also stepped down from being a director of Binjaitree. He is a non-executive director of Prima Limited. Mr. Hong lectured on a part-time basis at the Singapore Management University. He earned a Bachelor's degree in Social Science at the University of Singapore and attended an international tax program at Harvard Law School.

WAN-WAN LIN is a Certified Public Accountant both in the U.S.A. and in R.O.C. She served as the CEO at the accounting firm KPMG in Taiwan, and has been teaching in the Accounting Departments of several public and private universities such as National Taiwan University, National Chengchi University, Tunghai University and Tamkang University. Her areas of expertise are in IFRS accounting and internal controls structure for global companies, as well as full experience of assisting companies in becoming public companies in R.O.C. and serving as a consultant for companies pursuing initial public offerings, or IPOs. She

had served many well-known listed companies and been involved with many diverse industries. She holds a degree of EMBA Program at National Taiwan University, a Master degree in Accounting from University of Illinois at Urbana Champaign, and a Bachelor degree in Accounting from National Taiwan University.

CHIH-HONG TSAI is currently an adjunct professor at the Department of Finance, School of Management, National Taiwan University. He also serves as a director of SinoPac Leasing Corp. Mr. Tsai had served as the senior executive in a number of well-known leasing companies. He specializes in risk control management and has tremendous management experiences. He holds Ph.D. in Finances, College of Management at National Taiwan University, and a Master Degree of Science in Management from MIT Sloan School of Management, U.S.

### Board Diversity

The table below provides certain information regarding the diversity of our board of directors.

<b>Board Diversity Matrix (As of April 20, 2024)</b>				
Country of Principal Executive Offices:	Taiwan			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	6			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	1	5	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did Not Disclose Demographic Background	0			

### Family Relationships

There are no family relationships among any of our executive officers or directors.

## B. Compensation

### Compensation of Directors and Executive Officers

For the year ended December 31, 2023, the aggregate cash compensation paid by us to our directors and executive officers was approximately US\$0.5 million. For information regarding pension and retirement benefits, see note 12 to our consolidated financial statements.

As of December 31, 2023, the total outstanding number of share options granted to our directors and officers was 8,000. As of December 31 2023, the total number of restricted stock units granted to our directors and officers was zero.

The following table summarizes, as of March 31, 2024, the outstanding options granted under our employee share option plans and equity incentive plans to our directors and executive officers as a group.

<b>Date of Grant</b>	<b>Ordinary Shares Underlying Outstanding Options</b>	<b>Exercise Price (\$/Share)</b>	<b>Date of Expiration</b>
May 5, 2017	4,000	2.90	May 5, 2027
Total	4,000		

All options granted to our directors and executive officers were granted pursuant to the option plans and the equity incentive plans as described under “— Employee Share Option Plans and Equity Incentive Plans” below.

## **Employee Share Option Plans and Equity Incentive Plans**

### ***2004 Employee Share Option Plan***

At the June 2004 Annual General Meeting, our shareholders approved the GigaMedia Limited 2004 Employee Share Option Plan (the “2004 Plan”) under which up to 7,000,000 ordinary shares (1,400,000 shares after the 2015 reverse share split) of our Company were reserved for issuance. All employees, officers, directors, advisors and consultants of our Company are eligible to participate in the 2004 Plan. The 2004 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the exercise price for the option grants, to determine which eligible individuals are to receive option grants, the time or times when options grants are to be made and the number of shares subject to grant vesting schedule. The maximum contractual term under the 2004 Plan is 10 years. Options will be forfeited upon termination of employment, unless the relevant award agreement extends the exercisability of the outstanding options.

### ***2006 Equity Incentive Plan***

At the June 2006 Annual General Meeting, our shareholders approved the GigaMedia Limited 2006 Equity Incentive Plan (the “2006 Plan”) under which up to 1,000,000 ordinary shares (200,000 shares after the 2015 reverse share split) of our Company were reserved for issuance. The 2006 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2006 Plan. The maximum contractual term under the 2006 Plan is 10 years. Options will be forfeited upon termination of employment, unless the relevant award agreement extends the exercisability of the outstanding options. In the event that the employee’s employment with or service to our Company is terminated prior to the lapsing of restrictions with respect to any portion of the RSUs, such portion of the RSUs shall become forfeited.

### ***2007 Equity Incentive Plan***

At the June 2007 Annual General Meeting, our shareholders approved the GigaMedia Limited 2007 Equity Incentive Plan (the “2007 Plan”) under which up to 2,000,000 ordinary shares (400,000 shares after the 2015 reverse share split) of our Company were reserved for issuance. The 2007 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2007 Plan. The maximum contractual term under the 2007 Plan is 10 years. Options will be forfeited upon termination of employment, unless the relevant award agreement extends the exercisability of the outstanding options. In the event that the employee’s employment with or service to our Company is terminated prior to the lapsing of restrictions with respect to any portion of the RSUs, such portion of the RSUs shall become forfeited.

## **Employment of Executive Officers**

Officers are selected by and serve at the discretion of our board of directors. No executive officer is entitled to any severance benefits upon termination of his or her employment with our Company.

## **Compensation recovery policy**

In October 2022, the SEC adopted rules, pursuant to Rule 10D-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requiring national securities exchanges and national securities associations, such as Nasdaq, to amend their relevant listing standards no later than November 28, 2023 to require listed companies to adopt a written compensation recovery (clawback) policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by the Chief Executive Officer and certain other “executive officers” as defined in Rule 10D-1(d) under the Exchange Act that is wholly or partially contingent on the attainment of financial performance criteria based on reported financial information that has been determined to be erroneous and has required restatement of the financial statements for accounting purposes. On October 30, 2023, our Board of Directors adopted a written compensation recovery policy, or the Compensation Recovery Policy. That policy is now in force with respect to the Chief Executive Officer and other executive officers, subject to compliance with applicable local laws and is included as Exhibit 97.1 to this report for the year ended December 31, 2023.

## **C. Board Practices**

Our board of directors currently comprises five male directors and one female director, including five independent non-executive members. Each of our directors is elected by our Company’s shareholders or appointed by the directors pursuant to the Constitution and hold office until such director’s successor is elected and duly qualified or until such director’s earlier death, bankruptcy, insanity, resignation or removal. During fiscal 2023, our board of directors met five times, and all members of the board of directors participated in the meetings of the board of directors. No director is entitled to any severance benefits on termination of his or her service. Our board of directors currently has a standing audit committee and compensation committee. Each of these standing committees operates under a written charter adopted by our board of directors. During fiscal 2023, our directors attended all meetings held by each committee on which such director was a member.

Our audit committee currently consists of Wan-Wan LIN, Nick Chia-En LIU and Chih-Hong TSAI. The principal duties and responsibilities of our audit committee include: (1) overseeing and reporting on various auditing and accounting matters to our board of directors, including the selection of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our independent accountants and our accounting practices; (2) overseeing and reporting on various risk management matters (including in respect of cybersecurity) to our board of directors; (3) considering and approving or disapproving all related-party transactions; (4) reviewing the financial statements and reports and discussing the statements and reports with our independent registered public accounting firm and management; (5) reviewing and pre-approving the engagement of our independent registered public accounting firm to perform audit services and any permissible non-audit services; (6) evaluating the performance of our independent registered public accounting firm and deciding whether to retain their services; and (7) establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters. In accordance with our Constitution and our audit committee charter, all of the members of our audit committee must be persons who qualify as independent directors under the standards set forth in Nasdaq Rules 5605(c)(2)(A)(i) and (ii) and each of them is able to read and understand fundamental financial statements. During fiscal 2023, our audit committee met five times.

Our compensation committee currently consists of John Ping Chang HUANG and Wan-Wan LIN. The principal duties and responsibilities of our compensation committee include: (1) reviewing and approving the goals and objectives relevant to the chief executive officer's and other executive officers' compensation; (2) evaluating the performance of the chief executive officer and other executive officers in light of those goals and objectives; (3) making recommendations to the Board with respect to non-employee director compensation; and (4) making recommendations to the Board with respect to incentive-compensation plans and equity-based plans. In accordance with our compensation committee charter, all of the members of the compensation committee are qualified independent directors under the standards set forth in Nasdaq Rules 5605(c)(2)(A)(i) and (ii). During fiscal 2023, our compensation committee met two times.

We do not have a separate nominations committee of the board of directors. In accordance with Nasdaq Rule 5605(e), director nominees are recommended for the board's selection by the independent directors constituting a majority of the board's independent directors in a vote in which only independent directors participate.

#### D. Employees

The following table sets out a breakdown of the number of our full-time employees by function as of December 31, 2023, 2022 and 2021, respectively:

Function	December 31		
	2023	2022	2021
Development	27	27	41
Operation	33	37	41
Customer Service	13	13	16
Administrative Support	23	24	25
	<u>96</u>	<u>101</u>	<u>123</u>

The following table sets out, as of the dates indicated, a breakdown of the number of our full-time employees by geographic location:

Location	December 31		
	2023	2022	2021
Taipei City, Taiwan	83	87	108
Hong Kong	13	14	15
	<u>96</u>	<u>101</u>	<u>123</u>



## E. Share Ownership

### Share Ownership of Directors and Executive Officers

The table below sets forth information as to our directors' and executive officers' share ownership in our Company as of March 31, 2024:

<b>Person</b>	<b>Number of Common Shares</b>	<b>Number of Shares Issuable upon exercise of options</b>
HUANG, James Cheng-Ming	1,073,566	*
HUANG, John Ping Chang	—	*
LIU, Nick Chia-En	—	*
LIN, Charlotte Wan-Wan.	—	*
TSAI, John Chih-Hong	—	*
HONG, Chin Fock	—	*
Directors and executive officers as a group of 6 individuals	<u>1,073,566</u>	<u>4,000</u>

\* Less than 1%

## F. Disclosure of Action to Recover Erroneously Awarded Compensation

Not applicable. The full text of our compensation recovery policy is filed as Exhibit 97.1 to this annual report.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

The following table sets forth information known to us with respect to the ownership of our shares as of March 31, 2024 by each shareholder known by us to own more than 5% of our shares:

Name of Owner	Shares Owned	Percentage of Shares Owned
John-Lee Andre Koo <sup>(1)</sup>	2,159,999	19.54%
James Cheng-Ming Huang <sup>(2)</sup>	1,073,566	9.71%
Collin Hwang <sup>(3)</sup>	696,435	6.30%
Jonathan Honig <sup>(4)</sup>	1,105,145	9.99%

(1) Based on a Schedule 13G/A filed with the SEC on August 14, 2017, John-Lee Andre Koo has beneficial ownership of 2,159,999 shares of our Company.

(2) James Cheng-Ming Huang has beneficial ownership of 1,073,566 ordinary shares of our Company as of March 31, 2024.

(3) Based on the Schedule 13G filed with the SEC on June 19, 2017, Collin Hwang has beneficial ownership of 696,435 shares of our Company.

(4) Based on the Schedule 13G/A filed with the SEC on January 23, 2024, Jonathan Honig has beneficial ownership of 1,105,145 ordinary shares of our Company as follows:

- (a) Includes (i) 5,145 shares held by Mr. Jonathan Honig (“Mr. Honig”) as UTMA custodian for Morgan Honig, (ii) 5,400 shares held by Mr. Honig as UTMA custodian for Skylar Honig and (iii) 6,800 shares held by Mr. Honig as UTMA custodian for Jett Honig.
- (b) Includes (i) 22,000 shares held by Titan Multi-Strategy Fund, Inc. (“Titan”) (ii) 187,000 shares held by Titan Multi-Strategy Fund, Inc. Profit Sharing Plan (the “Plan”); (iii) 17,225 shares held by Titan Multi-Strategy Fund 401k Roth FBO Jonathan Honig; (iv) 11,700 shares held by Titan Multi-Strategy Fund 401k Roth FBO Elizabeth Honig; and (v) 130,500 held by Titan Multi-Strategy Fund I, Ltd (“TMSFL”). Mr. Honig is the President of Titan Multi-Strategy Fund, Inc., which is the General Partner of TMSF, and Mr. Honig is trustee of the Plans, and in such capacities has voting and dispositive power over the securities held by such entities.
- (c) Includes (i) 5,400 shares held by Elizabeth Honig, (ii) 80,000 shares held by Elizabeth Honig Lifetime Trust, (iii) 1,200 shares held by Elizabeth Honig IRA TD Ameritrade Clearing, Custodian, (iv) 13,500 shares held by Elizabeth Honig as UTMA custodian for Jett Honig (v) 13,000 shares held by Elizabeth Honig as UTMA Custodian for Skylar Honig and (vi) 12,800 shares held by Elizabeth Honig UTMA Custodian for Morgan Honig. Elizabeth Honig and Mr. Honig are married, and Mr. Honig has voting and dispositive power of the securities held by the foregoing.

As of March 31, 2024, we had 11,052,235 Shares outstanding, of which 6,017,090 Shares representing 54.44% of our total outstanding Shares were not held by our major shareholders as disclosed above. As of March 31, 2024, one shareholder of record with a registered address in the United States, Cede & Co., nominee of The Depository Trust Company, held 8,733,747 shares.

The amounts and percentages of ordinary shares beneficially owned are reported on the basis of regulations of the SEC, governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of securities as to which such person has no economic interest. None of our major shareholders have voting rights different from those of our other shareholders.

### B. Related Party Transactions

Since January 1, 2023 through March 31, 2024, we were not a party to any transaction with any related party that did not arise in the ordinary course of business or that was material to us.

### Stock Option Grants and Employee Share Purchase

See Item 6, “Directors, Senior Management and Employees — E. Share Ownership.”

### C. Interests of Experts and Counsel

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

#### **Financial Statements**

See pages beginning on page F-1 in this annual report.

#### **Dividend Policy**

We have neither declared nor paid any dividends on our Shares. We anticipate that we will continue to retain any earnings for use in the operation of our business, and we do not intend to pay dividends in the foreseeable future. See Item 10, “Additional Information — B. Memorandum and Articles of Association — Dividends” in this annual report.

### **B. Significant Changes**

Except as disclosed in this annual report, no significant change has occurred since the date of our consolidated financial statements.

## **ITEM 9. THE OFFER AND LISTING**

Our Shares have been listed and traded on The Nasdaq Capital Market of The Nasdaq Stock Market under the symbol “GIGM” since February 18, 2000.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. Share Capital**

Not Applicable.

### **B. Memorandum and Articles of Association**

Our current amended and restated memorandum and articles of association (the “Constitution”), the full text of which was filed as an exhibit to our annual report on Form 20-F with the SEC on April 30, 2014, were first adopted on our date of incorporation and have been amended since that date. We incorporate by reference into this annual report the description of certain significant provisions of our Constitution contained in our annual report for the year ended December 31, 2007 on Form 20-F, filed with the SEC on June 30, 2008.

There are no limitations imposed by Singapore law or by our Constitution on the right of a non-resident or foreign owner to hold or vote the Shares.

### **C. Material Contracts**

The following are summaries of our material contracts, other than contracts entered into in the ordinary course of business, for the two years immediately preceding the date of this annual report. However, these summaries may not contain all the information important to you. For more complete information, you should read the entire agreements, which have been included as exhibits to this annual report.

On August 31, 2020, we entered into a convertible note purchase agreement to purchase a US\$10,000,000 principal amount convertible promissory note (the “Note”) issued by Aeolus, a global company primarily engaged in designing, manufacturing, processing and sales of intellectual robotics. The Note, which bears interest at a rate of 2% per annum, was due on August 30, 2022 but was extendable to August 30, 2023 at Aeolus’s option, and all or a portion of the principal amount under the Note may be convertible at GigaMedia’s option upon maturity, upon prepayment, or when certain events occur, into ordinary shares or preferred shares of Aeolus at a price of US\$3.00 per share, or into preferred shares in Aeolus’s nearest next round equity financing where Aeolus issues further preferred shares, at a price equal to the purchase price offered in such financing or with certain discount.

On November 3, 2021, Aeolus notified GigaMedia that it intended to issue series B preferred shares, par value US\$0.0001 per share (“Series B Preferred Shares”), to certain new series B preferred shareholders for a subscription price of US\$3.02 per share (the “Next Round Financing”). The Next Round Financing constituted a Qualified Financing, as defined in the said Note. GigaMedia exercised its conversion right in accordance with the Note with respect to US\$2,000,000 of principal amount at the conversion price of US\$2.718 per share, effective December 30, 2021. After the conversion, the remaining outstanding principal amount of the Note was US\$8,000,000. GigaMedia received 735,835 Series B Preferred Shares.

On July 29, 2022, Aeolus notified GigaMedia that it had decided to exercise its right of extension under the Note to extend the original August 30, 2022 maturity date to August 30, 2023.

On August 31, 2023, we and Aeolus entered into an agreement to amend the Note. The amendment extends the maturity date of the Note after the partial repayment of US\$1,000,000 and the payment of accrued interest on the unpaid principal amount of the Note due through August 30, 2023 in the amount of US\$480,000 are made by Aeolus and the outstanding principal amount becomes US\$7,000,000 due thereunder. The US\$1,480,000 payment by Aeolus was made on September 6, 2023.

Pursuant to the amendment to the Note, the remaining principal amount of US\$7,000,000 due thereunder will bear interest at a rate of 4% per annum, shall be due on February 28, 2025 (such date to be extended, at Aeolus's option, to February 28, 2026), and all or a portion of the principal amount due thereunder may be converted upon maturity, upon prepayment or upon the occurrence of certain specified events, upon Aeolus's next round of equity financing, or upon Aeolus's initial public offering, at the lower of US\$1.25 per share or 80% of the applicable offering price.

On August 15, 2023, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$105,346, issued by Aeolus, and on March 15, 2024, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$63,208, issued by Aeolus. These notes bear interest at a rate of 4.5% per annum and are convertible at US\$0.1 per share, while other terms and conditions are similar to the original Note.

## **D. Exchange Controls**

### **Exchange Controls in the R.O.C.**

The R.O.C. Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the Financial Supervisory Commission of the R.O.C. and by the Central Bank of the Republic of China (Taiwan). Current regulations favor trade-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Trade aside, R.O.C. companies and resident individuals may, without foreign exchange approval, remit to and from the R.O.C. foreign currency of up to US\$50 million (or its equivalent) and US\$5 million (or its equivalent), respectively, in each calendar year. Furthermore, any remittance of foreign currency into the R.O.C. by a R.O.C. company or resident individual in a year will be offset by the amount remitted out of R.O.C. by such company or individual (as applicable) within its annual quota and will not use up its annual inward remittance quota to the extent of such offset. The above limits apply to remittances involving a conversion of NT dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium- and long-term foreign debt with the Central Bank of the Republic of China (Taiwan).

In addition, foreign persons may, subject to certain requirements, but without foreign exchange approval of the Central Bank of the Republic of China (Taiwan), remit outside and into the R.O.C. foreign currencies of up to US\$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT dollars to a foreign currency and vice versa. The above limit does not, however, apply to the conversion of NT dollars into other currencies, including U.S. dollars, in respect of the proceeds of sale of any underlying shares withdrawn from a depositary receipt facility.

## **E. Taxation**

### **Singapore Tax Considerations**

#### ***Taxation of Dividends Received by Singapore Resident Shareholders***

On the basis that we are not tax resident in Singapore, dividends paid by us would be taxable in Singapore if they are received in Singapore or if they are considered, in the hands of a particular shareholder, to be derived in Singapore (for example if they constitute the income of a trade or business carried out in Singapore).

Foreign-sourced dividends received on or after June 1, 2003 by any person, not being an individual, resident in Singapore, or on or after January 1, 2004 by any individual resident in Singapore through a partnership in Singapore will be exempt from tax if certain conditions are met. The main conditions to be satisfied for such exemption are that:

- the income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received; and
- at the time the income is received in Singapore by the person resident in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%.

The normal tax rate for corporate profits in Singapore is 17%, with a certain amount of normal chargeable income exempt from tax. Resident individuals deriving chargeable income above certain amount are subject to tax at progressive rates ranging from 2% to 22% with effect from Year of Assessment 2017 (income year 2016) to 2023 (income year 2022). From Year of Assessment 2024 (income year 2023) onwards, the tax on income of resident individuals will range from 2% to 24%.

If our shareholders are corporations, our shareholders will be regarded as being tax resident in Singapore if the control and management of our shareholders' business is exercised in Singapore. For example, if the board of directors of a company meets and conducts the business of such company in Singapore, such company would generally be regarded as tax resident in Singapore. An individual will be regarded as being a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

All foreign-sourced income received or deemed received in Singapore by tax resident individuals (except for income received or deemed received through a partnership in Singapore) on or after January 1, 2004 will be exempt from taxation.

### ***Gains on Disposal of Shares***

Singapore does not impose taxes on capital gains. However, there are no specific laws or regulations that concern the characterization of capital gains and hence, gains on disposal of shares may be construed to be income in nature and subject to Singapore income taxation if they arise from or are otherwise connected with the activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore. You should consult your tax advisors concerning the Singapore tax consequences of acquiring, owning, selling or otherwise disposing the Shares.

### ***Stamp Duty***

There is no stamp duty payable in respect of the issuance and holding of our Shares. Where existing shares are acquired in Singapore, stamp duty is payable on the instrument of transfer (including electronic documents) of the shares at the rate of S\$2.00 for every S\$1,000 or any part thereof, of the consideration for or market value of the Shares, whichever is higher. The stamp duty is borne by the purchaser unless there is an agreement to the contrary.

Where an instrument is executed outside Singapore (and not received in Singapore), or no instrument of transfer is executed, no stamp duty is payable on the acquisition of existing Shares. However, stamp duty would be payable if an instrument of transfer which is executed outside Singapore is received in Singapore. An electronic instrument that is executed outside Singapore is considered received in Singapore if (a) it is retrieved or accessed by a person in Singapore; (b) an electronic copy of it is stored on a device (including a computer) and brought into Singapore; or (c) an electronic copy of it is stored on a computer in Singapore.

Under Singapore law, our directors may not register a transfer of our Shares unless the instrument of transfer has been duly stamped.

### ***Singapore Estate Duty***

Estate duty has been abolished for deaths occurring on or after February 15, 2008.

You should consult your tax advisors regarding the non-Singapore estate duty consequences of your ownership of our Shares.

### ***Goods and Services Tax ("GST")***

The sale of our Shares by an investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply would be a cost to the investor.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore and that person is outside Singapore when the sale is executed, the sale should generally be considered as a taxable supply subject to GST at zero-rate. Any GST incurred by the investor in the making of such a supply, if the same is a supply in the course of or furtherance of a business, may be fully recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the rate of 8% from January 1, 2023 to December 31, 2023 (9% from January 1, 2024 onwards). Similar services rendered to an investor belonging outside Singapore should generally be subject to GST at zero-rate.

## U.S. Tax Considerations

### *U.S. Federal Income Tax Considerations for U.S. Persons*

The following is a discussion of certain U.S. federal income tax considerations for U.S. persons (as defined below) that are investors in Shares. This discussion applies only to U.S. persons that will acquire and hold the Shares as “capital assets” (generally, property held for investment). This discussion is for general information only and does not address all of the tax considerations that may be relevant to you in light of your particular circumstances or if you are subject to special treatment under the U.S. federal income tax laws, including if you are a:

- bank;
- broker-dealer;
- financial institution or insurance company;
- tax-exempt entity;
- person holding Shares as part of a straddle, hedge, conversion or other integrated investment;
- a real estate investment trust or regulated investment company;
- an individual retirement or other tax deferred account;
- person owning (actually or constructively, as determined under U.S. federal income tax law), 10% or more of the combined voting power of all classes of our stock entitled to vote, or 10% or more of the total value of all classes of our stock;
- person whose “functional currency” is not the U.S. dollar;
- an entity which is classified for U.S. federal income tax purposes as a “partnership” or an owner of such equity interests in such an entity; or
- trader in securities that has elected the mark-to-market method of accounting for securities.

This discussion does not address any U.S. state, local or non-United States tax considerations, or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term “U.S. person” means:

- an individual who is a citizen or resident (as determined under U.S. federal income tax laws) of the United States;
- an entity which is treated as a corporation for U.S. federal income tax purposes, created in or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- an arrangement which is treated for U.S. federal income tax purposes as a trust if (1) it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has otherwise elected to be treated as a U.S. person under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”).

If an entity treated as a partnership for U.S. federal income tax purposes holds Shares, the tax treatment of a holder of equity interests in such entity will generally depend upon the status of such holder and the activities of such entity. If you are a holder of equity interests in an entity which is treated as a partnership for U.S. federal tax purposes, and such entity holds Shares, you are urged to consult your tax advisor as to the particular U.S. federal income tax consequences of an investment in the Shares that are applicable to you.

This section is based on the Internal Revenue Code, existing and proposed income tax regulations issued under the Internal Revenue Code, legislative history, and judicial and administrative interpretations thereof, all as of the date of this annual report. All of the foregoing are subject to change at any time, and any change could be retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company (“PFIC”) rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service (“IRS”) or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS or a court will not take a different position concerning the U.S. federal income tax consequences of an investment in the Shares or that any such position would not be sustained.

You are urged to consult your tax advisor concerning the particular U.S. federal, state, local and non-United States income and other tax considerations regarding the ownership and disposition of the Shares, including the application of the passive foreign investment company rules discussed below. Investors should carefully review the discussion below under “—Passive Foreign Investment Company.”

### ***Passive Foreign Investment Company***

Due to the price of our Shares during 2023 and the composition of our assets (in particular, the retention of a large amount of cash), we believe that it is likely that we were classified as a PFIC, for United States federal income tax purposes, for the taxable year ended December 31, 2023, and that we will likely be a PFIC for our current taxable year ending December 31, 2024, unless our share value increases substantially and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. In general, we will be classified as a PFIC for any taxable year if either (i) 75% or more of our gross income for such year is passive income or (ii) 50% or more of the average quarterly value of our assets (as generally determined on the basis of fair market value) produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are generally classified as passive and goodwill and other unbooked intangibles associated with active business activities may generally be classified as non-passive. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation more than 25% (by value) of whose stock is owned, directly or indirectly, by us.

If we are classified as a PFIC for any taxable year during which you hold Shares, and unless you make a mark-to-market election (as described below), you will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to you (which generally means any distribution received by you in a taxable year that is greater than 125% of the average annual distributions received by you in the three preceding taxable years or your holding period for the Shares, if shorter), and (ii) any gain realized on the sale or other disposition, including a pledge, of our Shares. Under the PFIC rules:

- such excess distribution or gain will be allocated ratably over your holding period for the Shares;
- such amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to you for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than the current taxable year or a pre-PFIC year.

As an alternative to the foregoing rules, a holder of “marketable stock” in a PFIC may make a mark-to-market election, provided that the Shares are “regularly traded” on a “qualified exchange”. Based on the current level of trading activity of our Shares on The Nasdaq Capital Market, no assurance can be given that the Shares qualify, or will qualify, as being regularly tradable on a qualified exchange in the United States. If you make this election, you will generally (i) include in gross income as ordinary income for each taxable year the excess, if any, of the fair market value of your Shares at the end of the taxable year over the adjusted tax basis of the Shares and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the Shares over the fair market value of the Shares at the end of the taxable year, but only to the extent of the amount previously included in income as a result of the mark-to-market election. Your adjusted tax basis in the Shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If you make a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, you will generally not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If you make a mark-to-market election, any gain you recognize upon the sale or other disposition of Shares will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. person makes a mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions, except that the reduced tax rate applicable to qualified dividend income (as discussed below in “—Dividends”) would not apply.

Furthermore, a U.S. person will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. person’s holding period in which we become a PFIC and subsequent taxable years even if we cease to be a PFIC in subsequent taxable years. In the case of a U.S. person who has held Shares during any taxable year in which we are classified as PFIC and continues to hold such Shares (or any portion thereof), and who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such Shares.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. person may continue to be subject to the PFIC rules with respect to such U.S. person’s indirect interest in any investment held by us that is treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide U.S. persons with the information necessary to permit U.S. persons to make qualified electing fund elections (a “QEF election”), which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above. Please consult your U.S. tax advisor regarding the requirements and consequences to you of making such a QEF election with respect to your Shares.

Each U.S. person who holds an interest in a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. In addition, if a U.S. person holds Shares in any year in which we are a PFIC, such holder will be required to file Internal Revenue Service Form 8621 regarding distributions received on the Shares, any gain realized on the disposition of the Shares, and any “reportable election.” You are urged to consult your tax advisor regarding the application of the PFIC rules, including the possibility and advisability of making a mark-to-market election or, where applicable, making purging elections with respect to PFIC Tainted Shares.

### ***Taxation of Dividends***

The following description of the taxation of dividends is subject to the discussion above with respect to the passive foreign investment company tax rules. The amount of distributions you receive on your Shares (other than certain pro rata distributions of our Shares or rights to subscribe for Shares) will generally be reported as dividend income to you if the distributions are made from our current or accumulated earnings and profits as calculated according to U.S. federal income tax principles. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be reported as a “dividend” for U.S. federal income tax purposes. You will include such dividends in your gross income as ordinary income on the day you actually or constructively receive them. The amount of any distribution of property other than cash will be the fair market value of such property on the date it is distributed. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income, so long as certain holding period requirements are met. A non-U.S. corporation generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program or with respect to any dividend it pays on stock which is readily tradable on an established securities market in the United States and (ii) the corporation is not a PFIC and is not treated as a PFIC with respect to you for the taxable year in which the dividend was paid and the preceding taxable year. There is currently no tax treaty in effect between the United States and Singapore. Although the Shares are currently tradable on The Nasdaq Capital Market, which is an established securities market in the United States, no assurance can be given that the Shares will continue to be readily tradable on an established securities market in the United States. U.S. corporate holders will generally not be eligible for the dividends received deduction allowed to corporations unless the U.S. corporation holds stock representing at least 10% of the total voting power or the total value of all of our stock, in which case the U.S. corporation may be entitled to a 100% deduction for dividends we pay. As noted above, we believe that it is likely that we were classified as a PFIC for the taxable year ended December 31, 2023, and that we will likely be a PFIC for our current taxable year ending December 31, 2024.

The amount of any distribution paid in a currency other than the U.S. dollar will equal the U.S. dollar value of the foreign currency you receive, calculated by reference to the exchange rate in effect on the date you actually or constructively receive the distribution, regardless of whether the foreign currency is actually converted into U.S. dollars. If you do not convert the foreign currency you receive as a dividend on the date of receipt, you will have a basis in such foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss you realize when you subsequently sell or otherwise dispose of such foreign currency generally will be ordinary income or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

Dividends on Shares will generally be treated as foreign source income for U.S. foreign tax credit purposes and generally will constitute passive category income or, in certain cases, general category income or foreign branch income. A U.S. person may be eligible, subject to a number of complex limitations, including those set forth in the U.S. Treasury regulations issued on December 28, 2021, which apply to foreign taxes paid or accrued in taxable years beginning on or after December 28, 2021 (the “Final FTC Treasury Regulations”), to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on Shares. The Final FTC Treasury Regulations impose additional requirements for foreign taxes to be eligible for a foreign tax credit. However, the IRS has indicated that taxpayers may defer the application of many of these additional requirements until further notice. A U.S. person who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing U.S. foreign tax credits, including under the Final FTC Treasury Regulations, are complex. Accordingly, you are urged to consult your tax advisor regarding the availability of a U.S. foreign tax credit under your particular circumstances.



### ***Sale or Other Disposition of Shares***

Except as discussed above with respect to the passive foreign investment company tax rules, a U.S. person generally will recognize capital gain or loss for U.S. federal income tax purposes upon a sale or other disposition of Shares in an amount equal to the difference between the amount realized from the sale or disposition and the holder's adjusted tax basis in the Shares. Such gain or loss generally will be long-term (taxable at a reduced rate for individuals) if, on the date of sale or disposition, the Shares were held by the holder for more than one year and will generally be treated as gain or loss from U.S. sources for foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. You are urged to consult your tax advisor regarding the consequences if a foreign withholding tax is imposed on a disposition of Shares, including the availability of the foreign tax credit under your particular circumstances.

### ***Information with Respect to Foreign Financial Assets***

U.S. persons that are individuals (and, to the extent provided in regulations, certain entities) that own "specified foreign financial assets," including possibly the Shares, with an aggregate value in excess of \$50,000 are generally required to file IRS Form 8938 with information regarding such assets. Depending on the circumstances, higher threshold amounts may apply. Specified foreign financial assets include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. If a U.S. person is subject to this information reporting regime, the failure to timely file IRS Form 8938 may subject the U.S. holder to penalties. In addition to these requirements, U.S. persons may be required to annually file FinCEN Report 114, Report of Foreign Bank and Financial Accounts with the U.S. Department of Treasury. You are thus encouraged to consult your U.S. tax advisors with respect to these and other reporting requirements that may apply to the acquisition of the Shares.

### ***Backup Withholding and Information Reporting***

U.S. persons may be subject to information reporting to the Internal Revenue Service with respect to dividends on and proceeds from the sale or other disposition of our Shares. Dividend payments with respect to our Shares and proceeds from the sale or other disposition of our Shares are not generally subject to United States backup withholding (provided that certain certification requirements are satisfied). You are advised to consult your tax advisor regarding the application of the United States information reporting and backup withholding rules to your particular circumstances.

Individuals who are U.S. person, and who hold "specified foreign financial assets", including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution", whose aggregate value exceeds US\$50,000 during the tax year, may be required to attach to their tax returns for the year certain specified information. An individual who fails to timely furnish the required information may be subject to a penalty. Each U.S. person who is an individual is advised to consult its tax advisor regarding its reporting obligations under this legislation.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statements by Experts**

Not applicable.

#### **H. Documents on Display**

The SEC allows us to "incorporate by reference" the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference in this annual report is considered to be part of this annual report. We therefore incorporate by reference in Item 19 of this annual report certain exhibits, which we filed with the SEC in prior filings. You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Additional information may also be obtained over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov).

You may also request a copy of our SEC filings, at no cost, upon written request to our investor relations department at 8th Floor, No. 22, Lane 407, Section 2, Tiding Boulevard, Taipei 114-740, Taiwan R.O.C., or by e-mail to: [IR@Gigamedia.com.tw](mailto:IR@Gigamedia.com.tw). A copy of each report submitted in accordance with applicable U.S. law is also available for public review at our principal executive office.

As a foreign private issuer, we are exempt under the Securities Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Securities Exchange Act. In addition, we will not be required under the Securities Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Securities Exchange Act.

## **I. Subsidiary Information**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates, of financial instruments. We are exposed to various types of market risks in the normal course of business, including changes in interest rates and foreign currency exchange rates.

There may be material limitations that cause the information disclosed below not to fully reflect the net market risk exposures of our Company. The limitations include financial instruments that we may utilize in the future, and transactions we may enter into for managing risks, that have not yet been determined. The limitations may also include mismatches in our positions, and other features of the instruments, positions and transactions that are mentioned below.

### **Foreign Currency Risk**

Our subsidiaries conduct most of their business transactions in their own measurement currencies; therefore, the foreign currency risks derived from operations are not significant. However, we hold some assets or liabilities in foreign currencies other than measurement currency and the value of these assets and liabilities are subject to foreign currency risks resulting from fluctuations in exchange rates between the foreign-denominated currency and the measurement currency. We have not used hedging transactions to reduce our exposure to exchange rate fluctuations; however, we may choose to do so in the future. For more information on foreign currency translations for our financial reporting purposes, see note 1(c) to our audited consolidated financial statements beginning on page F-1 in this annual report.

As of December 31, 2023, we had bank deposits of approximately US\$1.2 million and financial instruments, net, of US\$4.7 million denominated in foreign currencies other than measurement currencies of the entities holding such assets. These assets are subject to foreign currency exchange risk. We also had certain inter-company accounts between our wholly-owned entities using different functional currencies. While the balances of the inter-company accounts, totaled at approximately US\$22.7 million as of the end of 2023, were fully eliminated in the consolidation, the foreign exchange gain or loss resulted remained in our consolidated statements of operations. We recognized a realized foreign exchange loss of approximately US\$160 thousand and unrealized foreign exchange gain of approximately US\$126 thousand in the year ended December 31, 2023.

Based on the sensitivity analysis of our exposure to foreign currency exchange rate risk related our bank deposits and investment - debt and equity securities which were denominated in a foreign currency other than functional currencies of the entities holding such assets, a hypothetical 10% change in the exchange rate between the U.S. dollar and the underlying currencies of those instruments subject to foreign currency exchange rate risk would result in a change of 0.81% in our total equity as of December 31, 2023.

From January 1, 2023 to April 11, 2024, while the Hong Kong dollar to U.S. dollar exchange rate fluctuated moderately 0.8%, the NT dollar to U.S. dollar exchange rate fluctuated approximately 9%, mainly due to the great volatility in global financial markets resulted by the ongoing Russia-Ukraine War as well as global central banks' interest rate hikes. Nonetheless, we maintain the bulk of our financial assets in U.S. dollar-denominated assets to limit the foreign currency risk we are exposed to.

### **Interest Rate Risk**

Our exposure to interest rates related primarily to our short-term loans from various banks. As of December 31, 2023 and 2022, we did not have outstanding bank loans.

### **Other Market Risks**

We are also exposed to other market risks, which are mainly derived from our investments. We have investments of minority stake equity and debt instruments in Aeolus Robotics Corporation, a privately held company. These investments are recorded in fair values. As of December 31, 2023, the aggregate carrying value of investments on our balance sheet was \$5.8 million. We monitor these investments for impairment and make appropriate reductions in carrying value. We made a decrease in the fair value of the investments by totally \$3.7 million (in which \$2.1 million were included in earnings) for the year ended on December 31, 2023. There were no impairment losses for the years ended on December 31, 2022 and 2021.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

#### **A. Material Modification to the Instruments Defining the Rights of Security Holders**

None.

#### **B. Material Modification to the Rights of Registered Securities by Issuing or Modifying or any Other Class of Securities**

None.

#### **C. Withdrawal or Substitution of a Material Amount of the Assets Securing any Registered Securities**

Not applicable.

#### **D. Change of Trustees or Paying Agents for any Registered Securities**

None.

#### **E. Use of Proceeds**

Not applicable.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based upon that evaluation, and taking into account the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported on a timely basis, and these controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States ("US GAAP"). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and directors and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO 2013”) in Internal Control - Integrated Frameworks. Based on our assessment using those criteria, our management has concluded that our internal control over financial reporting as of December 31, 2023 was effective.

#### Attestation Report of the Independent Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting, as we are a non-accelerated filer exempted from section 404(b) of the Sarbanes-Oxley Act.

#### Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### ITEM 16. RESERVED

##### ITEM 16A.AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Ms. Wan-Wan LIN, an independent director and member of our audit committee, is the audit committee financial expert.

##### ITEM 16B.CODE OF ETHICS

We have adopted a code of ethics, as defined in Item 16B of Form 20-F. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, as well as to our directors, other officers, employees and consultants. The full text of our code of ethics is available on our website, [www.gigamedia.com](http://www.gigamedia.com). If we amend any provisions of our code of ethics, we will disclose such amendment on our website at the same address. If we make any waivers of any provisions of our code of ethics, we will disclose any such waivers within four business days either by distributing a press release or including disclosure in a Form 6-K. We will also provide any person without charge a copy of our code of ethics upon written request to our investor relations department at 8th Floor, No. 22, Lane 407, Section 2, Tiding Boulevard, Taipei 114-740, Taiwan R.O.C., or by e-mail to: [IR@Gigamedia.com.tw](mailto:IR@Gigamedia.com.tw).

On December 19, 2005, our board of directors adopted an anti-fraud policy for the purpose of preventing fraud schemes, including fraudulent financial reporting misappropriation of assets, any fraud committed by senior management, and information technology fraud. The anti-fraud policy was also amended on February 13, 2009. According to our anti-fraud policy, our audit committee is responsible for monitoring the implementation of our anti-fraud policy and procedures, and an anti-fraud taskforce is assigned by our audit committee to be responsible for the anti-fraud hotline management, risk assessment, complaint investigation and resolution, and reporting to our Chief Executive Officer, Chief Financial Officer and audit committee.

On May 10, 2006, our audit committee adopted a whistleblower program pursuant to our anti-fraud policy. The whistleblower program enables all employees to know how and when to use the whistleblower hotline and communicate or report, on a confidential or anonymous basis, without fear of retribution, concerns related to wrongdoings or violations, and ensures that all reported incidents are properly investigated.

On April 30, 2010, our board of directors adopted a non-competition provision under which all of our employees, consultants, officers and directors may not participate, invest, license, employ or being employed, or cooperate with any company or entity engaged in a line of business which may be competitive with the business of the Company within three months after termination of their employment of the Company, except in cases where the local law or the contract states otherwise. An amended non-solicitation provision was also adopted, under which all our employees, consultants, officers and directors may not, during their employment or within twelve months after termination of the employment, directly or indirectly, solicit, entice, or attempt to approach, solicit or entice any of the other employees of the Company or its affiliates to terminate the employment.

##### ITEM 16C.PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table summarizes the aggregate fees billed to us by Deloitte & Touche (PCAOB ID No. 1060) for the fiscal years ended December 31, 2023 and 2022, respectively.

For the Years Ended December 31	2023 (in US\$)	2022 (in US\$)
Audit Fees	\$ 265,000	\$ 265,000
Audit-Related Fees	0	0
Tax Fees	7,000	7,000
All Other Fees	0	0

**A. Audit Fees**

Audit fees consist of fees billed for the annual audit of our consolidated financial statements. Audit fees also include fees for services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

**B. Tax Fees**

Tax fees include fees billed for tax compliance services.

**C. Audit Committee Pre-Approval Policies and Procedures**

In May 2005, we adopted our audit committee charter. Consistent with the SEC's policies regarding auditor independence, our audit committee is directly responsible for the appointment, compensation, retention and oversight of the work of auditors engaged to provide us with audit, review or attest services. Our audit committee has sole discretion to review and pre-approve the appointment of auditors, subject to the appointment, replacement or removal from office of our independent public accountants as approved by our shareholders at our Annual General Meeting, and to set their fees for the performance of audit and non-prohibited non-audit services in accordance with the Sarbanes-Oxley Act of 2002 and the SEC rules and regulations promulgated thereunder.

The appointment of our independent registered public accounting firm, Deloitte & Touche, as well as the scope of each audit, audit-related or non-prohibited, as well as any non-audit services provided pursuant to such appointment, and our auditors' fees for all such services, were approved by our audit committee.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

**Summary of Significant Differences in Corporate Governance Practices**

Our Shares are currently listed on The Nasdaq Capital Market of The Nasdaq Stock Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by Nasdaq as being applicable to listed companies. Under Nasdaq Rule 5615(a)(3), a foreign private issuer such as our Company may follow its home country practice in lieu of the requirements of the Nasdaq Rule 5600 Series, with certain exceptions, provided that it discloses each requirement that it does not follow and describes the home country practice followed in lieu of such requirements. In addition, Nasdaq has amended its Rule 5615(a)(3) to permit foreign private issuers to follow certain home country corporate governance practices without the need to seek an individual exemption from Nasdaq. However, a foreign private issuer must disclose in its annual report filed with the SEC each requirement it does not follow and the alternative home country practice it does follow.

We are incorporated under the laws of Singapore. We currently comply with the specifically mandated provisions of Nasdaq Rule 5615(a)(3). We are currently exempt from the DRS eligibility provisions of Nasdaq Rule 5255(c) as we are not allowed to issue of non-certificated securities under Singapore law. See Item 9, "The Offer and Listing" in this annual report. We have elected to voluntarily comply with other requirements of Nasdaq Rule 5600 Series in all material aspects, notwithstanding that our home country does not mandate compliance; although we may in the future determine to cease voluntary compliance with those provisions of Nasdaq Rule 5600 Series.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**ITEM 16J. INSIDER TRADING POLICIES**

Not applicable.

## ITEM 16K. CYBERSECURITY

The audit committee of the board of directors receives, reviews and discusses the periodic reports regarding the company's information technology and security matters, which include cybersecurity incidents, assessments of new and emerging cybersecurity risks and threats, and proposed improvement measures.

We have cybersecurity processes and guidelines designed to mitigate the risks of a security breach or cyber-attack. These guidelines define the information security and cover measures of employee responsibility, information security coordination, data governance and classification, access controls and identity management, system & network security, operations & availability, system & network monitoring, asset inventory and device management, data center security management and business continuity and disaster recovery.

We have also established guidelines describing the procedures for reporting and responding to cybersecurity incidents. The guidelines define and classify cybersecurity incidents, specify the division of responsibilities, and designates incident reporting flows in accordance with the materiality level of the incidents. Once an incident is detected, identified and reported, a team led by responsible manager (for a less severe incident) or IT division head (for a material incident) will be assembled for responding to the incident. The team will comprise personnel for information gathering and planning, damaging controlling, recovering and evidence tracing and preserving, as well as for public communication and administrative, legal and financial supporting. Besides the responding measures, the team will also perform analyses for incident cause as well as the actions and recommendations in order to prevent or mitigate similar incidents in the future. Follow-up meetings or periodic review will be in place to evaluate the result of these actions and recommendations.

We have implemented real-time monitoring mechanisms for the cloud services. In case of any material incidents, relevant IT personnel will be notified promptly via email, and corresponding procedures will be followed in accordance with the company policies designed to minimize operational impacts. Additionally, we regularly obtain Service Organization Controls (SOC) reports from our third-party service providers to assess the effectiveness of their control measures.

The head of IT division is responsible for assessing and managing the cybersecurity risk and reporting on cybersecurity matters to the audit committee of the board of directors. Our head of IT division obtained his master degree in Graduate Institute of Computer Science, National Tsing Hua University and has over 20 years of experience working in information technology. Other professionals in our IT division also have cybersecurity experiences or certifications. Our IT division regularly assesses potential threats and takes a comprehensive view of cybersecurity risks. We have not engaged any third-party service provider to assist on risk assessment processes.

As of the date of this annual report, we do not believe that any past cybersecurity incidents have had, or are reasonably likely to have had, a material adverse effect on the Company's business, operations or financial condition. See "Risk Factors—Risks Related to Cybersecurity and Technology Infrastructure."

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

Our consolidated financial statements and the reports thereon by our independent registered public accounting firms listed below are attached hereto as follows:

	<u>Page</u>
<a href="#">(a) Report of Independent Registered Public Accounting Firm</a> .....	F-2
<a href="#">(b) Consolidated Balance Sheets as of December 31, 2023 and 2022</a> .....	F-4
<a href="#">(c) Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021</a> .....	F-6
<a href="#">(d) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2023, 2022 and 2021</a> .....	F-7
<a href="#">(e) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2023, 2022 and 2021</a> .....	F-8
<a href="#">(f) Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021</a> .....	F-9
<a href="#">(g) Notes to the consolidated financial statements</a> .....	F-11

## ITEM 19. EXHIBITS

EXHIBIT	INDEX
1.1	Amended Memorandum and Articles of Association of our Company, incorporated by reference to Exhibit 1.1 to our annual report for the year 2013 on Form 20-F filed with the SEC on April 30, 2014
2.1*	<a href="#">Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act</a>
4.1	Convertible Note Purchase Agreement between GigaMedia Limited and Aeolus Robotics Corporation, dated August 31, 2020, incorporated by reference to Exhibit 1.1 to our annual report for the year 2020 on Form 20-F filed with the SEC on April 29, 2021
4.1(a)	Convertible Promissory Note of Aeolus Robotics Corporation, dated August 31, 2020 (included in Exhibit 4.1)
4.1(b)*	<a href="#">Amendment to Convertible Note Purchase Agreement between GigaMedia Limited and Aeolus Robotics Corporation, dated August 31, 2023</a>
4.2*	<a href="#">Convertible Note Purchase Agreement between GigaMedia Limited and Aeolus Robotics Corporation, dated August 15, 2023</a>
4.2(a)	Convertible Promissory Note of Aeolus Robotics Corporation, dated August 15, 2023 (included in Exhibit 4.2)
4.3*	<a href="#">Convertible Note Purchase Agreement between GigaMedia Limited and Aeolus Robotics Corporation, dated March 15, 2024</a>
4.3(a)	Convertible Promissory Note of Aeolus Robotics Corporation, dated March 27, 2024 (included in Exhibit 4.3)
8.1*	<a href="#">List of Subsidiaries</a>
11.1*	<a href="#">Code of Ethics, as last amended by the board of directors on March 25, 2024</a>
12.1*	<a href="#">Certification by our Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act</a>
12.2*	<a href="#">Certification by our Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act</a>
13.1*	<a href="#">Certification by our Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2*	<a href="#">Certification by our Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Deloitte &amp; Touche, Independent Registered Public Accounting Firm</a>
97.1*	<a href="#">Compensation Recovery Policy</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith



**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**GIGAMEDIA LIMITED**

By: /s/ HUANG, CHENG-MING  
HUANG, CHENG-MING  
Chief Executive Officer

Date: April 29, 2024

**GIGAMEDIA LIMITED AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a> .....	F-3
<a href="#">Consolidated balance sheets as of December 31, 2023 and 2022</a> .....	F-4
<a href="#">Consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021</a> .....	F-6
<a href="#">Consolidated statements of comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021</a> .....	F-7
<a href="#">Consolidated statements of changes in shareholders' equity for the years ended December 31, 2023, 2022 and 2021</a> .....	F-8
<a href="#">Consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021</a> .....	F-9
<a href="#">Notes to consolidated financial statements</a> .....	F-11

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders  
GigaMedia Limited

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of GigaMedia Limited and subsidiaries (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the result of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### **Fair Value - Level 3 Assets - Refer to Note 4 to the Consolidated Financial Statements**

#### Critical Audit Matter Description

The Company holds investment in securities amounted to \$5,777 thousand issued by a private company. The fair value of the investments is based on complex valuation methods with unobservable inputs, therefore, classified as Level 3.

Unlike the valuation of assets with readily observable market prices, therefore, more easily independently corroborated, the valuation of financial instruments classified as Level 3 is inherently subjective, and often involves the use of complex proprietary methods and unobservable inputs.

We identified the valuation of the Level 3 assets as a critical audit matter because of the complex valuation methods and unobservable inputs, including the discount rate, discount of lack of marketability and volatility management uses to estimate the fair value. This requires a high degree of auditor's professional judgment and an increased extent of effort, including the involvement of our fair value specialists, when evaluating the methods and related inputs.

#### How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included the following, among others:

- We obtained an understanding and evaluated the design and implementation of controls over management's valuation of the Level 3 assets, including controls over the Company's valuation methods and significant unobservable inputs.
- With the assistance of our fair value specialists, (1) we evaluated the appropriateness of the valuation methodologies and techniques used in determining the fair value of the Level 3 asset;(2)we tested the underlying data used in the methods calculations and the mathematical accuracy of the calculation; (3)we evaluated the appropriateness of the judgements and estimates of the key inputs used in determining the fair value of the Level 3 assets including but not limited to the discount rate, discount of lack of marketability and volatility.

/s/Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 29, 2024

We have served as the Company's auditor since 2017.

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(in thousands of US dollars)

	December 31	
	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 5)	\$ 38,470	\$ 38,794
Investment in securities - current (Note 8)	—	7,950
Accounts receivable - net (Note 6)	227	199
Prepaid expenses	54	60
Restricted cash (Note 5)	313	313
Other current assets (Note 7)	143	510
<b>Total Current Assets</b>	<u>39,207</u>	<u>47,826</u>
INVESTMENT IN SECURITIES - NONCURRENT (Note 8)	5,777	2,371
PROPERTY, PLANT AND EQUIPMENT, NET (Note 18)	111	103
INTANGIBLE ASSETS - NET (Note 18)	13	19
<b>OTHER ASSETS</b>		
Refundable deposits	193	192
Prepaid licensing and royalty fees (Note 3)	24	177
Right-of-use assets (Note 9 and 18)	944	1,306
Other (Note 12)	228	142
<b>TOTAL ASSETS</b>	<u>\$ 46,497</u>	<u>\$ 52,136</u>

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS - (Continued)  
DECEMBER 31, 2023 AND 2022  
(in thousands of US dollars, except share data)

	December 31	
	2023	2022
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 44	\$ 53
Accrued expenses (Note 10)	1,182	1,151
Deferred revenue (Note 11)	573	817
Other current liabilities (Notes 9 and 17)	665	616
Total Current Liabilities	2,464	2,637
<b>NONCURRENT LIABILITIES</b>		
Lease liabilities (Note 9)	495	893
Total Liabilities	2,959	3,530
<b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>		
	—	—
<b>SHAREHOLDERS' EQUITY (Note 13)</b>		
Ordinary shares, no par value, and additional paid-in capital; issued and outstanding 11,052 thousand shares in 2023 and 2022	308,752	308,752
Accumulated deficit	(241,830)	(238,431)
Accumulated other comprehensive loss (Note 14)	(23,384)	(21,715)
Total GigaMedia Shareholders' Equity	43,538	48,606
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 46,497</b>	<b>\$ 52,136</b>

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021  
(in thousands of US dollars, except for earnings per share amounts)

	2023	2022	2021
<b>OPERATING REVENUES</b>			
Digital entertainment service revenues (Note 18)	\$ 4,292	\$ 5,585	\$ 5,492
<b>COSTS OF REVENUES</b>			
Cost of digital entertainment service revenues	(1,846)	(2,335)	(2,584)
<b>GROSS PROFIT</b>	<u>2,446</u>	<u>3,250</u>	<u>2,908</u>
<b>OPERATING EXPENSES</b>			
Product development and engineering expenses	(729)	(1,110)	(1,449)
Selling and marketing expenses	(1,623)	(1,644)	(1,729)
General and administrative expenses	(3,242)	(3,515)	(3,697)
Bad debt expense (Note 6)	(7)	(2)	(7)
	<u>(5,601)</u>	<u>(6,271)</u>	<u>(6,882)</u>
<b>LOSS FROM OPERATIONS</b>	<u>(3,155)</u>	<u>(3,021)</u>	<u>(3,974)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>			
Interest income from financial institutions	1,609	559	92
Interest income on securities (Note 17)	202	159	160
Gain on disposal or repayment of investment in securities (Note 8)	76	—	125
Foreign exchange gain (loss), net	(34)	(941)	122
Changes in the fair value of investment in equity securities recognized at fair value (Note 4)	(2,110)	409	—
Other	13	83	50
	<u>(244)</u>	<u>269</u>	<u>549</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(3,399)</u>	<u>(2,752)</u>	<u>(3,425)</u>
<b>INCOME TAX EXPENSE (Note 16)</b>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF GIGAMEDIA</b>	<u>\$ (3,399)</u>	<u>\$ (2,752)</u>	<u>\$ (3,425)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO GIGAMEDIA</b>			
Basic and Diluted:	<u>\$ (0.31)</u>	<u>\$ (0.25)</u>	<u>\$ (0.31)</u>
<b>WEIGHTED AVERAGE SHARES USED TO COMPUTE LOSS PER SHARE ATTRIBUTABLE TO GIGAMEDIA SHAREHOLDERS (Note 2)</b>			
Basic	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>
Diluted	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021  
(in thousands of US dollars)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
NET LOSS	\$ (3,399)	\$ (2,752)	\$ (3,425)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX:			
Defined benefit pension plan adjustment	(11)	76	14
Foreign currency translation adjustment	(129)	(190)	203
Unrealized holding gain (loss) on investment in securities	(1,453)	620	(124)
Reclassification adjustment for loss included in net income	(76)	—	97
Other	—	—	(10)
	<u>(1,669)</u>	<u>506</u>	<u>180</u>
COMPREHENSIVE LOSS ATTRIBUTABLE TO GIGAMEDIA SHAREHOLDERS	<u>\$ (5,068)</u>	<u>\$ (2,246)</u>	<u>\$ (3,245)</u>

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



GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021  
(in thousands of US dollars and shares)

	<b>GIGAMEDIA SHAREHOLDERS</b>				<b>Total</b>
	<b>Ordinary shares and additional paid-in capital</b>		<b>Accumulated deficit</b>	<b>Accumulated other comprehensive loss</b>	
	<b>Shares</b>	<b>Amount</b>	<b>(Note 13)</b>	<b>(Note 14)</b>	
Balance as of January 1, 2021	11,052	\$ 308,752	\$ (232,254)	\$ (22,401)	\$ 54,097
Net loss	—	—	(3,425)	—	(3,425)
Other comprehensive income	—	—	—	180	180
Balance as of December 31, 2021	11,052	308,752	(235,679)	(22,221)	50,852
Net loss	—	—	(2,752)	—	(2,752)
Other comprehensive loss	—	—	—	506	506
Balance as of December 31, 2022	11,052	308,752	(238,431)	(21,715)	48,606
Net loss	—	—	(3,399)	—	(3,399)
Other comprehensive loss	—	—	—	(1,669)	(1,669)
Balance as of December 31, 2023	<u>11,052</u>	<u>\$ 308,752</u>	<u>\$ (241,830)</u>	<u>\$ (23,384)</u>	<u>\$ 43,538</u>

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021  
(in thousands of US dollars)

	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (3,399)	\$ (2,752)	\$ (3,425)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation	43	24	11
Amortization	12	9	9
Bad debt expense	7	2	7
Gain on disposal of investment in securities	(76)	—	(125)
Changes in the fair value of investment in equity securities recognized at fair value	2,110	(409)	—
Unrealized foreign exchange (gain) loss	(85)	1,022	—
Other	—	3	—
Net changes in:			
Accounts receivable	(35)	64	3
Prepaid expenses	7	341	(313)
Prepaid licensing and royalty fees	152	(142)	96
Prepaid pension assets	9	(59)	(16)
Other assets	272	(141)	(151)
Accounts payable	(9)	(66)	47
Accrued expenses	31	(284)	(80)
Other liabilities	(232)	(121)	(198)
Net cash used in operating activities	<u>(1,193)</u>	<u>(2,509)</u>	<u>(4,135)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment in securities	(105)	—	—
Purchases of property, plant and equipment	(52)	(52)	(76)
Increase in intangible assets	(6)	(18)	(17)
Proceeds from disposal of investment in securities	1,000	—	80
Increase in refundable deposits	—	—	(4)
Net cash provided by (used in) investing activities	<u>837</u>	<u>(70)</u>	<u>(17)</u>

GIGAMEDIA LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021  
(in thousands of US dollars)

	2023	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net cash used in financing activities	—	—	—
Net foreign currency exchange differences on cash, cash equivalents and restricted cash	32	(75)	(89)
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(324)</b>	<b>(2,654)</b>	<b>(4,241)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<b>39,107</b>	<b>41,761</b>	<b>46,002</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<b>\$ 38,783</b>	<b>\$ 39,107</b>	<b>\$ 41,761</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Interest paid during the year	\$ —	\$ —	\$ —
Income tax refunded during the year	\$ —	\$ —	\$ (2)

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

GIGAMEDIA LIMITED AND SUBSIDIARIES  
Notes To Consolidated Financial Statements  
December 31, 2023, 2022 and 2021

**NOTE 1. Principal Activities, Basis of Presentation, and Summary of Significant Accounting Policies**

***(a) Principal Activities***

GigaMedia Limited (referred to hereinafter as GigaMedia, our Company, we, us, or our) is a diversified provider of digital entertainment services, with a headquarters in Taipei, Taiwan.

Our digital entertainment service business operates a suite of play-for-fun digital entertainment services, mainly targeting online and mobile-device users across Asia.

***(b) Basis of Presentation***

The accompanying consolidated financial statements of our Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

***(c) Summary of significant accounting policies***

***Principles of Consolidation***

The consolidated financial statements include the accounts of GigaMedia and its subsidiaries after elimination of all inter-company accounts and transactions.

***Foreign Currency Transactions***

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. Foreign currency transactions denominated in currencies other than the functional currencies are translated into the functional currency using the exchange rate prevailing on the transactions dates. At year-end, the balances of foreign currency monetary assets and liabilities are recorded based on prevailing exchange rates and any resulting gains or losses are included in other income and expenses. For the Investments in debt securities that are classified as either trading or available for sale that is denominated in a foreign currency, see Note 1(c), Summary of significant accounting policies - Investment in Securities, for additional information.

***Translation of Foreign Currency Financial Statements***

The reporting currency of our Company is the U.S. dollars. The functional currency of some of our Company’s subsidiaries is the local currency of the respective entity. Accordingly, the financial statements of the foreign subsidiaries were translated into U.S. dollars at the following exchange rates: assets and liabilities — current rate on the balance sheet date; shareholders’ equity — historical rates; income and expenses — average rate during the period. Cumulative translation adjustments resulting from this process are charged or credited to other comprehensive income.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management bases its estimates on historical experience and on assumptions that it believes are reasonable. Management assesses these estimates on a regular basis; however, actual results could differ from those estimates. Items subject to such estimates and assumptions include but not limit to the deferral and breakage of revenues; the fair value of unquoted debt and equity securities, the useful lives of property, plant and equipment and right-of-use assets; allowances for doubtful accounts; the valuation of deferred tax assets, long-lived assets, investments and share-based compensation; and accrued pension liabilities (prepaid pension assets), income tax uncertainties and other contingencies. We believe the critical accounting policies listed below affect management’s judgments and estimates used in the preparation of the consolidated financial statements.

## ***Revenue Recognition and Deferral***

### ***General***

Our recognition of revenue from contracts with customers is in accordance with the five-step revenue recognition model: (1) identify the contract with a customer; (2) identify the performance obligation in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation; and (5) recognize revenue when or as we satisfy a performance obligation.

Sales taxes assessed by governmental authorities on our revenue transactions are presented on a net basis of digital entertainment service revenues in our consolidated financial statements.

In addition to the aforementioned general policies, the following are the specific revenue recognition policies for revenue from contracts with customers.

### ***Digital Entertainment Product and Service Revenues***

Digital entertainment product and service revenues are mainly generated through sale of virtual points and in-game items, and those virtual goods purchased in our games can only be consumed in our games. Therefore, we regard the sale of a virtual good as a service, where the related performance obligation is satisfied over time, and revenues are recognized by measuring progress toward satisfying the performance obligation in a manner that best depicts the transfer of goods or services to the customer. Accordingly, we recognize revenues from the sale of virtual goods over the period of time using the output method, which is generally the estimated service period.

Digital entertainment product and service revenues are generated through the sale of virtual points, prepaid cards and game packs via various third-party storefronts, distributors and payment channels, including but not limited to the “Google Play Store,” the “Apple App Store,” convenience stores, telecom service providers and other payment service providers. Proceeds from sales of prepaid cards and game packs, net of sales discounts, and virtual points are deferred when received, and revenue is recognized upon the actual usage of the playing time or in-game virtual items by the end-users, or over the estimated useful life of virtual items, when the game is terminated and the period of refund claim for any sold virtual items is ended in accordance with our published policy, or when the likelihood of the customer exercising the remaining rights becomes remote. (Please see “Deferred Revenues and Breakage” below for more discussion of accounting treatments of the unexercised rights.)

### ***Estimated Service Period***

The virtual goods for our games may have different service periods. We use the weighted average number of days of a player’s payment interval as the estimate for the service period of each game. We evaluate the appropriateness of such estimates quarterly to see if they are in line with our observations in the operations. We believe this provides a reasonable depiction of the transfer of services to our customers, as it is the best representation of the time period during which our customers play our games. Determining the estimated service period is subjective and requires management’s judgment. Future usage patterns may differ from historical ones and therefore, the estimated service period may change in the future. The estimated service periods for players of our current games are generally less than 6 months.

### ***Principal Agent Considerations***

For the revenues generated from our digital entertainment offerings which are licensed to us for using, marketing, distributing, selling and publishing, and for the sales of our products and services via third-party storefronts and other channels, we evaluate to determine whether our revenues should be reported on a gross or net basis. Key indicators that we evaluate in determining whether we are the principal in the sale (gross reporting) or an agent (net reporting) include, but are not limited to:

- which party is primarily responsible for fulfilling the promise to provide the specified good or service; and
- which party has discretion in establishing the price for the specified good or service.

Based on our evaluation of various indicators, we report revenues on a gross basis for games that we publish and operate, as we are, and we present ourselves as, responsible for fulfilling the promise of delivering the virtual goods in the game and maintaining the game environment for customers’ consumption of such virtual goods. We have the discretion in establishing the price for those virtual goods, including the power to decide the range and extent of price discount or quantity discount, while the licensors or the third-party channels charge a fixed percentage of fees for such sales. And any loss on the receivables has to be absorbed by us and not the third-party channels.

### *Deferred Revenues and Breakage*

Deferred revenues representing contract liabilities consist mainly of the advanced income related to our digital entertainment business. Deferred revenue represents proceeds received relating to the sale of virtual points and in-game items that are activated or charged to the respective user account by users, but which have not been consumed by the users or expired. Deferred revenue is credited to profit or loss when the virtual points and in-game items are consumed or have expired. Pursuant to relevant requirements in Taiwan, as of December 31, 2023 and 2022, cash totaling \$313 thousand and \$313 thousand, respectively, had been deposited in escrow accounts in banks mainly as a performance bond for the users' prepayments and virtual points, and is included within restricted cash in the consolidated balance sheets.

For deferred revenues, some users may not exercise all of their contractual rights, and those unexercised rights are referred to as breakage. We estimate and recognize the breakage amount as revenue when the likelihood of the customer exercising the remaining rights becomes remote. We consider a variety of data points when determining the estimated breakage amount, including the time when we ceased selling prepaid products for certain services and when such prepaid products were last used in charging users' accounts.

### *Prepaid Licensing and Royalty Fees*

Our Company, through our subsidiaries, routinely enters into agreements with licensors to acquire licenses for using, marketing, distributing, selling and publishing digital entertainment offerings.

Prepaid licensing fees paid to licensors are amortized on a straight-line basis over the shorter of the estimated useful economic life of the relevant product and service or license period, which is usually within one to two years.

Prepaid royalty fees and related costs are initially deferred when paid to licensors and amortized as operating costs based on certain percentages of revenues generated by the licensee from operating the related digital entertainment product and service in the specific country or region over the contract period.

### *Fair Value Measurements*

Our Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We determine fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Our Company generally determines or calculates the fair value of financial instruments using quoted market prices in active markets when such information is available; otherwise we apply appropriate present value or other valuation techniques, such as the income approach, incorporating adjusted available market discount rate information and our Company's estimates for non-performance and liquidity risk, or the market approach, where we derive the implied value of financial instruments for the target company from a recent transaction involving the target company's own securities. These techniques rely extensively on the use of a number of assumptions, including the discount rate, credit spreads, and estimates of future cash flows. (Please see Note 4, "Fair Value Measurements", for additional information.)

### *Cash Equivalents, Restricted Cash and Presentation of Statements of Cash Flows*

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near to their maturity that they present relatively insignificant risk from changes in interest rates. Commercial paper, negotiable certificates of deposit, time deposits and bank acceptances with original maturities of three months or less are considered to be cash equivalents.

Our consolidated statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

### ***Investment in Securities***

#### *Debt securities*

Debt securities for which we have the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Debt securities held primarily for the purpose of selling in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in income.

Debt securities not classified as held-to-maturity or trading are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of income taxes, as a separate component of other comprehensive income. When a trading or available-for-sale security is denominated in a foreign currency, changes in the exchange rate between the foreign currency and an entity's functional currency affect the security's fair value. Therefore, under ASC 320, Investments—Debt Securities, the trading or available-for-sale security must be remeasured from the foreign currency to the functional currency as of each reporting date by using the current exchange rate to determine the fair value of the security. The entire change in the security's fair value (including the portion related to a change in the exchange rates) is classified in accordance with ASC 320.

Losses on debt security transactions and declines in value that are determined to be the result of credit losses, if any, are reported in the consolidated statements of operations. In evaluating credit losses on the debt securities, management first considers whether the fair value is less than amortized cost. An impairment exists if the fair value of the investment is less than its amortized cost basis. Secondly, the intent or requirement to sell the securities is analyzed. If we intend to sell the debt security, or more likely than not will be required to sell the security before recovery of its amortized cost basis, any allowance for credit losses shall be written off and the amortized cost basis shall be written down to the debt security's fair value at the reporting date, with any incremental impairment reported in the consolidated statements of operations. Subsequently, it shall be determined whether the decline in fair value below the amortized cost basis has resulted from a credit loss, considering comprehensive factors including but not limited to changes in industry or area, in technology or changes that indicate likely or realized failure of the issue of the security to make scheduled interest or principal payments. Unrealized gains on credit-related recoveries are reported in the consolidated statements of operations.

#### *Equity securities*

Equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income.

### ***Receivables***

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. Our Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management adopts a current expected credit loss model based on expected losses. The measurement of expected losses is based on relevant information about past events, including historical losses adjusted to take into account the amount of receivables in dispute, and the current receivables aging and current payment patterns, as well as reasonable and supportable forecasts that affect the collectibility of reported amounts. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over useful lives that correspond to categories as follows:

<u>Categories</u>	<u>Years</u>
Information and communication equipment	2 to 5
Office furniture and equipment	3 to 6
Leasehold improvements	Shorter of 5 or lease term

Leasehold improvements are amortized over the shorter of the term of the lease or the economic useful life of the assets. Improvements and replacements are capitalized and depreciated over their estimated useful lives, while ordinary repairs and maintenance are expensed as incurred.

### ***Software Cost***

We capitalize certain costs incurred to purchase computer software. These capitalized costs are amortized on a straight-line basis over the shorter of the useful economic life of the software or its contractual license period, which is typically one to three years.

### ***Impairment of Long-Lived Assets***

Long-lived assets other than goodwill not being amortized are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable from its related future undiscounted cash flows. If such assets are considered to be impaired, the impairment to be recognized is measured by the extent to which the carrying amount of the assets exceeds the estimated fair value of the assets. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value, and is recognized as a loss from operations. (Please see Note 4, "Fair Value Measurements", for additional information.)

### ***Product Development and Engineering***

Product development and engineering expenses primarily consist of research compensation, depreciation and amortization, and are expensed as incurred.

### ***Advertising***

Costs of broadcast advertising are recorded as expenses as advertising airtime is used. Other advertising expenditures are expensed as incurred.

Advertising expenses incurred in 2023, 2022 and 2021 totaled \$0.2 million, \$0.2 million and \$0.2 million, respectively and were included in selling and marketing expenses.

### ***Leases***

#### **General**

We determine if an arrangement is or contains a lease at contract inception. In certain situations, judgment may be required in determining if a contract contains a lease. For these arrangements, there is judgment in evaluating if the arrangement provides us with an asset that is physically distinct, or that represents substantially all of the capacity of the asset, and if we have the right to direct the use of the asset. Lease assets and liabilities are recognized based on the present value of future lease payments over the lease term at the commencement date. Included in the lease liability are future lease payments that are fixed, in-substance fixed, or are payments based on an index or rate known at the commencement date of the lease. Variable lease payments are recognized as lease expenses as incurred, and generally relate to variable payments made based on the level of services provided by the lessor of our leases. The operating lease right-of-use ("ROU") asset also includes any lease payments made prior to commencement, initial direct costs incurred, and lease incentives received. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents the rate required to borrow funds over a similar term to purchase the leased asset, and is based on the information available at the commencement date of the lease. For leased assets with similar lease terms and asset type we applied a portfolio approach in determining a single incremental borrowing rate to apply to the leased assets.

In determining our lease liability, the lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise such option. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term.



Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, our Company remeasures the lease liabilities with a corresponding adjustment to the ROU assets.

Operating lease ROU assets are presented in “Other assets” and operating lease liabilities are presented in “Other current liabilities” and “Lease liabilities” on our consolidated balance sheets.

### ***Retirement Plan and Net Periodic Pension Cost***

Under our defined benefit pension plan, net periodic pension cost, which includes service cost, interest cost, expected return on plan assets, amortization of unrecognized net transition obligation and gains or losses on plan assets, is recognized based on an actuarial valuation report. We recognize the funded status of pension plans and non-pension post-retirement benefit plans (retirement-related benefit plans) as an asset or a liability in the consolidated balance sheets.

Under our defined contribution pension plans, net periodic pension cost is recognized as incurred.

### ***Government Assistance***

Government subsidies received by our Company for employment support are recognized as non-operating income. If we have an obligation to repay any of the funds provided by government plus any penalties due to breach of the terms and conditions of the subsidy scheme, we estimate that obligation and recognize the amount as non-operating loss and a liability.

In 2022, a Hong Kong subsidiary of ours received subsidies from the first and the second tranches of Employment Support Scheme of the Hong Kong Government as a relief from the COVID-19 pandemic. The scheme provided time-limited financial support to employers to retain their employees who may otherwise be made redundant. Employers who participated in the scheme must provide an undertaking not to implement redundancy during the subsidy period and to spend all the wage subsidies on paying wages to their employees. The scheme was not effected in 2023 and 2021.

For the years ended December 31, 2023, 2022 and 2021, the amounts of government subsidies were \$0, \$44 thousand and \$0, respectively.

### ***Income Taxes***

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities, which are classified as noncurrent on the consolidated balance sheets, are measured using the enacted tax rate and laws that will be in effect when the related temporary differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount that more-likely-than-not will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and loss carryforwards become deductible.

In addition, we recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is measured at the largest amount that is greater than a 50% likelihood of being realized upon settlement. Interest and penalties on an underpayment of income taxes are reflected as income tax expense in the consolidated financial statements.

### ***Earnings (Loss) Per Share***

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to ordinary shareholders for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net earnings (loss) for the period by the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. Potential ordinary shares, composed of incremental ordinary shares issuable upon the exercise of options in all periods, are included in the computation of diluted earnings (loss) per share to the extent such shares are dilutive. Diluted earnings (loss) per share also takes into consideration the effect of dilutive securities issued by subsidiaries. In a period in which a loss is incurred, only the weighted average number of ordinary shares issued and outstanding is used to compute the diluted loss per share, as the inclusion of potential ordinary shares would be anti-dilutive. Therefore, for the years ended December 31, 2023, 2022 and 2021, basic and diluted loss per share were \$0.31, \$0.25 and \$0.31, respectively.

## ***Segment Reporting***

Our segment reporting is mainly based on lines of business. We use the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by our Company's chief operating decision maker for making operating decisions, allocating resources and assessing performance as the source for determining our operating segments. Our Company's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer.

Segment profit and loss is determined on a basis that is consistent with how our Company reports operating loss in its consolidated statements of operations. Our Company does not report segment asset information to the CODM. Consequently, no asset information by segment is presented. Because we operate only one segment, there are no intersegment transactions.

### ***(d) Recently Adopted Accounting Pronouncements***

In July 2023, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU"), *ASU 2023-03, Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock (SEC Update)*. This ASU amends or supersedes various SEC paragraphs within the codification to conform to past announcements and guidance issued by the SEC. The adoption of this amendment did not have a material impact on our Company's results of operations, financial position, cash flows or financial statement disclosures.

### ***(e) Recent Accounting Pronouncements Not Yet Adopted***

In October 2023, the FASB issued *ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, to amend certain disclosure and presentation requirements for a variety of topics within the ASC. These amendments align the requirements in the ASC to the removal of certain disclosure requirements set out in Regulation S-X and Regulation S-K, announced by the SEC. The effective date for each amended topic in the ASC is either the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective, or on June 30, 2027, if the SEC has not removed the requirements by that date. Early adoption is prohibited. The adoption of this amendment is not expected to have a material impact on our Company's financial position, results of operations, cash flows or financial statement disclosures.

## ***Income tax***

In December 2023, the FASB issued *ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires a public business entity to disclose specific categories in its annual effective tax rate reconciliation and disaggregated information about significant reconciling items by jurisdiction and by nature. The ASU also requires entities to disclose their income tax payments (net of refunds received) to international, federal, and state and local jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The guidance makes several other changes to income tax disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2024 and requires prospective application with the option to apply it retrospectively. Early adoption is permitted. The adoption of this amendment is not expected to have a material impact on our Company's financial position, results of operations, cash flows or financial statement disclosures.

## ***Segment Reporting***

In November 2023, the FASB issued *ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments in the ASU:

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle").
- Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment

revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss.

- Require that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by Topic 280 in interim periods.
- Clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial 3 statements. In other words, in addition to the measure that is most consistent with the measurement principles under U.S. GAAP, a public entity is not precluded from reporting additional measures of a segment’s profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources.
- Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this Update and all existing segment disclosures in Topic 280.

The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The adoption of this ASU is not expected to have a material impact on our Company’s financial position, results of operations, cash flows or financial statement disclosures.

## **NOTE 2. EARNINGS (LOSS) PER SHARE**

The following table provides a reconciliation of the denominators of the basic and diluted per share computations:

(in thousand shares)	2023	2022	2021
<b>Weighted average number of outstanding shares</b>			
Basic	11,052	11,052	11,052
Effect of dilutive securities			
Employee share-based compensation	—	—	—
Diluted	<u>11,052</u>	<u>11,052</u>	<u>11,052</u>

Certain outstanding options were excluded from the computation of diluted EPS since their effect would have been anti-dilutive. The antidilutive stock options excluded and their associated exercise prices per share were 29 thousand shares at the range of \$2.90 to \$7.15 as of December 31, 2023, 33 thousand shares at \$2.90 to \$7.15 as of December 31, 2022, and 37 thousand shares at \$2.90 to \$7.15 as of December 31, 2021. There were no antidilutive Restricted Stock Units (“RSUs”) as of December 31, 2023, 2022, and 2021.

## **NOTE 3. PREPAID LICENSING AND ROYALTY FEES**

The following table summarizes changes to our Company’s prepaid licensing and royalty fees:

(in US\$ thousands)	2023	2022	2021
Balance at beginning of year	\$ 177	\$ 35	\$ 130
Addition	36	369	98
Amortization and usage	(189)	(227)	(193)
Impairment charges	—	—	—
Balance at end of year	<u>\$ 24</u>	<u>\$ 177</u>	<u>\$ 35</u>

#### NOTE 4. FAIR VALUE MEASUREMENTS

The following table presents the carrying amounts and estimated fair values of our Company's financial instruments at December 31, 2023 and 2022.

(in US\$ thousands)	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 38,470	\$ 38,470	\$ 38,794	\$ 38,794
Accounts receivable	227	227	199	199
Restricted cash	313	313	313	313
Refundable deposits	193	193	192	192
Investment in securities - current	—	—	7,950	7,950
Investment in securities - noncurrent	5,777	5,777	2,371	2,371
<b>Financial liabilities</b>				
Accounts payable	44	44	53	53
Accrued expenses	1,182	1,182	1,151	1,151
Lease liabilities - current and noncurrent	970	970	1,333	1,333

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair values of the financial instruments shown in the above table as of December 31, 2023 and 2022 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an arm's length transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. In situations where there is little market activity for the asset or liability at the measurement date, the fair value measurement reflects our Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by us based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued expenses: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.
- Refundable deposits: Measurement of refundable deposits with no fixed maturities is based on carrying amounts.
- Investment in securities – current and noncurrent: Valuation techniques are applied for measurement of debt and equity securities.
- Lease liabilities: Measured at discounted amounts of lease payments.

#### ***Assets and Liabilities that are Measured at Fair Value on a Recurring Basis***

Our Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Assets and liabilities measured at fair value on a recurring basis are summarized as below:

(in US\$ thousands)	Fair Value Measurement Using			At December 31, 2023
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Restricted cash - time deposits	\$ —	\$ 313	\$ —	\$ 313
Investment in securities - noncurrent	—	—	5,777	5,777
	<u>\$ —</u>	<u>\$ 313</u>	<u>\$ 5,777</u>	<u>\$ 6,090</u>

(in US\$ thousands)

	Fair Value Measurement Using			At December 31, 2022
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Restricted cash - time deposits	\$ —	\$ 313	\$ —	\$ 313
Investment in securities - current	—	—	7,950	7,950
Investment in securities - noncurrent	—	—	2,371	2,371
	<u>\$ —</u>	<u>\$ 313</u>	<u>\$ 10,321</u>	<u>\$ 10,634</u>

Our Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 3 for the years ended December 31, 2023 and 2022.

Level 2 measurements:

Cash equivalents – time deposits and restricted cash – time deposits are interest-earning deposits in banks, and the cash flows are estimated based on the terms of the contracts and discounted using the market interest rates applicable to the maturity of the contracts, which are adjusted to reflect credit risks on counterparties. As the inputs into the valuation techniques are readily observable, these deposits are classified in Level 2 of the fair value hierarchy.

Level 3 measurements:

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2023 and 2022, a reconciliation of the beginning and ending balances are presented as follows:

(in US\$ thousands)

	2023	
	Investment in debt securities	Investment in equity securities
Balance at beginning of year	\$ 7,950	\$ 2,371
Purchase	105	—
Disposal or repayment	(1,000)	—
Total gains or (losses) (realized/unrealized)		
included in earnings	—	(2,110)
included in other comprehensive income - unrealized gain (loss) on security	(1,453)	—
included in other comprehensive income - foreign currency items	(54)	(32)
Balance at end of year	<u>\$ 5,548</u>	<u>\$ 229</u>
The amount of total gains or (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ —</u>	<u>\$ (2,110)</u>

(in US\$ thousands)

	2022	
	Investment in debt securities	Investment in equity securities
Balance at beginning of year	\$ 8,132	\$ 2,190
Purchase	—	—
Disposal	—	—
Total gains or (losses) (realized/unrealized)		
included in earnings	—	409
included in other comprehensive income - unrealized gain (loss) on security	620	—
included in other comprehensive income - foreign currency items	(802)	(228)
Balance at end of year	<u>\$ 7,950</u>	<u>\$ 2,371</u>
The amount of total gains or (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	<u>\$ —</u>	<u>\$ 409</u>

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as of December 31, 2023 and 2022 are shown below:

Investment in securities - Level 3 financial assets

**Sensitivity of the Input to Fair Value**

Calculation Date	Valuation Technique	Significant Unobservable Inputs	Rate for debt investment	Rate for equity investment	Changes of Fair Value (in US\$ thousands)	
					If the Rate of Input changes by -1%	If the Rate of Input changes by +1%
December 31, 2023	The discounted cash flow analysis to estimate the enterprise value, and then the option pricing method to allocate equity value among various classes of stakeholders.	Discount rate for future cash flows	38.5%	38.5%	Debt securities: +\$90 Equity securities: +\$67	Debt securities: -\$121 Equity securities: -\$58
		Discount for lack of marketability ("DLOM")	12%	From 12.0% to 30.0% for different scenarios	Debt securities: +\$63 Equity securities: +\$4	Debt securities: -\$63 Equity securities: -\$3
		Volatility	29%	29%	Debt securities: +\$22 Equity securities: +\$3	Debt securities: -\$86 Equity securities: -\$2
December 31, 2022	The discounted cash flow analysis to estimate the enterprise value, and then the option pricing method to allocate equity value among various classes of stakeholders.	Discount rate for future cash flows	38.5%	38.5%	Debt securities: +\$372 Equity securities: +\$175	Debt securities: -\$262 Equity securities: -\$170
		Discount for lack of marketability ("DLOM")	From 4.0% to 12.0% for different scenarios	From 6.0% to 12.0% for different scenarios	Debt securities: +\$93 Equity securities: +\$26	Debt securities: -\$93 Equity securities: -\$25
		Volatility	From 28% to 31.0% for different scenarios	From 28% to 31.0% for different scenarios	Debt securities: +\$23 Equity securities: +\$16	Debt securities: +\$24 Equity securities: -\$10

When estimating the value of the early stage enterprise, in the absence of observable market prices or a recent financing transaction, we obtained sufficient financial and operational information from the issuer's company, using the income approach as our primary method, which reflects the close relationship between the future cash generating ability of the issuer's company and respective enterprise value. As the issuer's company was still at its early stage of development with limited historical track record, market multiples were conducted for supplementary reference only.

The derived enterprise value was then served as a reasonable basis for the subsequent equity value allocation exercise to estimate the portion assignable to the issuer's convertible note and respective share categories as of the measurement date by applying a hybrid method of Probability Weighted Expected Return Method ("PWERM") and Option Pricing Method ("OPM"). Such hybrid method estimates the probability weighted value across multiple scenarios, using OPM to estimate the allocation of value within one or more of those scenarios.

**Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis**

Assets and liabilities measured at fair value on a nonrecurring basis include measuring impairment when required for long-lived assets. For GigaMedia, long-lived assets measured at fair value on a nonrecurring basis include property, plant, and equipment, intangible assets, operating lease ROU assets, and prepaid licensing and royalty fees.

No assets and liabilities measured at fair value on a nonrecurring basis were determined to be impaired as of December 31, 2023 and 2022.

## NOTE 5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31, 2023 and 2022.

(in US\$ thousands)	December 31	
	2023	2022
Cash and savings accounts	\$ 38,470	\$ 38,794
Time deposits	—	—
Cash and cash equivalents reported on the consolidated balance sheets	38,470	38,794
Cash restricted as performance bond	313	313
Total cash, cash equivalents and restricted cash reported on the consolidated statements of cash flows	<u>\$ 38,783</u>	<u>\$ 39,107</u>

As of December 31, 2023 and 2022, cash amounting to \$313 thousand and \$313 thousand, respectively, has been deposited in escrow accounts in banks mainly as a performance bond for our players' game points. These deposits are restricted and are included in restricted cash in the consolidated balance sheets.

We maintain cash and cash equivalents, as well as restricted cash, in bank accounts with major financial institutions with high credit ratings located in the following jurisdictions:

(in US\$ thousands)	December 31	
	2023	2022
Taiwan	\$ 38,289	\$ 38,352
Hong Kong	494	739
China	—	16
	<u>\$ 38,783</u>	<u>\$ 39,107</u>

## NOTE 6. ACCOUNTS RECEIVABLE – NET

Accounts receivable consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Accounts receivable	\$ 229	\$ 200
Less: Allowance for doubtful accounts	(2)	(1)
	<u>\$ 227</u>	<u>\$ 199</u>

The following is a summary of the changes in our Company's allowance for doubtful accounts during the years ended December 31, 2023, 2022 and 2021:

(in US\$ thousands)	2023	2022	2021
Balance at beginning of year	\$ 1	\$ 2	\$ 1
Additions: Bad debt expense	7	2	7
Less: Write-off	(6)	(3)	(6)
Translation adjustment	—	—	—
Balance at end of year	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 2</u>

## NOTE 7. OTHER CURRENT ASSETS

Other current assets consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Loans receivable - current	\$ 24	\$ 29
Less: Allowance for loans receivable - current	(24)	(29)
Other receivable	2	374
Other	141	136
	<u>\$ 143</u>	<u>\$ 510</u>

The following is a reconciliation of changes in our Company’s allowance for loans receivable - current during the years ended December 31, 2023, 2022 and 2021:

(in US\$ thousands)	2023	2022	2021
Balance at beginning of year	\$ 29	\$ 33	\$ 32
Reversal for collection of bad debt	(5)	—	—
Translation adjustment	—	(4)	1
Balance at end of year	<u>\$ 24</u>	<u>\$ 29</u>	<u>\$ 33</u>

#### **NOTE 8. INVESTMENT IN SECURITIES**

Investment in securities – current and noncurrent consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Debt securities, classified as available-for-sale	\$ 5,548	\$ 7,950
Equity securities	229	2,371
	<u>\$ 5,777</u>	<u>\$ 10,321</u>

Our Company’s investment in securities - current and noncurrent are invested in convertible promissory notes and preferred shares. During 2023, we recognized a realized exchange gain of \$76 thousand arising from the partial repayment of the aforementioned promissory note. During 2021, we recognized gains of \$125 thousand on disposal of investment in securities, consisting of a gain of \$79 thousand on the disposal of an equity security that have been fully impaired years ago, and a gain of \$46 thousand on the deemed disposal arising from the partial conversion of the aforementioned promissory note into the preferred shares. Certain of our investment in securities, though denominated in US dollars, are held by an entity of ours whose functional currency is not US dollars, resulting to unrealized exchange gain or loss accounted for as other comprehensive income or loss, and corresponding translation adjustment accordingly.

The promissory notes are purchased under different agreements, and are convertible into common or preferred shares at certain different prices, subject to applicable adjustments. Upon conditions outlined in the agreements, the convertible promissory notes may be automatically converted or become redeemable. See Note 17, “Commitments and Contingencies, (c) Investment Agreements”, for additional information.

We assessed the estimated fair values of these investments as of December 31, 2023. See Note 4 “Fair Value Measurements” for additional information.



## NOTE 9. LEASE ARRANGEMENTS

We rent certain office premises and automobile for operation use under lease agreements that expire at various dates through 2026.

### Right-of-use assets

Right-of-use assets consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Carrying amount:		
Office premise	\$ 944	\$ 1,306

The following tables summarize changes to our Company's right-of use assets during 2023 and 2022:

(in US\$ thousands)	Cost	
	2023	2022
Balance at January 1	\$ 2,165	\$ 2,390
Additions	116	—
Exchange differences	—	(225)
Balance at December 31	\$ 2,281	\$ 2,165

	Accumulated depreciation	
	2023	2022
Balance at January 1	\$ 859	\$ 419
Depreciation	472	489
Exchange differences	6	(49)
Balance at December 31	\$ 1,337	\$ 859

	Carrying amounts	
	2023	2022
Balance at January 1	\$ 1,306	\$ 1,971
Balance at December 31	\$ 944	\$ 1,306

### Lease liabilities

(in US\$ thousands)	December 31	
	2023	2022
Carrying amount:		
Current portion (classified under other current liabilities)	\$ 475	\$ 440
Noncurrent portion	495	893
	\$ 970	\$ 1,333

Discount rates for the existing lease liabilities ranged from 1.44% to 3.6% as of December 31, 2023, and from 1.44% to 2.88% as of December 31, 2022.

### Material terms of right-of-use assets

We lease office premises and automobile for operational use with lease terms of 2 to 5 years. We do not have purchase options to acquire the leasehold office premises at the end of the lease terms.

## Supplemental information

Supplemental disclosures of cash flow and noncash information consist of the following:

(in US\$ thousands)	For the Year ended December 31	
	2023	2022
Cash paid for operating leases	\$ 491	\$ 502
Lease liabilities arising from obtaining right-of-use assets	\$ 116	\$ —

	As of December 31	
	2023	2022
Weighted-average remaining lease term	2.04 years	3.03 years
Weighted-average discount rate	1.60%	1.50%

Operating lease expenses were \$495 thousand and \$520 thousand during the years ended December 31, 2023 and 2022, respectively.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the consolidated balance sheet as of December 31, 2023:

(in US\$ thousands)	Operating Leases
<b>Year</b>	
2024	\$ 486
2025	430
2026	69
Total minimum lease payments	985
Less: amount of lease payments representing interest	(15)
Present value of future minimum lease payments	970
Less: current obligation under leases	(475)
Non-current lease obligations	\$ 495

## NOTE 10. ACCRUED EXPENSES

Accrued expenses consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Accrued professional fees	\$ 356	\$ 393
Accrued compensation	423	201
Accrued royalties	45	122
Accrued advertising expenses	2	21
Accrued director compensation and liability insurance	100	107
Other	256	307
	\$ 1,182	\$ 1,151

## NOTE 11. DEFERRED REVENUE

Deferred revenue consists of the following:

(in US\$ thousands)	December 31	
	2023	2022
Unused virtual points	\$ 481	\$ 700
Unamortized virtual items	75	95
Advances for pre-order items	17	22
	\$ 573	\$ 817

The breakage amounts recognized as revenue during the years ended December 31, 2023, 2022 and 2021 were \$228 thousand, \$20 thousand and \$62 thousand, respectively.

## NOTE 12. PENSION BENEFITS

Our Company and our subsidiaries have defined benefit and defined contribution pension plans that cover substantially all of our employees.

### *Defined Benefit Pension Plan*

We have a defined benefit pension plan in accordance with the Labor Standards Law of the Republic of China (R.O.C.) for our employees located in Taiwan, covering substantially all full-time employees for services provided prior to July 1, 2005, and employees who have elected to remain in the defined benefit pension plan subsequent to the enactment of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, employees are entitled to a lump sum retirement benefit upon retirement equivalent to the aggregate of 2 months' pensionable salary for each of the first 15 years of service and 1 month's pensionable salary for each year of service thereafter subject to a maximum of 45 months' pensionable salary. The pensionable salary is the monthly average salary or wage of the final six months prior to approved retirement.

We use December 31 as the measurement date for our defined benefit pension plan. As of December 31, 2023 and 2022, the accumulated benefit obligation amounted to \$266 thousand and \$247 thousand, respectively, and the funded status of prepaid pension assets amounted to \$134 thousand and \$142 thousand, respectively. The fair value of plan assets amounted to \$473 thousand and \$463 thousand as of December 31, 2023 and 2022, respectively. The accumulated other comprehensive income amounted to \$15 thousand and \$4 thousand as of December 31, 2023 and 2022, respectively. The net periodic benefit cost for 2023, 2022 and 2021 amounted to (\$2) thousand, \$1 thousand and \$3 thousand, respectively.

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2023 and 2022:

(in US\$ thousands)	December 31	
	2023	2022
Benefit obligation	\$ 339	\$ 321
Fair value of plan assets	473	463
	<u>\$ (134)</u>	<u>\$ (142)</u>
Amounts recognized in the balance sheet consist of:		
Noncurrent liabilities (assets)	\$ (134)	\$ (142)
Accumulated other comprehensive income	—	—
Net amount recognized	<u>\$ (134)</u>	<u>\$ (142)</u>
Amounts recognized in accumulated comprehensive income (loss) consist of:		
Unrecognized net gain (loss)	<u>\$ (15)</u>	<u>\$ (4)</u>

For the years ended December 31, 2023, 2022 and 2021, the net period pension cost consisted of the following:

(in US\$ thousands)	December 31		
	2023	2022	2021
Service cost	\$ —	\$ —	\$ —
Interest cost	6	2	3
Expected return on plan assets	(8)	(3)	(3)
Amortization of net loss	—	2	3
Curtailment gain	—	—	—
	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 3</u>

Weighted average assumptions used to determine benefit obligations for 2023 and 2022 were as follows:

	December 31	
	2023	2022
Discount rate	1.625%	1.750%
Rate of compensation increase	2.00%	2.00%

Weighted average assumptions used to determine net periodic benefit cost for end of fiscal year were as follows:

	2023	2022
Discount rate	1.750%	0.750%
Rate of return on plan assets	1.750%	0.750%
Rate of compensation increase	2.00%	2.00%

Management determines the discount rate and rate of return on plan assets based on the yields of fifteen year ROC central government bonds which is in line with the respective employees remaining service period and the historical rate of return on the above mentioned Fund mandated by the ROC Labor Standard Law.

We have contributed an amount equal to 2% of the salaries and wages paid to all qualified employees located in Taiwan to a pension fund (the "Fund"). The Fund is administered by a pension fund monitoring committee (the "Committee") and deposited in the Committee's name in the Bank of Taiwan. Our Company makes pension payments from our account in the Fund unless the Fund is insufficient, in which case we make payments from internal funds as payments become due. We seek to maintain a normal, highly liquid working capital balance to ensure payments are made timely.

We expect to make a contribution of \$0 thousand to the Fund in 2024. We expect to make future benefit payments of \$10 thousand to employees from 2024 to 2028 and \$75 thousand from 2029 to 2033.

### ***Defined Contribution Pension Plans***

We have provided defined contribution plans for employees located in Taiwan and Hong Kong. Contributions to the plans are expensed as incurred.

#### ***Taiwan***

Pursuant to the new "Labor Pension Act" enacted on July 1, 2005, our Company has a defined contribution pension plan for our employees located in Taiwan. For eligible employees who elect to participate in the defined contribution pension plan, we contribute no less than 6% of an employee's monthly salary and wage and up to the maximum amount of NT\$9 thousand (approximately \$293), to each of the eligible employees' individual pension accounts at the Bureau of Labor Insurance each month. Pension payments to employees are made either by monthly installments or in a lump sum from the accumulated contributions and earnings in employees' individual accounts.

#### ***Hong Kong***

According to the relevant Hong Kong regulations, we provide a contribution plan for the eligible employees in Hong Kong. We must contribute at least 5% of the employees' total salaries. For this purpose, the monthly relevant contribution to their individual contribution accounts is subject to a cap of HK\$1.5 thousand (approximately \$192). After the termination of employment, the benefits still belong to the employees in any circumstances.

The total amount of defined contribution pension expenses pursuant to our defined contribution plans for the years ended December 31, 2023, 2022 and 2021 were \$163 thousand, \$167 thousand, and \$193 thousand, respectively, which are included in operating expenses.

### **NOTE 13. SHAREHOLDERS' EQUITY**

In accordance with Singapore law, the holders of ordinary shares that do not have par value, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meeting of our Company. All Shares rank equally with regard to our Company's residual assets. In addition, we are not required to have a number of authorized ordinary shares to be issued.

**NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The accumulated balances for each component of other comprehensive income (loss) are as follows:

(in US\$ thousands)	Foreign currency items	Unrealized gain (loss) on securities	Pension and post retirement benefit plans	Accumulated other comprehensive loss
Balance as of January 1, 2021	\$ (21,956)	\$ (351)	\$ (94)	\$ (22,401)
Foreign currency translation adjustment	203	—	—	203
Pension and post retirement benefit adjustment	—	—	14	14
Unrealized holding loss arising during period	—	(124)	—	(124)
Reclassification adjustment for loss included in net income	—	97	—	97
Other	—	(10)	—	(10)
Balance as of December 31, 2021	(21,753)	(388)	(80)	(22,221)
Foreign currency translation adjustment	(190)	—	—	(190)
Pension and post retirement benefit adjustment	—	—	76	76
Unrealized holding loss arising during period	—	620	—	620
Balance as of December 31, 2022	(21,943)	232	(4)	(21,715)
Foreign currency translation adjustment	(144)	15	—	(129)
Pension and post retirement benefit adjustment	—	—	(11)	(11)
Unrealized holding loss arising during period	—	(1,453)	—	(1,453)
Reclassification adjustments for loss included in net income	—	(76)	—	(76)
Balance as of December 31, 2023	<u>\$ (22,087)</u>	<u>\$ (1,282)</u>	<u>\$ (15)</u>	<u>\$ (23,384)</u>

There were no significant tax effects allocated to each component of other comprehensive income for the years ended December 31, 2023, 2022 and 2021.

**NOTE 15. SHARE-BASED COMPENSATION**

During 2023, 2022 and 2021, no stock-based compensation expenses were incurred and recognized.

There were no capitalized stock-based compensation costs at December 31, 2023 and 2022. There was no recognized stock-based compensation tax benefit for the years ended December 31, 2023, 2022 and 2021, as our Company recognized a full valuation allowance on net deferred tax assets as of December 31, 2023 and 2022.

**(a) Overview of Stock-Based Compensation Plans**

Summarized below are the stock-based compensation plans pursuant to which awards have been granted as of December 31, 2023.

**2004 Employee Share Option Plan**

At the June 2004 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2004 Employee Share Option Plan (the “2004 Plan”) under which up to 1.4 million ordinary shares of our Company have been reserved for issuance. All employees, officers, directors, supervisors, advisors, and consultants of our Company are eligible to participate in the 2004 Plan. The 2004 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the exercise price for the option grants, the eligible individuals who are to receive option grants, the time or times when options grants are to be made, the number of shares subject to grant and the vesting schedule. The maximum contractual term for the options under the 2004 Plan is 10 years.

**2006 Equity Incentive Plan**

At the June 2006 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2006 Equity Incentive Plan (the “2006 Plan”) under which up to 200 thousand ordinary shares of our Company have been reserved for issuance. The 2006 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2006 Plan. The maximum contractual term for the options under the 2006 Plan is 10 years.

## 2007 Equity Incentive Plan

At the June 2007 annual general meeting of shareholders, the shareholders of our Company approved the GigaMedia Limited 2007 Equity Incentive Plan (the “2007 Plan”) under which up to 400 thousand ordinary shares of our Company have been reserved for issuance. The 2007 Plan is administered by a committee designated by the board of directors. The committee as plan administrator has complete discretion to determine the grant of awards under the 2007 Plan. The maximum contractual term for the options under the 2007 Plan is 10 years.

Summarized below are the general terms of our stock-based compensation plans, for which awards have been granted as of December 31, 2023.

Stock-Based compensation plan	Granted awards	Vesting schedule	Options’ exercise price	RSUs’ grant date fair value
2004 plan	1,575,037 <sup>(1)</sup>	immediately upon granting to four years	\$3.95~\$12.75	—
2006 Plan	256,716 <sup>(2)</sup>	immediately upon granting to four years	\$3.85~\$83	\$14.55~\$80.05
2007 Plan	675,057 <sup>(3)</sup>	immediately upon granting to four years	\$2.90~\$90.85	\$12.35~\$76.75

(1) The granted awards, net of forfeited or canceled options, were within reserved shares of 1,400 thousand ordinary shares.

(2) The granted awards, net of forfeited or canceled options or shares, were within reserved shares of 200 thousand ordinary shares.

(3) The granted awards, net of forfeited or canceled options or shares, were within reserved shares of 400 thousand ordinary shares.

Options and RSUs generally vest over the schedule described above. Certain RSUs provide for accelerated vesting if there is a change in control. All options and RSUs are expected to be settled by issuing new shares.

### (b) Options

In 2023, 2022 and 2021, no options were exercised for each year.

Our Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted to employees on the grant date. No options were granted to employees during 2023, 2022 and 2021.

Option transactions during the last three years are summarized as follows:

	2023				2022		2021	
	Weighted Avg. Exercise Price	No. of Shares (in thousands)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)	Weighted Avg. Exercise Price	No. of Shares (in thousands)	Weighted Avg. Exercise Price	No. of Shares (in thousands)
Balance at January 1	\$ 6.38	33			\$ 6.13	37	\$ 6.16	49
Options granted	—	—			—	—	—	—
Options exercised	—	—			—	—	—	—
Options Forfeited / canceled / expired	5.05	(4)			4.05	(4)	6.25	(12)
Balance at December 31	\$ 6.56	29	0.67	\$ —	\$ 6.38	33	\$ 6.13	37
Exercisable at December 31	\$ 6.56	29	0.67	\$ —	\$ 6.38	33	\$ 6.13	37
Vested and expected to vest at December 31	\$ 6.56	29	0.67	\$ —	\$ 6.38	33	\$ 6.13	37

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between GigaMedia’s closing stock price on the last trading day of 2023 and the exercise price of an option, multiplied by the number of in-the-money options) that would have been received by the option holders had they exercised their options on December 31, 2023. This amount changes based on the fair market value of GigaMedia’s stock.

As of December 31, 2023, there was no unrecognized compensation cost related to non-vested options.

The following table sets forth information about stock options outstanding at December 31, 2023:

Options outstanding			Option currently exercisable	
Exercise price	No. of Shares (in thousands)	Weighted average remaining contractual life	Exercise price	No. of Shares (in thousands)
Under \$5	4	3.35 years	Under \$5	4
\$5~\$50	25	0.24 years	\$5~\$50	25
\$50~\$100	—		\$50~\$100	—
	<u>29</u>			<u>29</u>

#### NOTE 16. INCOME TAXES

Income (loss) before income taxes by geographic location is as follows:

(in US\$ thousands)	2023	2022	2021
Taiwan operations	\$ (1,726)	\$ (1,588)	\$ (1,989)
Non-Taiwan operations	(1,673)	(1,164)	(1,436)
	<u>\$ (3,399)</u>	<u>\$ (2,752)</u>	<u>\$ (3,425)</u>

The components of income tax benefit (expense) by taxing jurisdiction are as follows:

(in US\$ thousands)	2023	2022	2021
Taiwan:			
Current	\$ —	\$ —	\$ —
Deferred	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Non-Taiwan:			
Current	\$ —	\$ —	\$ —
Deferred	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total current income tax benefit (expense)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total deferred income tax benefit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total income tax benefit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Our ultimate parent company is based in Singapore.

A reconciliation of our effective tax rate related to the statutory tax rate in Taiwan, where our major operations are based, is as follows:

	2023	2022	2021
Taiwan statutory rate, including taxes on income and retained earnings	24.00%	24.00%	24.00%
Foreign tax differential	0.75%	(3.03)%	(5.75)%
Expiration of net operating loss carryforwards	(27.71)%	(20.18)%	(6.47)%
Net operating loss carryforwards not utilized due to dissolution of subsidiaries	—	(42.73)%	—
Other non-deductible expenses	(12.84)%	(9.79)%	(1.65)%
Change in deferred tax assets and valuation allowance	15.79%	24.94%	(10.32)%
Loss on investment in subsidiaries dissolved	—	26.62%	—
Other	0.01%	0.17%	0.19%
Effective rate	<u>—</u>	<u>—</u>	<u>—</u>

The significant components of our deferred tax assets consist of the following:

(in US\$ thousands)	December 31	
	2023	2022
Net operating loss carryforwards	\$ 10,630	\$ 11,385
Share-based compensation	292	292
Investments	131	131
Lease right-of-use assets	6	6
Other	5	66
	11,064	11,880
Less: valuation allowance	(11,064)	(11,880)
Deferred tax assets - net	\$ —	\$ —

A reconciliation of the beginning and ending amounts of our valuation allowance on deferred tax assets for the years ended December 31, 2023, 2022 and 2021 are as follows:

(in US\$ thousands)	2023	2022	2021
Balance at beginning of year	\$ 11,880	\$ 13,607	\$ 13,046
Subsequent reversal and utilization of valuation allowance	(263)	(94)	(81)
Changes to valuation allowance	405	1,158	575
Expirations	(942)	(1,731)	(221)
Exchange differences	(16)	(1,060)	288
Balance at end of year	\$ 11,064	\$ 11,880	\$ 13,607

Under ROC Income Tax Act, the tax loss carryforward in the preceding ten years would be deducted from income tax for Taiwan operations.

As of December 31, 2023, we had net operating loss carryforwards available to offset future taxable income, shown below by major jurisdictions:

Jurisdiction	Amount	Expiring year
Hong Kong	\$ 15,521	indefinite
Taiwan	33,414	2024-2033
	\$ 48,935	

### **Unrecognized Tax Benefits**

As of December 31, 2023, 2022 and 2021, there were no unrecognized tax benefits that if recognized would affect the effective tax rate.

There were no interest and penalties related to income tax liabilities recognized for the years ended December 31, 2023, 2022 and 2021.

Our major tax paying components are all located in Taiwan. As of December 31, 2023, the income tax filings in Taiwan have been examined for the years through 2021.

## **NOTE 17. COMMITMENTS AND CONTINGENCIES**

### **Commitments**

#### ***(a) Operating Leases***

We rent certain office premises and automobile for operation use under lease agreements that expire at various dates through 2026. Please refer to Note 9 for more information of our lease arrangements.



***(b) License Agreements***

We have contractual obligations under various license agreements to pay the licensors license fees and minimum guarantees against future royalties. There were no committed license fees and minimum guarantees against future royalties set forth in our significant license agreements as of December 31, 2023.

For a specific licensed game, we were required to pay an incentive fee of \$20 thousand to the licensor for every \$600 thousand additional revenues generated from the game during the agreement period from January 2022 to January 2024. In January 2024, we entered an extension and amendment agreement to extend the term and modified certain provisions. The extension term commenced on January 27, 2024 and expires on January 26, 2026, and the incentive fee remains \$20 thousand for every \$600 thousand additional revenues generated during the extension term.

***(c) Investment Agreements***

On August 31, 2020, we entered into a convertible note purchase agreement to purchase a US\$10,000,000 principal amount convertible promissory note (the “Note”) issued by Aeolus Robotics Corporation (“Aeolus”), a global company primarily engaged in designing, manufacturing, processing and sales of intellectual robotics. The Note, which bears interest at a rate of 2% per annum, was due on August 30, 2022 but was extendable to August 30, 2023 at Aeolus’s option, and all or a portion of the principal amount under the Note was convertible at GigaMedia’s option upon maturity, upon prepayment, or when certain events occur, into ordinary shares or preferred shares of Aeolus at a price of US\$3.00 per share, or into preferred shares in Aeolus’s nearest next round equity financing where Aeolus issues further preferred shares. GigaMedia may elect to convert all or any part of the principal amount of the Note into the preferred shares to be issued at the Qualified Financing, among which (1) 20% of such outstanding principal amount shall be converted at a conversion price equal to 90% of the purchase price offered to the investors in such qualified financing, and (2) 80% of such outstanding principal amount shall converted at a conversion price equal to 100% of the purchase price offered to the investors in such qualified financing. In the event that any portion of the principal amount is converted into the ordinary or preferred shares, all the interest accrued but unpaid on such portion of principal amount shall be waived. Assuming full conversion of the Note into ordinary shares and the exercise or conversion of all other Aeolus rights, options and convertible securities outstanding as of August 31, 2020, we would beneficially own 3,333,333 shares representing approximately 4.62% of the total ordinary shares of Aeolus as of August 31, 2020.

In November 2021, Aeolus notified GigaMedia that it intended to issue series B preferred shares, par value of US\$0.0001 per share (the “Series B Preferred Shares”), to certain new series B preferred shareholders for a subscription price of US\$3.02 per share (the “Next Round Financing”). The Next Round Financing constituted a Qualified Financing as defined in the said Note. GigaMedia exercised its conversion right in accordance with the Note with respect to US\$2,000,000 of principal amount at the conversion price of US\$2.718 per share, effective December 30, 2021. GigaMedia received 735,835 Series B Preferred Shares.

After the conversion, the outstanding principal amount under the note was US\$8,000,000, and GigaMedia’s right to elect to convert the remaining amount upon maturity, upon prepayment, or when certain events occur, into ordinary shares of Aeolus at a price of US\$3.00 per share, is not affected.

On July 29, 2022, Aeolus notified GigaMedia that it had decided to exercise its right of extension under the Note to extend the original August 30, 2022 maturity date to August 30, 2023.

On August 31, 2023, GigaMedia and Aeolus entered into an agreement to amend the Note. The amendment extends the maturity date of the Note after the partial repayment of US\$1,000,000 and the payment of accrued interest on the unpaid principal amount of the Note due through August 30, 2023 in the amount of US\$480,000 are made by Aeolus and the outstanding principal amount becomes US\$7,000,000 due thereunder. The US\$1,480,000 payment by Aeolus was made on September 6, 2023.

Pursuant to the amendment to the Note, the remaining principal amount of US\$7,000,000 due thereunder will bear interest at a rate of 4% per annum, shall be due on February 28, 2025 (such date to be extended, at Aeolus’s option, to February 28, 2026), and all or a portion of the principal amount due thereunder may be converted upon maturity, upon prepayment or upon the occurrence of certain specified events, upon Aeolus’s next round of equity financing, or upon Aeolus’s initial public offering, at the lower of US\$1.25 per share or 80% of the applicable offering price.

On August 15, 2023, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$105,346, issued by Aeolus, and on March 15, 2024, we entered into an agreement to purchase a convertible promissory note, with principal amount of US\$63,208, issued by Aeolus. These notes bear interest at a rate of 4.5% per annum and are convertible at US\$0.1 per share, while other terms and conditions are similar to the original Note.

### **Contingencies**

We are subject to legal proceedings and claims that arise in the normal course of business.

On January 15, 2018, Ennoconn Corporation (“Ennoconn”) filed a complaint against one of our subsidiaries, GigaMedia Cloud Services Co., Ltd. (“GigaMedia Cloud”) in the Taiwan Taipei District Court. The complaint alleged that GigaMedia Cloud is obligated to pay Ennoconn NTD 79,477,648 (approximately \$2,588,005) in connection with a transaction to purchase taximeters in 2015. GigaMedia Cloud filed an answer to the complaint denying Ennoconn’s allegations in the lack of factual and legal basis on March 1, 2018. On November 15, 2018, the Taiwan Taipei District Court determined that all of Ennoconn’s claims were without merit and made a judgment denying the complaint. On January 3, 2019, Ennoconn filed an appeal demanding the judgment which was entered in the District Court, to be reversed and amended. The civil court of the second instance, the Taiwan High Court, has conducted the session of the preparatory proceedings for several times during 2019. As a result, the Taiwan High Court ruled on January 8, 2020, that the decision of the Taiwan Taipei District Court should be partially modified and Ennoconn is entitled to NTD 27,084,180 (approximately \$882,077). GigaMedia Cloud has filed another appeal with the Taiwan Supreme Court on February 4, 2020. On May 5, 2021, the Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. Under the Taiwan Supreme Court’s ruling, the appeal made by Ennoconn should be reviewed by the Taiwan High Court by following the instructions of the Taiwan Supreme Court. On May 18, 2022, the Taiwan High Court found such appeal meritless and made a civil judgment denying the complaint by Ennoconn. On June 15, 2022, Ennoconn filed an appeal and demanded that the Taiwan Supreme Court reverse this civil judgment and remand the case to the Taiwan High Court. On February 22, 2023, the Taiwan Supreme Court revoked the previous ruling of the Taiwan High Court, and sent the case back to the Taiwan High Court for a retrial. On October 30, 2023, the Taiwan High Court ruled such appeal meritorious and Ennoconn has the right to claim compensation from GigaMedia Cloud. On November 16, 2023, GigaMedia Cloud filed an appeal against the Taiwan High Court’s decision, and the appeal has been transferred to Taiwan Supreme Court on January 2, 2024. On April 17, 2024, the Taiwan Supreme Court, in a written notice, denied GigaMedia’s appeal.

GigaMedia Cloud accrued its best estimate for the ultimate resolution of this claim. On the other hand, pursuant to Taiwan’s Company Act, the shareholder of GigaMedia Cloud is limitedly liable for GigaMedia Cloud in an amount equal to the total value of shares subscribed. Therefore, we believe that the immediate parent company, the intermediate parent companies, as well as GigaMedia, the ultimate parent company, individually or collectively do not have obligations to absorb GigaMedia Cloud’s loss exceeding GigaMedia Cloud’s net worth and accordingly, it will not have a material adverse impact on our financial condition, results of operations or cash flows.

### **NOTE 18. SEGMENT, PRODUCT, GEOGRAPHIC AND OTHER INFORMATION**

#### ***Segment Information***

We have only one segment, the digital entertainment business segment, which operates a portfolio of digital entertainment products, primarily targeting digital entertainment service users across Asia.

Our Company uses the loss from operations as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of consolidated financial statements. Please refer to the consolidated statements of operations and comprehensive income (loss) for the related segment revenue and operating results.

#### ***Major Product Lines***

Revenues from our Company’s major product lines are summarized as follows:

(in US\$ thousands)	<u>2023</u>	<u>2022</u>	<u>2021</u>
MahJong and casino casual games	\$ 1,070	\$ 1,308	\$ 1,493
PC-based online sports games	2,696	3,395	2,376
Mobile role playing games	464	801	1,522
Other games and game related revenues	62	81	101
	<u>\$ 4,292</u>	<u>\$ 5,585</u>	<u>\$ 5,492</u>

### Major Customers

No single customer represented 10% or more of GigaMedia's consolidated total net revenues in any period presented.

### Geographic Information

Revenues by geographic area are attributed by country of the operating entity location. Revenue from by geographic region is as follows:

(in US\$ thousands)			
Geographic region / country	2023	2022	2021
Taiwan	\$ 1,785	\$ 2,427	\$ 3,050
Hong Kong	2,507	3,158	2,442
	<u>\$ 4,292</u>	<u>\$ 5,585</u>	<u>\$ 5,492</u>

Geographic information for property, plant and equipment, intangible assets and operating lease right-of-use assets are as follows:

(in US\$ thousands)	December 31, 2023			December 31, 2022		
Geographic region / country	Property, plant and equipment, net	Intangible assets, net	Operating lease right-of-use assets, net	Property, plant and equipment, net	Intangible assets, net	Operating lease right-of-use assets, net
Taiwan	\$ 111	\$ 13	\$ 869	\$ 103	\$ 19	\$ 1,289
Hong Kong	—	—	75	—	—	17
	<u>\$ 111</u>	<u>\$ 13</u>	<u>\$ 944</u>	<u>\$ 103</u>	<u>\$ 19</u>	<u>\$ 1,306</u>

### NOTE 19. SUBSEQUENT EVENT

There have been no events that have occurred subsequent to December 31, 2023, and through the date that the consolidated financial statements are issued that would require adjustment to or disclosure except as already disclosed in the consolidated financial statements.

**Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act**

**Description of Ordinary Shares**

GigaMedia Limited (the “Company,” “we,” “us” and “our”) is incorporated under the laws of the Republic of Singapore and our affairs are governed by our memorandum and articles of association (collectively, our “Constitution”) and by the applicable laws governing corporations incorporated in Singapore.

As of December 31, 2023, we had the following series of securities registered pursuant to Section 12 of the Exchange Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Ordinary Shares	GIGM	The Nasdaq Stock Market LLC

As of December 31, 2023, we had 11,052,235 ordinary shares (the “Shares”) issued and outstanding. Our Shares have no par value.

**Preemptive Rights**

Our shareholders do not have preemptive purchase rights.

**Transfer of Ordinary Shares**

Subject to our Constitution, Shares are freely transferable but our directors may, in their absolute discretion, decline to register any transfer of Shares on which we have a lien. All of our outstanding Shares have been fully paid. In addition, our directors may refuse, at their discretion, to register or transfer Shares to a transferee of whom they do not approve. Shares may be transferred by a duly signed instrument of transfer in the usual common form or in a form approved by our directors. Our directors may decline to register any transfer of Shares evidenced in certificated form unless, among other things, it has been duly stamped and is presented for registration together with the certificate of payment of stamp duty (if any), the Share certificates to which the transfer relates and other evidence of title as they may require. We will replace worn-out or defaced Share certificates upon production thereof to the directors and upon payment of such fee as specified in our Constitution. We will replace lost, destroyed or stolen Share certificates upon, among other things, the applicant furnishing evidence and such indemnity as the directors may require.

**Limitations and Qualifications on the Rights of the Securities**

The rights evidenced by the Shares are not materially limited or qualified by the rights evidenced by any other class of securities or by the provisions of any contract or other documents.

**Rights of Other Types of Securities**

Not applicable.

**Rights of Ordinary Shares**

*Dividends*

Our Company may by an ordinary resolution declare dividend, but no dividend shall be payable except out of the profits of our Company or in excess of the amount recommended by the directors. Our profits available for dividend and determined to be distributed shall be applied to pay dividends to shareholders according to their respective rights

and priorities. Except for Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up on Shares.

All dividends unclaimed after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our Company. If any dividend has not been claimed for six years from the date of declaration, such dividend may be forfeited and shall revert to our Company. However, the directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. No dividend shall bear interest against our Company.

#### *Shareholders' Meetings*

We are required to hold an annual general meeting after the end of each financial year within 6 months. The directors may convene an extraordinary general meeting whenever they think fit, and they must do so upon the request in writing of shareholders representing not less than 10 percent of the voting rights of our Company. In addition, two or more shareholders holding not less than 10 percent of the total number of issued Shares (excluding treasury shares) may call a meeting of our shareholders. Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of those present and voting. An ordinary resolution suffices, for example, in respect of appointments of directors. A special resolution, requiring an affirmative vote of at least 75 percent of those present and voting, is necessary for certain matters under the Singapore Companies Act, such as an alteration of our Constitution. Subject to the Singapore Companies Act, at least 21 days' advance written notice specifying the intention to propose a special resolution must be given of every general meeting convened for the purpose of passing a special resolution. Subject to the Singapore Companies Act, at least 14 days' advance written notice must be given of every general meeting convened for the purpose of passing an ordinary resolution.

#### *Voting Rights*

Voting at any meeting of our shareholders is by a poll. On a poll every shareholder who is present in person or by proxy has one vote for every Share held by him.

#### *Liquidation Distribution*

In the case of a winding up of our Company and in accordance with applicable laws, our shareholders may pass a special resolution to authorize a liquidator to divide and distribute our assets to our shareholders, or authorize the liquidator to vest the whole or part of our assets in trustees upon such trusts for the benefit of our shareholders but so that no shareholder will be compelled to accept Shares or other securities on which there is any liability.

#### *Share Capital*

We generally have the right by obtaining a general mandate at the annual general meeting to repurchase not more than 20 percent of our own Shares in issue.

Our board of directors may make a capital call on our shareholders with respect to the amounts unpaid on their Shares and the shareholders are required to pay the amount called at the time(s) and place(s) as appointed by the board of directors. The board of directors may revoke a call or postpone the time previously fixed for the call payment.

We may by ordinary resolution:

- (i) consolidate and divide all of Shares;
- (ii) subject to the Singapore Companies Act, sub-divide some or all of Shares, provided always that in such sub-division, the proportion between the amount paid and the amount (if any) unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived; and

(iii) subject to the Singapore Companies Act and our Constitution, convert any class of Shares into any other class of Shares.

We may also by special resolution reduce our share capital or any undistributable reserve in any manner as authorized by law.

#### *Sinking Fund*

We are not required to provide any sinking fund pursuant to our Constitution.

#### *Ownership of a Substantial Number of Shares*

Our Constitution contains no provision discriminating against any existing or prospective holder of Shares as a result of such shareholder owning a substantial number of Shares.

#### **Change in Rights of Shares**

We may vary or abrogate any special rights attached to any class of Shares by a special resolution passed at a separate meeting of holders of the Shares of that class or, where the necessary majority for such special resolution is not obtained at the meeting, with the consent in writing of the holders of three-fourths of the issued Shares of that class within two months of such meeting.

#### **Limitations on the Rights to Own Securities**

There are no limitations imposed by Singapore law or by our Constitution on the right of a non-resident or foreign owner to hold or vote the Shares.

#### **Anti-Takeover Provisions**

The acquisition of shares or general shares of public companies is regulated by the Singapore Securities and Futures Act 2001 and the Singapore Code on Take-overs and Mergers. Any person, either on his own or together with persons acting in concert with him, acquiring an interest in 30 percent or more of our voting Shares is obliged to extend a takeover offer for the remaining Shares which carry voting rights, in accordance with the provisions of the Singapore Code on Take-overs and Mergers. Unless the contrary is established, “persons acting in concert” are presumed to include a company and its related and associated companies and a person who has provided financial assistance (other than a bank in the ordinary course of business) to such company or any of its related and associated companies for the purchase of voting rights, a company and its directors, including their close relatives and related trusts, a company and its pension funds and employee share schemes, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis and a financial advisor and its client in respect of shares held by the financial advisor and all the funds managed by the financial advisor on a discretionary basis where the shareholdings of the financial advisor and any of those funds in the client total 10 percent or more of the client’s equity share capital. The offer must be in cash or be accompanied by a cash alternative at not less than the highest price, excluding stamp duty and dealing costs, paid by the offeror or persons acting in concert with him for shares of that class within the preceding six months. A mandatory takeover offer is also required to be made if a person holding between 30 percent and 50 percent, both inclusive, of the voting shares, or any person acting in concert with him, acquires additional shares representing more than 1 percent of the voting shares in any six-month period.

#### **Disclosure of Shareholder Ownership**

There are no provisions in our bylaws that govern the ownership threshold above which shareholder ownership must be disclosed.

## Differences in Corporate Law

We are incorporated under the laws of Singapore. The following discussion summarizes material differences between the rights of holders of our ordinary Shares and the rights of holders of the common stock of a typical corporation incorporated under the laws of the state of Delaware which result from differences in governing documents and the laws of Singapore and Delaware.

This discussion does not purport to be a complete statement of the rights of holders of our ordinary Shares under applicable law in Singapore and our Constitution or the rights of holders of the common stock of a typical corporation under applicable Delaware law and a typical certificate of incorporation and bylaws. This discussion is qualified by reference to the applicable laws in effect in Singapore and Delaware, from time to time.

Delaware	Singapore
<b>Board of Directors</b>	
A typical certificate of incorporation and bylaws would provide that the number of directors on the board of directors will be fixed from time to time by a vote of the majority of the authorized directors. Under Delaware law, a board of directors can be divided into classes and cumulative voting in the election of directors is only permitted if expressly authorized in a corporation's certificate of incorporation.	The constitution of companies will typically state the minimum and maximum number of directors as well as provide that the number of directors may be increased or reduced by shareholders via ordinary resolution passed at a general meeting, provided that the number of directors following such increase or reduction is within the maximum and minimum number of directors provided in the constitution and the Singapore Companies Act, respectively. Our Constitution provides that, the minimum number of directors is two and the maximum number is 15 unless otherwise determined by a general meeting.

<b>Limitation on Personal Liability of Directors</b>	
A typical certificate of incorporation provides for the elimination of personal monetary liability of directors for breach of fiduciary duties as directors to the fullest extent permissible under the laws of Delaware, except for liability (i) for any breach of a director's loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (relating to the liability of directors for unlawful payment of a dividend or an unlawful stock purchase or redemption) or (iv) for any transaction from which the director derived an improper personal benefit. A typical certificate of incorporation would also provide that if the Delaware General Corporation Law is amended so as to allow further elimination of, or limitations on, director liability, then the liability of directors will be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.	Pursuant to the Singapore Companies Act, any provision (whether in the constitution, contract or otherwise) purporting to exempt a director (to any extent) from any liability attaching in connection with any negligence, default, breach of duty or breach of trust in relation to the Company will be void except as permitted under the Singapore Companies Act. Nevertheless, a director can be released by the shareholders of the Company for breaches of duty to the Company, except in the case of fraud, illegality, insolvency and oppression or disregard of minority interests.  Our Constitution currently provides that, subject to the provisions of the Singapore Companies Act, every director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto and in particular and without prejudice to the generality of the foregoing no director, manager, secretary or other officer of the

	<p>Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.</p>
--	---

**Interested Shareholders**

<p>Section 203 of the Delaware General Corporation Law generally prohibits a Delaware corporation from engaging in specified corporate transactions (such as mergers, stock and asset sales, and loans) with an “interested stockholder” for three years following the time that the stockholder becomes an interested stockholder. Subject to specified exceptions, an “interested stockholder” is a person or group that owns 15% or more of the corporation’s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock at any time within the previous three years.</p> <p>A Delaware corporation may elect to “opt out” of, and not be governed by, Section 203 through a provision in either its original certificate of incorporation, or an amendment to its original certificate or bylaws that was approved by majority stockholder vote. With a limited exception, this amendment would not become effective until 12 months following its adoption.</p>	<p>There are no comparable provisions in Singapore with respect to public companies which are not listed on the Singapore Exchange Securities Trading Limited.</p>
---	--



### **Removal of Directors**

A typical certificate of incorporation and bylaws provide that, subject to the rights of holders of any preferred stock, directors may be removed at any time by the affirmative vote of the holders of at least a majority, or in some instances a supermajority, of the voting power of all of the then outstanding shares entitled to vote generally in the election of directors, voting together as a single class. A certificate of incorporation could also provide that such a right is only exercisable when a director is being removed for cause (removal of a director only for cause is the default rule in the case of a classified board).

According to the Singapore Companies Act, directors of a public company may be removed before expiration of their term of office with or without cause by ordinary resolution (i.e., a resolution which is passed by a simple majority of those shareholders present and voting in person or by proxy). The Company may by ordinary resolution remove any director before the expiration of his period of office, notwithstanding anything in our Constitution or in any agreement between the Company and such director.

Notice of the intention to move such a resolution has to be given to the company not less than 28 days before the meeting at which it is moved. The company shall then give notice of such resolution to its shareholders at the same time and in the same manner as it gives notice of the meeting, and not less than 14 days before the meeting. Where any director removed in this manner was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove such director will not take effect until such director's successor has been appointed.

### **Filling Vacancies on the Board of Directors**

A typical certificate of incorporation and bylaws provide that, subject to the rights of the holders of any preferred stock, any vacancy, whether arising through death, resignation, retirement, disqualification, removal, an increase in the number of directors or any other reason, may be filled by a majority vote of the remaining directors, even if such directors remaining in office constitute less than a quorum, or by the sole remaining director. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of stockholders at which the term of the class of directors to which the newly elected director has been elected expires.

The constitution of a Singapore company typically provides that the directors have the power to appoint any person to be a director, either to fill a vacancy or as an addition to the existing directors, but so that the total number of directors will not at any time exceed the maximum number fixed in the constitution. Any newly elected director shall hold office until the next following annual general meeting, where such director will then be eligible for re-election.

Our Constitution provides that the directors shall have power at any time and from time to time to appoint any person to be a director either to fill a casual vacancy or as an additional director but so that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the Constitution.

### **Amendment of Governing Documents**

<p>Under the Delaware General Corporation Law, amendments to a corporation’s certificate of incorporation require the approval of stockholders holding a majority of the outstanding shares entitled to vote on the amendment. If a class vote on the amendment is required by the Delaware General Corporation Law, a majority of the outstanding stock of the class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the Delaware General Corporation Law. Under the Delaware General Corporation Law, the board of directors may amend bylaws if so authorized in the charter. The stockholders of a Delaware corporation also have the power to amend bylaws.</p>	<p>The Singapore Companies Act provides that the constitution of a company may be altered by a special resolution passed at a general meeting of shareholders. The board of directors has no right to amend the constitution.</p>
--	---

**Meetings of Shareholders**

<p><i>Annual and Special Meetings</i> Unless directors are elected by written consent, an annual meeting is required to be held for the election of directors. If there is a failure to hold an annual meeting or to take action by written consent and no date has been designated for an annual meeting for a period of 13 months after the last annual meeting, stockholders or any director may petition the Delaware Court of Chancery to convene a stockholder meeting.</p> <p>Typical bylaws provide that annual meetings of stockholders are to be held on a date and at a time fixed by the board of directors. Under the Delaware General Corporation Law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws.</p> <p><i>Quorum Requirements</i> Under the Delaware General Corporation Law, a corporation’s certificate of incorporation or bylaws can specify the number of shares which constitute the quorum required to conduct business at a meeting, provided that in no event shall a quorum consist of less than one-third of the shares entitled to vote at a meeting.</p>	<p><i>Annual General Meetings</i> All companies are required to hold an annual general meeting within a fixed period after the end of each financial year. We are required to hold an annual general meeting within six months after the end of each financial year.</p> <p><i>Extraordinary General Meetings</i> Any general meeting other than the annual general meeting is called an “extraordinary general meeting.”</p> <p>In addition, the constitution usually also provides that general meetings may be convened in accordance with the Singapore Companies Act by the directors. Notwithstanding anything in the constitution, the directors are required to convene a general meeting if required to do so by requisition (i.e., written notice to directors requiring that a meeting be called) by shareholder(s) as provided in Section 176 of the Singapore Companies Act.</p> <p>Our Constitution provides that the directors may, whenever they think fit, convene an extraordinary general meeting.</p> <p><i>Quorum Requirements</i> Our Constitution provides that at least two members entitled to vote holding not less than 33 and 1/3 percent of our issued and fully paid-up Shares, present in person or by proxy at a meeting, shall be a quorum. If within 30 minutes from the time appointed for a general meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall</p>
--	--

	<p>be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the directors may by not less than ten days' notice appoint. At the adjourned meeting any one or more members present in person or by proxy shall be a quorum.</p>
--	---

### Indemnification of Officers, Directors and Employers

Under the Delaware General Corporation Law, subject to specified limitations in the case of derivative suits brought by a corporation's stockholders in its name, a corporation may indemnify any person who is made a party to any third-party action, suit or proceeding on account of being a director, officer, employee or agent of the corporation (or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding through, among other things, a majority vote of a quorum consisting of directors who were not parties to the suit or proceeding, if the person:

- acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or, in some circumstances, at least not opposed to its best interests; and
- in a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Delaware corporate law permits indemnification by a corporation under similar circumstances for expenses (including attorneys' fees) actually and reasonably incurred by such persons in connection with the defense or settlement of a derivative action or suit, except that no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which the action or suit was brought determines upon application that the person is fairly and reasonably entitled to indemnity for the expenses which the court deems to be proper.

To the extent a director, officer, employee or agent is successful in the defense of such an action, suit or proceeding, the corporation is required by Delaware corporate law to indemnify such person for expenses (including attorneys' fees) actually and reasonably incurred thereby. Expenses (including attorneys' fees) incurred by such persons in defending any action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of that person to repay the amount if it is ultimately determined that that person is not entitled to be so indemnified.

Any provision that purports to exempt an officer of a company (to any extent) that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company is void.

However, the Singapore Companies Act specifically provides that the Company is allowed to:

- purchase and maintain for any officer insurance against any liability attaching to such officer in respect of any negligence, default, breach of duty or breach of trust in relation to the Company;
- indemnify any officer against liability incurred by a director to a person other than the Company except when the indemnity is against (i) any liability of the officer to pay a fine in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); or (ii) any liability incurred by the officer (1) in defending criminal proceedings in which he is convicted, (2) in defending civil proceedings brought by the Company or a related company of the Company in which judgment is given against him, or (3) in connection with an application for relief under Sections 76A(13) or 391 of the Singapore Companies Act in which the court refuses to grant him relief;
- indemnify any auditor against any liability incurred or to be incurred by such auditor in defending any proceedings (whether civil or criminal) in which judgment is given in such auditor's favor or in which such auditor is acquitted; or
- indemnify any auditor against any liability incurred by such auditor in connection with any application under Sections 76A(13) or 391 of the Singapore Companies Act in which relief is granted to such auditor by a court.

In cases where, inter alia, an officer is sued by the Company, the Singapore Companies Act gives the court the power to relieve directors either wholly or partially from the consequences of their negligence, default, breach of duty or breach of trust. However, Singapore case law has indicated that such relief will not be granted

	<p>to a director who has benefited as a result of his or her breach of trust. In order for relief to be obtained, it must be shown that (i) the director acted reasonably; (ii) the director acted honestly; and (iii) it is fair, having regard to all the circumstances of the case including those connected with such director's appointment, to excuse the director.</p> <p>Our Constitution provides that, subject to the provisions of the Singapore Companies Act, every director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto and in particular and without prejudice to the generality of the foregoing no director, manager, secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.</p>
--	---

<b>Shareholder Approval of Business Combinations</b>	
<p>Generally, under the Delaware General Corporation Law, completion of a merger, consolidation, or the sale, lease or exchange of substantially all of a corporation's assets or dissolution requires approval by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of outstanding stock of the corporation entitled to vote. The Delaware General Corporation Law also requires a special vote of stockholders in connection with a business combination with an "interested stockholder" as defined in section 203 of the Delaware General Corporation Law. For further information on such provisions, see "<i>-Interested Shareholders</i>" above.</p>	<p>The Singapore Companies Act mandates that specified corporate actions require approval by the shareholders in a general meeting, notably:</p> <ul style="list-style-type: none"> <li>• notwithstanding anything in the Company's constitution, directors are not permitted to carry into effect any proposals for disposing of the whole or substantially the whole of the Company's undertaking or property unless those proposals have been approved by shareholders in a general meeting;</li> <li>• subject to the constitution of each amalgamating company, an amalgamation proposal must be approved by the shareholders of each amalgamating company via special resolution at a general meeting; and</li> <li>• notwithstanding anything in the Company's constitution, the directors may not, without the prior approval of shareholders, issue shares, including shares being issued in connection with corporate actions.</li> </ul>
<b>Shareholder Action Without a Meeting</b>	
<p>Under the Delaware General Corporation Law, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. A corporation's certificate of incorporation may elect to prohibit such action.</p>	<p>There are no equivalent provisions under the Singapore Companies Act in respect of passing shareholders' resolutions by written means that apply to public companies listed on a securities exchange.</p>

### Shareholder Suits

Under the Delaware General Corporation Law, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. A person may institute and maintain such a suit only if such person was a stockholder at the time of the transaction which is the subject of the suit or his or her shares thereafter devolved upon him or her by operation of law. Additionally, under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which is the subject of the suit, but also through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile.

*Personal remedies in cases of oppression of justice*  
A shareholder may apply to the court for an order under the Singapore Companies Act to remedy situations where (i) the company's affairs are being conducted or other powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of one or more of the shareholders or holders of debentures of the company, including the applicant; or (ii) the company has done an act, or threatens to do an act, or the shareholders or holders of debentures have passed some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the company's shareholders or holders of debentures, including the applicant.

Singapore courts have wide discretion as to the relief they may grant under such application, including, inter alia, directing or prohibiting any act or canceling or varying any transaction or resolution, providing that the company be wound up or authorizing civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the court directs.

*Derivative actions*

The Singapore Companies Act has a provision which provides a mechanism enabling any registered shareholder to apply to the court for leave to bring a derivative action on behalf of the Company. In addition to registered shareholders, courts are given the discretion to allow such persons as they deem proper to apply as well (e.g., beneficial owners of shares or individual directors).

It should be noted that this provision of the Singapore Companies Act is primarily used by minority shareholders to bring an action in the name and on behalf of the Company or intervene in an action to which the Company is a party for the purpose of prosecuting, defending or discontinuing the action on behalf of the Company.

An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action under the Delaware law have been met.

*Class actions*

The concept of class action suits, which allows individual shareholders to bring an action seeking to represent the class or classes of shareholders, generally does not exist in Singapore. However, it is possible as a matter of procedure for a number of shareholders to lead an action and establish liability on behalf of themselves and other

	<p>shareholders who join in or who are made parties to the action.</p> <p>Further, there are certain circumstances in which shareholders may file and prove their claims for compensation in the event that the Company has been convicted of a criminal offense or has a court order for the payment of a civil penalty made against it.</p>
--	---



### Dividends or Other Distributions; Repurchases and Redemptions

The Delaware General Corporation Law permits a corporation to declare and pay dividends out of statutory surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets.

Under the Delaware General Corporation Law, any corporation may purchase or redeem its own shares, except that generally it may not purchase or redeem these shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.

The Singapore Companies Act provides that no dividends can be paid to shareholders except out of profits.

The Singapore Companies Act does not provide a definition on when profits are deemed to be available for the purpose of paying dividends and this is accordingly governed by case law. Our Company may by an ordinary resolution declare dividend, but no dividend shall be payable except out of the profits of our Company or in excess of the amount recommended by the directors.

#### *Acquisition of a company's own shares*

The Singapore Companies Act generally prohibits a company from acquiring its own shares subject to certain exceptions. Any contract or transaction by which a company acquires or transfers its own shares is void, subject to the exceptions described below.

However, provided that it is expressly permitted to do so by its constitution and subject to the special conditions of each permitted acquisition contained in the Singapore Companies Act, the Company may:

- redeem redeemable preference shares (the redemption of these shares will not reduce the capital of the Company) on such terms and in such manner as is provided by our Constitution. Preference shares may be redeemed out of capital if all the directors make a solvency statement in relation to such redemption in accordance with the Singapore Companies Act;
- whether listed (on an approved exchange in Singapore or any securities exchange outside Singapore) or not, make an off-market purchase of its own shares in accordance with an equal access scheme authorized in advance at a general meeting;
- whether listed on a securities exchange (in Singapore or outside Singapore) or not, make a selective off-market purchase of its own shares in accordance with an agreement authorized in advance at a general meeting by a special resolution where persons whose shares are to be acquired and their associated persons have abstained from voting; and
- whether listed (on an approved exchange in Singapore or any securities exchange outside Singapore) or

	<p>not, make an acquisition of its own shares under a contingent purchase contract which has been authorized in advance at a general meeting by a special resolution.</p> <p>The Company may also purchase its own shares by an order of a Singapore court.</p> <p>The total number of ordinary shares that may be acquired by the Company in a relevant period may not exceed 20% of the total number of ordinary shares in that class as of the date of the resolution pursuant to the relevant share repurchase provisions under the Singapore Companies Act. Where, however, the Company has reduced its share capital by a special resolution or a Singapore court made an order to such effect, the total number of ordinary shares shall be taken to be the total number of ordinary shares in that class as altered by the special resolution or the order of the court. Payment must be made out of the Company's distributable profits or capital, provided that the Company is solvent. Such payment may include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition by the Company of its ordinary shares.</p> <p><i>Financial assistance for the acquisition of shares</i> The Company may not give financial assistance to any person whether directly or indirectly for the purpose of:</p> <ul style="list-style-type: none"> <li>• the acquisition or proposed acquisition of shares in the Company or units of such shares; or</li> <li>• the acquisition or proposed acquisition of shares in its holding company or ultimate holding company, as the case may be, or units of such shares.</li> </ul> <p>Financial assistance may take the form of a loan, the giving of a guarantee, the provision of security, the release of an obligation, the release of a debt or otherwise.</p>
	<p>However, it should be noted that the Company may provide financial assistance for the acquisition of its shares or shares in its holding company if it complies with the requirements (including, where applicable, approval by the board of directors or by the passing of a special resolution by its shareholders) set out in the Singapore Companies Act. Our Constitution provides that subject to the provisions of the Singapore Companies Act, we may purchase or otherwise acquire our own</p>

	<p>Shares upon such terms and subject to such conditions as we may deem fit. These Shares may be held as treasury shares or cancelled as provided in the Singapore Companies Act or dealt with in such manner as may be permitted under the Singapore Companies Act. On cancellation of the shares, the rights and privileges attached to those shares will expire.</p>
--	---

**Transactions with Officers and Directors**

Under the Delaware General Corporation Law, some contracts or transactions in which one or more of a corporation's directors has an interest are not void or voidable because of such interest provided that some conditions, such as obtaining the required approval and fulfilling the requirements of good faith and full disclosure, are met. Under the Delaware General Corporation Law, either (a) the stockholders or the board of directors must approve in good faith any such contract or transaction after full disclosure of the material facts or (b) the contract or transaction must have been "fair" as to the corporation at the time it was approved. If board approval is sought, the contract or transaction must be approved in good faith by a majority of disinterested directors after full disclosure of material facts, even though less than a majority of a quorum.

Under the Singapore Companies Act, the chief executive officer and directors are not prohibited from dealing with the Company, but where they have an interest in a transaction with the Company, that interest must be disclosed to the board of directors. In particular, the chief executive officer and every director who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the Company must, as soon as practicable after the relevant facts have come to such officer or director's knowledge, declare the nature of such officer or director's interest at a board of directors' meeting or send a written notice to the Company containing details on the nature, character and extent of his interest in the transaction or proposed transaction with the Company.

In addition, a director or chief executive officer who holds any office or possesses any property which, directly or indirectly, duties or interests might be created in conflict with such officer's duties or interests as director or chief executive officer, is required to declare the fact and the nature, character and extent of the conflict at a meeting of directors or send a written notice to the Company containing details on the nature, character and extent of the conflict.

The Singapore Companies Act extends the scope of this statutory duty of a director or chief executive officer to disclose any interests by pronouncing that an interest of a member of the director's or, as the case may be, the chief executive officer's family (including spouse, son, adopted son, step-son, daughter, adopted daughter and step-daughter) will be treated as an interest of the director.

There is however no requirement for disclosure where the interest of the director or chief executive officer (as the case may be) consists only of being a member or creditor of a corporation which is interested in the proposed transaction with the Company if the interest may properly be regarded as immaterial. Where the proposed transaction relates to any loan to the Company, no disclosure need be made where the director or chief executive officer has only guaranteed or joined in guaranteeing the repayment of such loan, unless the constitution provides otherwise.

	<p>Further, where the proposed transaction is to be made with or for the benefit of a related corporation (i.e. the holding company, subsidiary or subsidiary of a common holding company) no disclosure need be made of the fact that the director or chief executive officer is also a director or chief executive officer of that corporation, unless the constitution provides otherwise.</p> <p>Subject to specified exceptions, including a loan to a director for expenditure in defending criminal or civil proceedings, etc. or in connection with an investigation, or an action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company, the Singapore Companies Act prohibits the Company from: (i) making a loan or quasi-loan to its directors or to directors of a related corporation (each, a “relevant director”); (ii) giving a guarantee or security in connection with a loan or quasi-loan made to a relevant director by any other person; (iii) entering into a credit transaction as creditor for the benefit of a relevant director; (iv) giving a guarantee or security in connection with such credit transaction entered into by any person for the benefit of a relevant director; (v) taking part in an arrangement where another person enters into any of the transactions in (i) to (iv) above or (vi) below and such person obtains a benefit from the Company or a related corporation; or (vi) arranging for the assignment to the Company or assumption by the Company of any rights, obligations or liabilities under a transaction in (i) to (v) above. The Company is also prohibited from entering into the transactions in (i) to (vi) above with or for the benefit of a relevant director’s spouse or children (whether adopted or naturally or step-children).</p>
--	---

<b>Dissenters' Rights</b>	
<p>Under the Delaware General Corporation Law, a stockholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.</p>	<p>There are no equivalent provisions under the Singapore Companies Act.</p>

<b>Cumulative Voting</b>	
<p>Under the Delaware General Corporation Law, a corporation may adopt in its bylaws that its directors shall be elected by cumulative voting. When directors are elected by cumulative voting, a stockholder has the number of votes equal to the number of shares held by such stockholder times the number of directors nominated for election. The stockholder may cast all of such votes for one director or among the directors in any proportion.</p>	<p>There is no equivalent provision under the Singapore Companies Act in respect of companies incorporated in Singapore.</p>

<b>Anti-Takeover Measures</b>	
<p>Under the Delaware General Corporation Law, the certificate of incorporation of a corporation may give the board the right to issue new classes of preferred stock with voting, conversion, dividend distribution, and other rights to be determined by the board at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares</p> <p>In addition, Delaware law does not prohibit a corporation from adopting a stockholder rights plan, or "poison pill," which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.</p>	<p>The constitution of a Singapore company typically provides that the company may allot and issue new shares of a different class with preferential, deferred, qualified or other special rights as its board of directors may determine with the prior approval of the company's shareholders in a general meeting.</p> <p>Singapore law does not generally prohibit a corporation from adopting "poison pill" arrangements which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares. However, under the Singapore Code on Take-overs and Mergers, if, in the course of an offer, or even before the date of the offer announcement, the board of the offeree company has reason to believe that a bona fide offer is imminent, the board must not, except pursuant to a contract entered into earlier, take any action, without the approval of shareholders at a general meeting, on the affairs of the offeree company that could effectively result in any bona fide offer being frustrated or the shareholders being denied an opportunity to decide on its merits.</p>

**Changes in Capital**

There are no conditions imposed by the Constitution governing changes in the capital, where such conditions are more stringent than is required by law.

**Debt Securities**

Not applicable.

**Warrants and Rights**

Not applicable.

**Other Securities**

Not applicable.

**Description of American Depositary Shares**

Not applicable.

## CONVERTIBLE NOTE PURCHASE AGREEMENT

This Convertible Note Purchase Agreement (the “*Agreement*”) is made as of August 15, 2023, by and between:

1. Aeolus Robotics Corporation, a company duly organized and validly existing under the laws of the Cayman Islands (the “*Company*”); and
2. GigaMedia Limited, a company duly organized and validly existing under the laws of Singapore (the “*Purchaser*”).

Each of the Company and the Purchaser is hereinafter referred to individually a “*Party*” and collectively, the “*Parties*”.

### WITNESSETH

WHEREAS, the Company desires to issue, sell and deliver to the Purchaser, and the Purchaser desires to purchase from the Company, the Note (as defined below) pursuant to the terms and subject to the conditions of this Agreement;

WHEREAS, the Parties desire to enter into this Agreement on the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

### AGREEMENT

#### 1. Purchase and Sale of Note.

(a) Sale and Issuance of Note. Subject to the terms and conditions of this Agreement, the Purchaser agrees to purchase at the Closing (as defined below) and the Company agrees to sell and issue to the Purchaser to a convertible promissory note, which is in the form attached as Exhibit A hereto (the “*Note*”), in the principal amount of one hundred five thousand three hundred forty-six U.S. dollars (US\$105,346) (the “*Principal Amount*”). The purchase price of the Note shall be equal to 100% of the Principal Amount of such Note (the “*Purchase Price*”). The terms and conditions of the Note, including but not limited to, the interest, repayment, conversion and others, are stipulated in the Note.

#### 2. Closing; Delivery.

(a) The purchase and sale of the Note shall take place as soon as practicable and in no event later than August 15, 2023 (or such other date agreed by the Parties) at the place mutually agreed upon by the Company and the Purchaser (which time and place are designated as the “*Closing*”).



(b) At the Closing:

(1) The Company shall first present the original duly executed Note for the Purchaser's physical viewing.

(2) The Purchaser shall then pay the Purchase Price of the Note by wire transfer to the following bank account designated by the Company:

Bank: HSBC Hong Kong  
Bank Address: 1 Queen's Road, Central, Hong Kong  
SWIFT Code: HSBCHKHCHK  
Account number: 741-078976-838  
Account name: AEOLUS ROBOTICS CORPORATION

(3) The Purchaser shall then deliver to the Company a copy of the bank wire remittance or exchange memo against delivery by the Company to the Purchaser the original duly executed Note.

(4) The Closing shall be deemed consummated upon the Company's receipt of the Purchase Price at the bank account set forth above.

**3. Representations and Warranties of the Company.** The representations and warranties made by the Company to the Purchaser are listed in Exhibit B hereto.

**4. Representations and Warranties of the Purchaser.** The Purchaser hereby represents and warrants to the Company as follows:

(a) **Organization.** The Purchaser is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the laws of the place of its incorporation.

(b) **Authorization.** The execution, delivery and performance of this Agreement and/or relevant transaction documents and the consummation of the transactions contemplated thereby by the Purchaser have been duly authorized by all necessary action on the part of the Purchaser. The Purchaser has all requisite power, authority and capacity to enter into this Agreement and to perform its obligations under this Agreement, and this Agreement has been duly authorized, executed and delivered by the Purchaser. This Agreement, when executed and delivered by the Purchaser, will constitute valid and legally binding obligations of the Purchaser, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

(c) **Consent and Approvals.** Except for those consents and approvals disclosed in writing to the Company before the Closing, which has been obtained or to be obtained, no consent, license, approval, order or authorization of, or registration, filing or declaration with, any governmental authority or the securities exchange on which the Purchaser is listed is required to be obtained or made, and no consent of any third party is required to be obtained, by the

Purchaser in connection with the execution, delivery or performance of this Agreement, or the consummation of any transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) result in a violation of any organizational document of the Purchaser, (ii) conflict with, constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give rise to another person's right to terminate or cancel, any material agreement, indenture or instrument to which the Purchaser is a party or (iii) result in a violation of any applicable law, rule, regulation, order, judgment or decree.

(d) **No Public Market.** The Purchaser is acquiring the Note and, in the event the Note is converted into equity securities of the Company (the "***Conversion Shares***") pursuant to its terms, the Purchaser understands that no public market now exists for the Note and Conversion Shares.

(e) **Purchase for Own Account.** The Note and the Conversion Shares (if issued) will be acquired for the Purchaser's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Note and/or any of the Conversion Shares.

(f) **Accredited and Sophisticated Investor.** The Purchaser is an accredited investor as defined in applicable securities laws of the United States of America ("the U.S."). The Purchaser recognizes that the Company is in its early stages that is not yet, and may never be, profitable, and that an investment in the Company is speculative and involves a high degree of risk. The Purchaser acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial and business matters that the Purchaser is capable of evaluating the merits and risks of the prospective investment in the Company. The Purchaser has experience in making investment decisions of this type.

(g) **Restrictions.** The Purchaser understands that the Note and the Conversion Shares (if issued) are being offered and sold in reliance on specific exemptions from the registration requirements of relevant laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgements and understandings set forth herein in order to determine the applicability of such exemptions and the suitability of the Purchaser to acquire the Note and the Conversion Shares (if issued).

(h) **No Brokers or Finders.** No person has or will have, as a result of the transactions contemplated by this Agreement and the Note, any right, interest or claim against or upon the Purchaser for any commission, fee or other compensation as a finder or broker.

**5. Conditions of the Purchaser's Obligations to the Closing.** The obligation of the Purchaser to consummate the Closing is subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by the Purchaser to the extent permitted by applicable laws:

(a) **Due Diligence.** The result of due diligence investigation performed by the Purchaser on the Company is reasonably satisfactory to the Purchaser.

(b) **Representations and Warranties; Performance of Obligations.** The representations and warranties of the Company contained in Section 3 and as set out on Exhibit B shall be true and accurate on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing (except in the case of any representation and warranty which by its terms is made only as of a date specified therein, which shall be true and accurate only as of such date). The Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(c) **Authorization.** All required internal approvals and authorization of the Company, and all required waivers (if any), for the issuance of and subscription to the Note have been duly obtained and remain effective as of the Closing, including the written consent of the Majority of Series A Preferred and Series B Preferred Shareholders of the Company. The written consent of the Majority of Series A Preferred and Series B Preferred Shareholders shall also set forth the approval of excluding the Note from the New Securities (as defined in the Company's Seventh Amended and Restated Memorandum and Articles of Association).

(d) **Qualifications.** All authorizations, filings, consents, approvals or permits, if any, of any applicable jurisdiction that are required in connection with the lawful issuance and sale of the Note pursuant to this Agreement have been duly obtained on or prior to the Closing and remain effective as of the Closing.

(e) **Corporate Documents.** The Company shall have delivered to the Purchaser: (i) the Company's Memorandum and Articles of Association as in effect at the time of the Closing, (ii) the Company's bylaws as in effect at the time of the Closing, and (iii) resolutions approved by the Company's board of directors authorizing the transactions contemplated hereby.

(f) **Second Amended and Restated Shareholders Agreement.** The Second Amended and Restated Shareholders Agreement substantially in the form attached hereto as **EXHIBIT C** shall have been executed and delivered by the parties thereto.

**6. Conditions of the Company's Obligations to the Closing.** The obligations of the Company to consummate the Closing are subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by the Company to the extent permitted by applicable laws:

(a) **Representations and Warranties.** The representations and warranties of the Purchaser contained in Section 4 shall be true and accurate on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing (except in the case of any representation and warranty which by its terms is made only as of a date specified therein, which shall be true and accurate only as of such date).

(b) **Authorization.** All required internal approvals and authorization of the Purchaser for the issuance of and subscription to the Note are duly obtained.

(c) **Qualifications**. All authorizations, filings, consents, approvals or permits, if any, of any applicable jurisdiction that are required in connection with the lawful issuance and sale of the Note pursuant to this Agreement shall be obtained and effective as of the Closing.

7. **Certain Covenants**. The Company undertake and agree to honor and perform the following covenants so long as any indebtedness under this Note remains outstanding unless the Purchaser have otherwise agreed in writing:

(a) **Information Rights**.

(i) The Company shall maintain consolidated financial statements which present fairly the financial condition of the Company at the date or dates therein indicated and the results of operations for the period or periods therein specified, prepared in accordance with International Financial Reporting Standards(IFRS) (國際財務報導準則) applied on a consistent basis and shall set aside on its books all such proper accruals and reserves as shall be required.

(ii) The Company shall deliver to the Purchaser:

(1) within one hundred and fifty (150) days after the end of each fiscal year, audited (by an independent internationally recognized accounting firm) annual consolidated financial statements of the Company for such fiscal year; and

(2) within forty-five (45) days after the end of each calendar quarter, unaudited quarterly consolidated financial statements of the Company for such quarter.

(b) **Use of Proceeds**. The Company agrees to use the Purchase Price received from selling the Note hereunder exclusively as working capital for the business operations of the Company.

(c) **Compliance with Law**. The Company shall preserve and keep in full force and effect its existence as a corporation in good standing under the laws of the jurisdiction of its incorporation, except in the event of a group reorganization (“*Group Reorganization*”).

8. **Miscellaneous**.

(a) **Fees and Expenses**. The Parties shall each bear its own fees and expenses, including, without limitations, the legal fees, due diligence cost and other expenses in connection with the transactions under this Agreement.

(b) **Confidentiality**. Each Party undertakes to the other Parties that it shall treat as strictly confidential the existence and content of this Agreement and all information received or obtained by it or its directors, officers, employees, agents or advisers relating to this Agreement, the negotiations leading up to this Agreement or the subject matter of this Agreement, and that it shall not at any time hereafter make use of or disclose or divulge to any person any such information and shall use their reasonable endeavors to prevent the publication or disclosure of any such information; *provided, however*, the foregoing restrictions shall not apply to any

disclosure which, pursuant to relevant laws and rules, any governmental authority or securities exchange on which the Party's securities are listed or traded requires a Party to make.

(c) **Transferability**. Except as otherwise expressly provided in this Agreement or the Note, and except in the event of Group Reorganization, neither the Company nor the Purchaser may transfer or assign any part of this Agreement or its rights or obligations hereunder to a third party without the prior written consent of the other Party, provided, that the Company shall give a written notice to the Purchaser prior to the consummation of any Group Reorganization.

(d) **Successors and Assigns**. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, heirs, executors, administrators and permitted assigns of the Parties.

(e) **Survival**. The representations, warranties, covenants and agreements made herein shall survive the term of the Note, provided that such survival period shall in no event be longer than three (3) years after the Closing.

(f) **Governing Law; Dispute Resolutions**. This Agreement shall be governed by and construed in accordance with the laws of the Republic of China ("*Taiwan*") without regard to principles of conflicts of law thereunder. Any unresolved controversy or claim arising out of or relating to this Agreement, or the Note shall be submitted to the exclusive jurisdiction of Taipei District Court, Taiwan for the first instance. The non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party, including, without limitation, all reasonable attorneys' fees.

(g) **Counterparts**. This Agreement shall be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

(h) **Notices**. All notices and other communications provided for herein shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

*if to the Company:*

Address: 9-1<sup>th</sup> Floor, No 168, Ruiguang Road,  
Neihu District, Taipei 114  
Taiwan  
Attention: Aaron Chao / Yating Yang

*if to the Purchaser:*

Address: 8<sup>th</sup> Floor, No.22, Lane 407, Section 2, Tiding Boulevard Neihu District,  
Taipei 114.  
Attention: Jack Wang

(i) **Amendments**. Any term of this Agreement may be amended only with the written agreement of the Parties.

(j) **Severability**. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties.

*[Signature Page Follows]*

The Parties have executed this Convertible Note Purchase Agreement as of the date first written above.

Company:

**Aeolus Robotics Corporation**

By: /s/ Tsong Jung Lee

Name: Tsong Jung Lee

Title: DIRECTOR

The Parties have executed this Convertible Note Purchase Agreement as of the date first written above.

PURCHASER:

GigaMedia Limited

By: /s/ HUANG, CHENG-MING

Name: HUANG, CHENG-MING

Title: Chief Executive Officer



**EXHIBIT A**

**FORM OF CONVERTIBLE PROMISSORY NOTE**

THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THIS NOTE HAS NOT BEEN AND WILL NOT BE OFFERED OR SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION.

**AEOLUS ROBOTICS CORPORATION  
CONVERTIBLE PROMISSORY NOTE**

**US\$105,346** August 15, 2023

**FOR VALUE RECEIVED**, **Aeolus Robotics Corporation**, a Cayman Islands company (the “*Company*”) unconditionally promises to pay to the order of GigaMedia Limited, a Singapore company (the “*Holder*”), the principal sum of one hundred five thousand three hundred forty-six U.S. dollars (US\$105,346) (the “*Principal Amount*”), or such lesser amount as shall then equal the outstanding principal amount hereunder, together with the Interest (as defined below) from the date of this convertible note (the “*Note*”) on the unpaid principal balance until the Principal Amount is paid in accordance with Section 3 hereof (or converted, as provided in Section 4 hereof).

This Note is issued pursuant to that certain Convertible Note Purchase Agreement dated August 15, 2023 (the “*Purchase Agreement*”) by and between the Company and the Holder, and the resolutions of the board of directors and shareholders of the Company passed on or about the same date, and is subject to the provisions thereof. Any capitalized term used but not defined herein shall have such meaning ascribed to them in the Purchase Agreement.

The following is a statement of the rights of the Holder and the conditions to which this Note is subject, and to which the Holder, by the acceptance of this Note, agrees:

1. **Interest.** Subject to Section 4 hereof, the interest (the “*Interest*”) shall accrue from the date of the Note on the unpaid Principal Amount at a rate of four point five percent (4.5%) on an annual non-compound basis, computed on the basis of actual calendar days elapsed and a year of 365 days, subject to the terms and conditions of this Note.

2. Maturity and Extension. The Principal Amount plus all accrued and unpaid Interest thereon shall be due and payable on the day which is twenty-four (24) months from the date hereof (the “**Original Maturity Date**”), except and to the extent all or a portion of this Note shall have been previously repaid, redeemed or converted pursuant to Sections 3 and 4 hereof. The Original Maturity Date may be extended for an additional twelve (12) months by the Company at its sole discretion by giving written notice to the Holder at least thirty (30) days prior to the Original Maturity Date (the last day of such extended period of the Note is referred to as the “**Extended Maturity Date.**”) (The Extended Maturity Date together with the Original Maturity Date shall be collectively referred to as the “**Maturity Date.**”)

3. Repayments.

(a) Form of Payment. All payments of Principal Amount and Interest (other than payment by way of conversion) shall be made in U.S. dollars to the Holder and be remitted to the bank account specified by Holder in a written notice delivered to the Company.

(b) Repayment. Except for the portion of the Principal Amount which has been converted into Conversion Shares (as defined below), the total outstanding Principal Amount of the Note plus all accrued and unpaid Interest thereon shall be due and payable upon the date that is the earlier of: (i) the Maturity Date; or (ii) upon the occurrence of an Event of Default (as defined below), or (iii) upon the occurrence of a Deemed Liquidation Event (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association).

(c) Prepayment. Subject to providing a prior written notice to the Holder (the “**Prepayment Notice**”) of at least sixty (60) days (the “**Prepayment Notice Period**”) and the Holder’s right to convert this Note as prescribed in Section 4 hereof, the Company may redeem all or a portion of this Note at any time before the Maturity Date, upon the payment of the all or a portion of outstanding Principal Amount and Interest under the Note.

4. Conversion Rights. Subject to the terms and conditions of the Notes, all or a portion of the Principal Amount under the Note may be convertible into, where applicable and as further detailed herein, ordinary shares (the “**Ordinary Shares**”) of the Company, which shall be fully paid and nonassessable, and shall have the same characters, rights and privileges of ordinary shares as provided in the Amended and Restated Memorandum and Articles of Association of the Company (the converted Ordinary Shares is referred to as “**Conversion Shares**”). For the avoidance of doubt, in the event that any portion of the Principal Amount is converted into the Conversion Shares, all the Interest accrued but unpaid on such portion of Principal Amount shall be waived.

(a) Automatic Conversion. This Note shall automatically be converted into Ordinary Shares at the conversion price of zero point one U.S. dollars (US\$0.1) per share (the “**Conversion Price**”) upon the date of filing formal application of a Qualified IPO (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association) or an earlier date as reasonably requested by the lead underwriter(s) of such Qualified IPO, which occurs on or before the Maturity Date.

(b) Optional Conversion.

(i) Option upon Prepayment. At any time before the Maturity Date, if the Holder receives a Prepayment Notice from the Company, at the Holder’s option and discretion,

all or a portion of the outstanding Principal Amount under this Note may be converted into Ordinary Shares at the Conversion Price, provided that the Holder shall give prior written notice to the Company before the end of the Prepayment Notice Period, and that such amount to be converted by the Holder shall be no greater than the prepayment amount specified in the Prepayment Notice.

(ii) Option upon Deemed Liquidation Event. At any time before the Maturity Date, the Company shall give the Holder a written notice within seven (7) days after the board of directors of the Company resolves to enter into any Deemed Liquidation Event, and at the Holder's option and discretion, all or a portion of the outstanding Principal Amount under this Note may be converted into Ordinary Shares at the Conversion Price, provided that (a) a written notice is given to the Company by the Holder within twenty-one (21) days after it receives said notice from the Company of such Deemed Liquidation Event, and (b) the conversion shall take place on or immediately before the closing of such Deemed Liquidation Event.

(iii) Option upon Maturity. On the Original Maturity Date or, if the Original Maturity Date is extended by the Company pursuant to Section 2 hereof, on the Extended Maturity Date, at the Holder's option and discretion, if the Note remains outstanding, all or a portion of the outstanding Principal Amount under the Note may be converted into Ordinary Shares at the Conversion Price, provided that a prior written notice of at least thirty (30) days is given to the Company by the Holder.

(c) Conversion Price Adjustment. If the Company, at any time while this Note is outstanding: (A) pays a dividend or otherwise makes a distribution in shares of the Company or any securities of any Group Company which entitle the holder thereof to acquire the shares of the Company; or (B) conducts a share split, reverse share split or similar event, then the Conversion Price shall be appropriately adjusted.

(d) Conversion Process. If the Holder decides to exercise the conversion rights hereunder, the Holder shall send a written conversion request notice to the Company during the applicable notice period pursuant to Section 4(b) hereof. The Company shall take all necessary and appropriate actions as promptly as possible to convert the applicable portion of the outstanding Principal Amount owing under this Note into the Conversion Shares. Upon such conversion, the Holder shall surrender this Note to the Company.

(e) Issuance of Certificates. As soon as is reasonably practicable after a conversion has been effected, the Company shall deliver to Holder a certificate or certificates representing the number of the Conversion Shares (excluding any fractional share) issuable by reason of such conversion.

(f) Issuance Costs. The issuance of certificate(s) for shares of capital stock issuable upon conversion of this Note shall be made without charge to the Holder for any issuance tax in respect thereof or other cost incurred by the Company in connection with such conversion and the related issuance of such shares of capital stock. Upon conversion of this Note, the Company shall take all such actions as are necessary in order to ensure that the capital stock issuable with respect to such conversion shall be validly issued, fully paid and nonassessable.

(g) No Fractional Shares. If any fractional share of capital stock would, except for the provisions hereof, be deliverable upon conversion of this Note, the Company, in

lieu of delivering such fractional share, shall pay an amount equal to the value of such fractional share, as determined by the per share conversion price used to effect such conversion.

(h) Documents. The conversions under this Section 4 shall be made in accordance with the terms and conditions set forth in the share subscription agreement and other documents in relation to the subscription (the “**Conversion Documents**”), including but without limitations to the shareholders’ agreement and the amended and restated memorandum and articles of association of the Company to be provided by the Company upon the conversion, where applicable. In connection with the conversions under this Section 4, the Holder agrees to execute and deliver to the Company any Conversion Documents reasonably requested by the Company.

(i) Compliance with Laws and Regulations. The Company shall take all such actions as may be necessary to assure that all Conversion Shares issued upon conversion pursuant hereto may be so issued without violation of any applicable law or governmental regulation or any requirement of any domestic securities exchange upon which such shares of capital stock may be listed.

(j) Termination of Rights. All rights with respect to this Note shall terminate upon the valid issuance of the Conversion Shares credited as paid up in full upon the conversions pursuant to this Section 4, whether or not this Note has been surrendered and whether or not all share subscription, shareholders’ agreement, or other agreements have been executed and delivered by the Holder to the Company.

(k) Conditions to Conversion. The conversion of the Note pursuant to this Section 4 shall be subject to both the Company and the Holder obtaining all permits, authorizations, approvals or consents of, notice to or registration with any governmental authority or regulatory body or other person in relation to transactions contemplated under or as required by the Note and applicable laws. Each Party agrees to provide necessary assistance to the other Party for it to obtain from the relevant governmental and regulatory authority the approvals required to convert the Note into the Conversion Shares at the other Party’s reasonable request. In the event that the approvals cannot be obtained, the Holder may assign the Note and its rights and obligations hereunder to a third party acceptable to and agreed by the Company, provided that the Company may not unreasonably withhold its consent.

## 5. Default.

(a) Events of Default. For purposes of this Note, any of the following events which shall occur shall constitute an “**Event of Default**”:

(i) the default by the Company in the payment of the aggregate Principal Amount and Interest when due and payable and such failure continues for a period of five (5) days;

(ii) a material breach by the Company of its representations, warranties, obligations or covenants contained in the Purchase Agreement or a material breach by Company of the terms of this Note, which if capable of remedy has not been remedied within ten (10) days of written notice to the Company of such breach;

(iii) a Liquidation Event (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association); or

(iv) the commencement of the bankruptcy proceedings against the Company.

(b) Consequences of Events of Default. If any Event of Default occurs before Maturity Date for any reason, whether voluntary or involuntary, and be continuing, the Company shall notify Holder in writing within five (5) days after learning of an Event of Default. Upon the occurrence or existence of any Event of Default and at any time thereafter, all outstanding Principal Amount and Interest will become immediately due and payable by the Company to the Holder.

6. Excessive Interest. Notwithstanding any other provision herein to the contrary, this Note is hereby expressly limited so that the interest rate charged hereunder shall at no time exceed the maximum rate permitted by applicable law. If, for any circumstance whatsoever, the interest rate charged exceeds the maximum rate permitted by applicable law, the interest rate shall be reduced to the maximum rate permitted, and if the Holder shall have received an amount that would cause the interest rate charged to be in excess of the maximum rate permitted, such amount that would be excessive interest shall be applied to the reduction of the Principal Amount owing hereunder, or if such excessive interest exceeds the unpaid balance of the Principal Amount, such excess shall be refunded to the Company.

7. Priority. The Note shall rank *pari passu*, without preference or priority of any kind over, with all other present and future unsubordinated and unsecured senior indebtedness of the Company.

8. Amendment and Waiver. Any term of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written agreement of the Company and the Holder.

9. Notices. All notices, requests, waivers and other communications made pursuant to this Note shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

*if to the Company:*

Address: 9-1<sup>th</sup> Floor, No 168, Ruiguang Road,  
Neihu District, Taipei 114  
Taiwan  
Attention: Aaron Chao / Yating Yang

*if to the Purchaser:*

Address: 8<sup>th</sup> Floor, No.22, Lane 407, Section 2, Tiding Boulevard Neihu District,  
Taipei 114.  
Attention: Jack Wang

10. Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11. Transferability. Unless otherwise agreed by the Company in writing, except as expressly permitted pursuant to Section 4(k), the Holder may not sell, transfer, assign, dispose of, realize, create any encumbrance over any part of the Note or enter into any agreement that will directly or indirectly constitute or be deemed as selling, transferring, assigning, disposing of, realizing, or creating any encumbrance over any part of the Note.

12. Governing Law; Dispute Resolutions. This Note is to be construed in accordance with and governed by the laws of the Republic of China. Any unresolved controversy or claim arising out of or relating to this Agreement or the Note shall be submitted to the exclusive jurisdiction of Taipei District Court, Taiwan for the first instance. The non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party, including, without limitation, all reasonable attorneys' fees.

13. Time of Essence. Time is of the essence of this Note.

14. Purchase Agreement. This Note incorporates by reference all the terms of the Purchase Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the date first above written.

Company:

**Aeolus Robotics Corporation**

By: /s/ Tsong Jung Lee

Name: Tsong Jung Lee

Title: DIRECTOR

*[SIGNATURE PAGE TO CONVERTIBLE PROMISSORY NOTE]*

## EXHIBIT B

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents, warrants and covenants to the Purchaser as of the date hereof and as of the Closing, where applicable, as set forth below.

1. Corporate Power. The Company presently has, and as of the Closing will have, full legal right, power and capacity and all necessary consents, approvals and authorizations, whether corporate, shareholder, governmental or otherwise, as may be required to execute and deliver this Agreement, the Note and other documents in relation to the transactions contemplated hereunder (the “**Transaction Documents**”), and the Seventh Amended Memorandum and Articles of Association of the Company (the “**Company Articles**”), to issue and sell the Note to the Purchaser pursuant to the Agreement and the Note in the manner contemplated hereby and to carry out the provisions of the Transaction Documents and the Company Articles.

2. Organization, Good Standing and Qualification. Each of the Company and its subsidiaries (each a “**Group Company**” and collectively, the “**Group Companies**”) is duly incorporated, validly existing and in good standing (or has equivalent status in the relevant jurisdiction) under the laws of the place of its incorporation. Each of the Group Companies and is qualified and is authorized to do business as a foreign corporation in all jurisdictions where the failure to be so qualified and/or authorized would have a material adverse effect on the business, the assets, liabilities, financial condition, operation or prospects of such Group Company (“**Material Adverse Effect**”).

(i) Each Group Company has all requisite corporate power and authority to own and operate its properties and assets.

(ii) Each Group Company has kept all of its corporate records updated, accurate and complete, and has made all necessary filings on time in compliance with the respective laws of the country of its incorporation.

(iii) None of the Group Companies is in liquidation or in insolvency reorganization, or has taken any steps to enter into liquidation, insolvency reorganization, or suspend its business; no application has been made for liquidating or reorganizing any of the Group Companies or to suspend its business and there are no grounds on which an application could be based for liquidation or insolvency reorganization of the same or suspension of its business.

(iv) The Company has provided to the Purchaser certified true copies of each Group Company’s (where applicable) memorandum of association and articles of association or other constitutional documents, register of members, and the register of directors (collectively the “**Fundamental Documents**”). To the knowledge of the Company, the copies of the Fundamental Documents are true, correct, complete and not misleading, and they have not been amended throughout the Closing. To the knowledge of the Company, each Group Company has complied with its Fundamental Documents in all respects, and none of its activities, agreements, commitments or rights is *ultra vires* or unauthorized.

(v) No Group Company has any bank loans. For the purpose of this Agreement, “bank loans” shall mean the loans owed by a Group Company to banks with mortgages and/or pledges on the assets owned by the Group Company.



3. Capitalization. Immediately prior to the Closing, the authorized share capital of the Company is US\$56,410.00 divided into 564,100,000 shares of US\$0.0001 par value each comprising: (i) US\$46,090.00 divided into 460,900,000 Ordinary Shares (as defined in the Company's Articles) and of US\$0.0001 par value each (including up to 13,047,385 shares for certain employee share options under the employee share option plan adopted by the board of directors of the Company), (ii) US\$5,910.00 divided into 59,100,000 Series A Preferred Shares (as defined in the Company's Articles) of US\$0.0001 par value each, and (iii) US\$160.00 divided into 1,600,000 Series A-NDC Preferred Shares (as defined in the Company's Articles) of US\$0.0001 par value each, and (iv) US\$4,250.00 divided into 42,500,000 Series B Preferred Shares of US\$0.0001 par value each.

4. Enforceability. The Transaction Documents, when executed and delivered by the Company, shall be duly and validly executed and delivered by the Company and shall be the Company's legally binding obligations enforceable against the Company in accordance with their terms, except to the extent that such enforcement may be limited by bankruptcy, insolvency or similar laws now or hereafter in effect relating to creditors' rights and remedies generally, and as enforcement may be limited by equitable principles of general applicability. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution and delivery of the Transaction Documents, the adoption of the Company Articles, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Conversion Shares pursuant to the Agreement, the Note and the Company Articles and applicable laws has been taken or shall be taken prior to the Closing or relevant applicable conversion.

5. Offering. Provided that the representations and warranties made by the Purchaser herein are complete, true and accurate, then the offer, issuance, sale and conversion (as applicable) of the Note and the Conversion Shares pursuant to this Agreement is exempt from the registration requirements of the Securities and Exchange Act, and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable securities laws.

6. Intellectual Property Rights.

(i) The copyrights, patents, trademarks, licenses, trade secrets, mask works, service names, trade names, designs, know-how or other proprietary rights (whether registered or not) and all pending applications therefor (the "*Intellectual Properties*") that are required or likely to be required by or useful or likely to be useful to the Group Companies' business and operations, as now conducted or presently proposed to be conducted, are (a) legally and beneficially vested in the Group Companies and without any infringement of the rights of others, (b) valid and enforceable, (c) not being infringed or attached or opposed by any person, and (d) not subject to any license or authority of any other person.

(ii) The products and services dealt with by the Group Companies do not use or embody any Intellectual Property other than (a) those belonging to the Group Companies above, or (b) those in respect of which licenses have been obtained on commercially usual terms and are currently in force. In addition, none of the products and services infringes the right of any third party's Intellectual Properties, and to the knowledge of the Company, no claims have been made and no applications for such claims are pending.

(iii) The Group Companies have taken all necessary and appropriate security measures to protect the secrecy, confidentiality and value of the Group Companies' Intellectual Properties.

(iv) None of the Group Companies has utilized or proposes to utilize any Intellectual Property of any of their employees (or people it currently intends to hire) made prior to his or her employment by such Group Company except for such Intellectual Property that has been assigned or licensed to the Group Company.

(v) There are no outstanding options, licenses, agreements or rights of any kind granted by any Group Company relating to any Group Company's Intellectual Properties, nor is any Group Company bound by or a party to any options, licenses, agreements or rights of any kind with respect to the Intellectual Properties of any other person.

7. Compliance with Other Instruments. To the knowledge of the Company, each Group Company is not in violation or default of any term of the Company Articles, the Fundamental Documents, bylaws, or any other constitutional documents of such Group Company, except for immaterial noncompliance that in the aggregate are not material to the Group Companies taken as a whole. None of the Group Companies is in violation of any provision of any mortgage, indenture, agreement, instrument or contract to which such Group Company is a party or by which it or its assets are bound or of any judgment, decree, order or writ. The execution, delivery, and performance of and compliance with the Transaction Documents, the Company Articles and the issuance, sale and conversion (as applicable) of the Note and the Conversion Shares pursuant to the Transaction Documents and the Company Articles, will not, with or without the passage of time or giving of notice, result in any such violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Group Companies or the suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to any Group Company, its business or operations or any of its assets or properties.

8. Agreements.

(i) There are no agreements, understandings, instruments, contracts, proposed transactions or judgments or orders, in each case, to which any Group Company is a party or by which it is bound which (a) may involve obligations (contingent or otherwise) of, or payments by, any Group Company in excess of US\$1,000,000, (b) which are otherwise material and not entered into in the ordinary course of business, (c) are not cancelable by such Group Company without penalty on less than ninety (90)-day notice and are not entered into in any Group Company's ordinary course of business, (d) which contain covenants directly or explicitly limiting the freedom of any Group Company to compete in any line of business or with any person, or (e) contain provisions restricting or affecting the indemnification by any Group Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(ii) All of the contracts, agreements and instruments to which any Group Company is a party, are valid, binding and in full force and effect and constitute legal, valid and binding obligations of such Group Company, as the case may be, and of the other parties, and are enforceable subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other

equitable remedies. None of the Group Companies, nor any other party is in material default in complying with any provision of any such contract, agreement or instrument, and no condition of facts exist which, with notice, lapse of time or both, would constitute a default thereunder on the part of the Group Companies. The Company has no knowledge of any notice or threat to terminate any such contracts, agreements or instruments.

(iii) No Group Company is a party to any material written or oral contract which is not made in the ordinary course of business and on arm's length terms.

9. Compliance with Laws. The Group Companies are not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of their business or the ownership of their properties, except as would not have a Material Adverse Effect. No permits are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of the Transaction Documents and the issuance of the Note or the Conversion Shares, except such as have been duly and validly obtained or filed, or with respect to any filings that must be made after Closing, as will be filed in a timely manner. The Group Companies have all franchises, permits, licenses and any similar authority necessary for the conduct of their business as now being conducted by them ("**Permits**"), the lack of which could have a Material Adverse Effect, and all such Permits are valid and in full force and effect. No Permit is subject to termination as a result of the execution of the Transaction Documents or consummation of the transactions contemplated therein.

10. Litigation. There is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or, to the knowledge of the Company, currently threatened (i) against any Group Company, or any officer or director of any Group Company; or (ii) that questions the validity of the Transaction Documents or the right of any Group Company to enter into the Transaction Documents, or to consummate the transactions contemplated hereunder; or (iii) that might result, either individually or in the aggregate, in a Material Adverse Effect, financially or otherwise, or any change in the current equity ownership of any Group Company. The Company is not aware of any basis for the foregoing. To the knowledge of the Company, none of the Group Companies is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental authority. To the knowledge of the Company, there is no action, suit, proceeding or investigation by any Group Companies currently pending or which any Group Company intends to initiate.

11. Financial Statements. The Company has delivered to the Purchaser (i) an unaudited consolidated balance sheet and profit and loss sheet of the Company for the financial year ended December 31, 2022 and (ii) an unaudited consolidated balance sheet and profit and loss sheet of the Company as of May 31, 2023 (collectively, the "**Financial Statements**"). Such Financial Statements: (a) are in accordance with the books and records of each Group Company, which are complete and correct and have been maintained in accordance with reasonable business practices for companies similar to each Group Company, respectively; (b) are true, correct and complete and present fairly the financial condition of the Group Companies at the date or dates therein indicated and the results of operations for the period or periods therein specified, respectively, and (c) have been prepared in accordance with International Financial Reporting Standards (IFRS) (國際財務報導準則) applied on a consistent basis. Since May 31, 2023, there has been no change in the assets, liabilities, financial condition or operations of the Group Companies from that reflected in the Financial Statements, except for NT\$60,000,000 provided by the National Development Fund in exchange of 1,600,000 Series A-NDC Preferred Shares and changes arising out of the ordinary course of business which, either in any case or

in the aggregate, have not been adverse in any respect. Full provision or reserve has been made in the Financial Statements for all Taxation (deferred or otherwise) liable to be assessed on the Group Companies and all Taxation which has been assessed has been fully paid. Each Group Company has paid all the necessary Taxation in compliance with any law, rule, regulation or government policy to which it is subject. For the purpose of this Agreement, “**Taxation**” includes all form of taxation in the Cayman Islands, Hong Kong, the US, the Republic of China or elsewhere in the world, past, present and future (including, without limitation, gift tax, securities transaction tax, capital gains tax, income tax, estate duty, stamp duty, goods and services tax, customs and other import or export duties) and all other statutory, governmental or state impositions, duties and levies and all penalties, charges, costs and interest relating to any notice, demand, assessment, letter or other document issued or action taken by any revenue or taxation authority or other statutory or governmental authority, body or official whosoever whereby the Group Company is or may be placed or sought to be placed under a liability to make a payment or deprived of any relief, allowance, credit or repayment otherwise available.

12. Employment Matters. To the knowledge of the Company, none of the Group Companies’ employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would materially interfere with such employee’s ability to promote the interest of the Group Companies or that would conflict with the Group Companies’ business. The Group Companies are not delinquent in payments to any of their employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed by them as of the Closing or amounts required to be reimbursed to such employees, consultants or independent contractors, in all material respects. The Group Companies have complied in all material respects with all applicable equal employment opportunity laws and with other laws related to employment, including those related to pensions, wages, hours, worker classification and collective bargaining. No Group Company has any collective bargaining agreements with any of its employees. The existing employment contracts with each of the employees of each Group Company impose non-disclosure obligations on the employees to maintain the confidentiality of the confidential and/or proprietary information of the Group Company. Neither any Group Company nor any of its shareholders, employees or directors has solicited any employee to leave his or her previous employment in breach of any applicable laws or which may give rise to any tortious, contractual or criminal liability.

13. Material Adverse Effects. No other event or circumstance is outstanding which constitutes a default or termination right under any other agreement or instrument which is binding on the Group Companies or to which the Group Companies’ assets are subject which might have a Material Adverse Effect.

14. No Brokers or Finders. No person has or will have, as a result of the transactions contemplated by the Transaction Documents, any right, interest or claim against or upon any Group Company for any commission, fee or other compensation as a finder or broker.

15. Corrupt Business Practices. The Group Companies, their respective directors, employees, agents and their consultants and each other person acting for, or on behalf of, the Group Companies, has complied with Part 2, Chapter Four of the R.O.C. Criminal Code, the R.O.C. Statute of Punishment of Corruption, the Bribery Act of the United Kingdom of Great Britain and Northern Ireland, the U.S. Foreign Corrupt Practices Act of 1977, and any other law (broadly defined) intended to prevent or deter bribery or corrupt business practices, to the extent such laws are applicable to them (collectively the “**Anticorruption Laws**”). The Group

Companies are not under investigation with respect to, and have not been given notice of, any violation of any Anticorruption Laws applicable to the business of the Group Companies, as presently conducted or as has been conducted. Neither the Group Companies nor any officer, director, supervisor, agent or employee purporting to act on behalf of the Group Companies or any other related party has at any time, directly or indirectly:

(i) made, provided or paid any unlawful contributions, gifts, entertainment or other unlawful expenses to any candidate for political office, or failed to disclose fully any such contributions in violation of any applicable laws;

(ii) made any payment to any local, state, federal or any other type of governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable Anticorruption Laws;

(iii) made any payment to any agent, employee, officer or director of any entity with which any Group Company or any other related party does business for the purpose of influencing such agent, employee, officer, supervisor or director to do business with the Group Companies;

(iv) engaged in any transactions, maintained any bank account or used any corporate funds, except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Group Companies;

(v) violated any provision of the Anticorruption Laws; or

(vi) made any payment in the nature of criminal bribery or any other unlawful payment.

16. Title to Properties and Assets. Each Group Company has good and marketable title to, and legally and beneficially owns or has valid leasehold interests or rights to use, all its property and assets, free and clear of all mortgages, liens, loans and encumbrances, except for liens for Taxation, assessments or other governmental charges or levies not yet due, and statutory liens for landlords, carriers, warehousemen, mechanics and other liens imposed by law created in the ordinary course of business of the Group Company consistent with past practices for amounts not yet due.

17. No Contingent Liabilities. No Group Company has given any guarantee, indemnity or suretyship for principal amounts recoverable exceeding that stated in the last audited accounts (if any) of such Group Company.

**EXHIBIT C**

**SECOND AMENDED AND RESTATED  
SHAREHOLDERS AGREEMENT**

**CONVERTIBLE NOTE PURCHASE AGREEMENT**

This Convertible Note Purchase Agreement (the “*Agreement*”) is made as of March 15<sup>th</sup>, 2024, by and between:

1. Aeolus Robotics Corporation, a company duly organized and validly existing under the laws of the Cayman Islands (the “*Company*”); and
2. GigaMedia Limited, a company duly organized and validly existing under the laws of Singapore (the “*Purchaser*”).

Each of the Company and the Purchaser is hereinafter referred to individually a “*Party*” and collectively, the “*Parties*”.

**WITNESSETH**

WHEREAS, the Company desires to issue, sell and deliver to the Purchaser, and the Purchaser desires to purchase from the Company, the Note (as defined below) pursuant to the terms and subject to the conditions of this Agreement;

WHEREAS, the Parties desire to enter into this Agreement on the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

**AGREEMENT****1. Purchase and Sale of Note.**

(a) **Sale and Issuance of Note.** Subject to the terms and conditions of this Agreement, the Purchaser agrees to purchase at the Closing (as defined below) and the Company agrees to sell and issue to the Purchaser a convertible promissory note, which is in the form attached as Exhibit A-1, Exhibit A-2 and Exhibit A-3 hereto (each of the Exhibit A hereto is individually, a “*Note*” and collectively, the “*Notes*”), in the total principal amount of Sixty-Three Thousand, Two Hundred and Eight U.S. dollars (US\$63,208) (the “*Total Principal Amount*”). The purchase price of the Note shall be equal to 100% of the Principal Amount of such Note (the “*Purchase Price*”). The terms and conditions of the Note, including but not limited to, the interest, repayment, conversion, and others, are stipulated in the Note. The Purchaser hereby agrees that the principal amount shall be subscribed in three installments (refer to article 1.(b) Closing  Delivery). Additionally, the Purchaser acknowledges that should the Company possess sufficient funds and duly notify the Purchaser prior to each closing, the Company shall abstain from issuing any further unissued NOTES. Consequently, the Purchaser shall not be obliged to complete the remittance, and hereby consents to this arrangement.

(b) **Closing; Delivery.**

(b.1) 1<sup>st</sup> Closing: The purchase and sale of the Note shall take place as soon as practicable and in no event later than March 30, 2024 (or such other date agreed by the Parties) at the place mutually agreed upon by the Company and the Purchaser (which time and place are designated as the “**Closing**”).

(b.2) 2<sup>nd</sup> Closing : The purchase and sale of the Note shall take place as soon as practicable and in no event later than June 30, 2024 (or such other date agreed by the Parties) at the place mutually agreed upon by the Company and the Purchaser (which time and place are designated as the “**Closing**”).

(b.3) 3<sup>rd</sup> Closing: The purchase and sale of the Note shall take place as soon as practicable and in no event later than September 30, 2024 (or such other date agreed by the Parties) at the place mutually agreed upon by the Company and the Purchaser (which time and place are designated as the “**Closing**”).

(c) **At the Closing:**

(c.1) The Company shall first present the original duly executed Note for the Purchaser’s physical viewing.

(c.2) The Purchaser shall then pay the Purchase Price of the Note by wire transfer to the following bank account designated by the Company:

Bank: HSBC Hong Kong  
Bank Address: 1 Queen’s Road, Central, Hong Kong  
SWIFT Code: HSBCHKHCHK  
Account number: 741-078976-838  
Account name: AEOLUS ROBOTICS CORPORATION

(c.3) The Purchaser shall then deliver to the Company a copy of the bank wire remittance or exchange memo against delivery by the Company to the Purchaser the original duly executed Note.

(c.4) The Closing shall be deemed consummated upon the Company’s receipt of the Purchase Price at the bank account set forth above.

2. **Representations and Warranties of the Company.** The representations and warranties made by the Company to the Purchaser are listed in Exhibit B hereto.

3. **Representations and Warranties of the Purchaser.** The Purchaser hereby represents and warrants to the Company as follows:



(a) **Organization.** The Purchaser is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the laws of the place of its incorporation.

(b) **Authorization.** The execution, delivery and performance of this Agreement and/or relevant transaction documents and the consummation of the transactions contemplated thereby by the Purchaser have been duly authorized by all necessary action on the part of the Purchaser. The Purchaser has all requisite power, authority and capacity to enter into this Agreement and to perform its obligations under this Agreement, and this Agreement has been duly authorized, executed and delivered by the Purchaser. This Agreement, when executed and delivered by the Purchaser, will constitute valid and legally binding obligations of the Purchaser, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equitable principles.

(c) **Consent and Approvals.** Except for those consents and approvals disclosed in writing to the Company before the Closing, which has been obtained or to be obtained, no consent, license, approval, order or authorization of, or registration, filing or declaration with, any governmental authority or the securities exchange on which the Purchaser is listed is required to be obtained or made, and no consent of any third party is required to be obtained, by the Purchaser in connection with the execution, delivery or performance of this Agreement, or the consummation of any transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) result in a violation of any organizational document of the Purchaser, (ii) conflict with, constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give rise to another person's right to terminate or cancel, any material agreement, indenture or instrument to which the Purchaser is a party or (iii) result in a violation of any applicable law, rule, regulation, order, judgment or decree.

(d) **No Public Market.** The Purchaser is acquiring the Note and, in the event the Note is converted into equity securities of the Company (the "***Conversion Shares***") pursuant to its terms, the Purchaser understands that no public market now exists for the Note and Conversion Shares.

(e) **Purchase for Own Account.** The Note and the Conversion Shares (if issued) will be acquired for the Purchaser's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Note and/or any of the Conversion Shares.

(f) **Accredited and Sophisticated Investor.** The Purchaser recognizes that the Company is in its early stages that is not yet, and may never be, profitable, and that an investment in the Company is speculative and involves a high degree of risk. The Purchaser acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such

knowledge and experience in financial and business matters that the Purchaser is capable of evaluating the merits and risks of the prospective investment in the Company. The Purchaser has experience in making investment decisions of this type.

(g) **Restrictions**. The Purchaser understands that the Note and the Conversion Shares (if issued) are being offered and sold in reliance on specific exemptions from the registration requirements of relevant laws and that the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgements and understandings set forth herein in order to determine the applicability of such exemptions and the suitability of the Purchaser to acquire the Note and the Conversion Shares (if issued).

(h) **No Brokers or Finders**. No person has or will have, as a result of the transactions contemplated by this Agreement and the Note, any right, interest or claim against or upon the Purchaser for any commission, fee or other compensation as a finder or broker.

4. **Conditions of the Purchaser's Obligations to the Closing**. The obligation of the Purchaser to consummate the Closing is subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by the Purchaser to the extent permitted by applicable laws:

(a) **Due Diligence**. The result of due diligence investigation performed by the Purchaser on the Company is reasonably satisfactory to the Purchaser.

(b) **Representations and Warranties; Performance of Obligations**. The representations and warranties of the Company contained in Section 3 and as set out on Exhibit B shall be true and accurate on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing (except in the case of any representation and warranty which by its terms is made only as of a date specified therein, which shall be true and accurate only as of such date). The Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(c) **Authorization**. All required internal approvals and authorization of the Company, and all required waivers (if any), for the issuance of and subscription to the Note have been duly obtained and remain effective as of the Closing, including the written consent of the Majority of Series A Preferred and Series B Preferred Shareholders of the Company. The written consent of the Majority of Series A Preferred and Series B Preferred Shareholders shall also set forth the approval of excluding the Note from the New Securities (as defined in the Company's Seventh Amended and Restated Memorandum and Articles of Association).

(d) **Qualifications**. All authorizations, filings, consents, approvals or permits, if any, of any applicable jurisdiction that are required in connection with the lawful issuance and sale of the Note pursuant to this Agreement have been duly obtained on or prior to the Closing and remain effective as of the Closing.

(e) **Corporate Documents**. The Company shall have delivered to the Purchaser: (i) the Company's Memorandum and Articles of Association as in effect at the time of

the Closing, (ii) the Company's bylaws as in effect at the time of the Closing, and (iii) resolutions approved by the Company's board of directors authorizing the transactions contemplated hereby.

(f) **Second Amended and Restated Shareholders Agreement.** The Second Amended and Restated Shareholders Agreement substantially in the form attached hereto as **EXHIBIT C** shall have been executed and delivered by the parties thereto.

**5. Conditions of the Company's Obligations to the Closing.** The obligations of the Company to consummate the Closing are subject to the fulfillment, on or before the Closing, of each of the following conditions, unless otherwise waived in writing by the Company to the extent permitted by applicable laws:

(a) **Representations and Warranties.** The representations and warranties of the Purchaser contained in Section 4 shall be true and accurate on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing (except in the case of any representation and warranty which by its terms is made only as of a date specified therein, which shall be true and accurate only as of such date).

(b) **Authorization.** All required internal approvals and authorization of the Purchaser for the issuance of and subscription to the Note are duly obtained.

(c) **Qualifications.** All authorizations, filings, consents, approvals or permits, if any, of any applicable jurisdiction that are required in connection with the lawful issuance and sale of the Note pursuant to this Agreement shall be obtained and effective as of the Closing.

**6. Certain Covenants.** The Company undertake and agree to honor and perform the following covenants so long as any indebtedness under this Note remains outstanding unless the Purchaser have otherwise agreed in writing:

(a) **Information Rights.**

(i) The Company shall maintain consolidated financial statements which present fairly the financial condition of the Company at the date or dates therein indicated and the results of operations for the period or periods therein specified, prepared in accordance with International Financial Reporting Standards(IFRS) (國際財務報導準則) applied on a consistent basis and shall set aside on its books all such proper accruals and reserves as shall be required.

(ii) The Company shall deliver to the Purchaser:

(1) within one hundred and fifty (150) days after the end of each fiscal year, audited (by an independent internationally recognized accounting firm) annual consolidated financial statements of the Company for such fiscal year; and

(2) within forty-five (45) days after the end of each calendar quarter, unaudited quarterly consolidated financial statements of the Company for such quarter.

(b) **Use of Proceeds.** The Company agrees to use the Purchase Price received from selling the Note hereunder exclusively as working capital for the business operations of the Company.

(c) **Compliance with Law.** The Company shall preserve and keep in full force and effect its existence as a corporation in good standing under the laws of the jurisdiction of its incorporation, except in the event of a group reorganization (“***Group Reorganization***”).

## 7. **Miscellaneous.**

(a) **Fees and Expenses.** The Parties shall each bear its own fees and expenses, including, without limitations, the legal fees, due diligence cost and other expenses in connection with the transactions under this Agreement.

(b) **Confidentiality.** Each Party undertakes to the other Parties that it shall treat as strictly confidential the existence and content of this Agreement and all information received or obtained by it or its directors, officers, employees, agents or advisers relating to this Agreement, the negotiations leading up to this Agreement or the subject matter of this Agreement, and that it shall not at any time hereafter make use of or disclose or divulge to any person any such information and shall use their reasonable endeavors to prevent the publication or disclosure of any such information; *provided, however*, the foregoing restrictions shall not apply to any disclosure which, pursuant to relevant laws and rules, any governmental authority or securities exchange on which the Party’s securities are listed or traded requires a Party to make.

(c) **Transferability.** Except as otherwise expressly provided in this Agreement or the Note, and except in the event of Group Reorganization, neither the Company nor the Purchaser may transfer or assign any part of this Agreement or its rights or obligations hereunder to a third party without the prior written consent of the other Party, provided, that the Company shall give a written notice to the Purchaser prior to the consummation of any Group Reorganization.

(d) **Successors and Assigns.** Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the respective successors, heirs, executors, administrators and permitted assigns of the Parties.

(e) **Survival.** The representations, warranties, covenants and agreements made herein shall survive the term of the Note, provided that such survival period shall in no event be longer than three (3) years after the Closing.

(f) **Governing Law; Dispute Resolutions.** This Agreement shall be governed by and construed in accordance with the laws of the Republic of China (“***Taiwan***”) without regard to principles of conflicts of law thereunder. Any unresolved controversy or claim arising out of or relating to this Agreement, or the Note shall be submitted to the exclusive jurisdiction of Taipei District Court, Taiwan for the first instance. The non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party, including, without limitation, all reasonable attorneys’ fees.

(g) **Counterparts.** This Agreement shall be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

(h) **Notices.** All notices and other communications provided for herein shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

*if to the Company:*

Address: 9-1<sup>th</sup> Floor, No 168, Ruiguang Road,  
Neihu District, Taipei 114  
Taiwan  
Attention: Aaron Chao / Yating Yang

*if to the Purchaser:*

Address: 8<sup>th</sup> Floor, No.22, Lane 407, Section 2,  
Tiding Boulevard Neihu District, Taipei 114.  
Taiwan  
Attention: Jack Wang

(i) **Amendments.** Any term of this Agreement may be amended only with the written agreement of the Parties.

(j) **Severability.** If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties.

*[Signature Page Follows]*

The Parties have executed this Convertible Note Purchase Agreement as of the date first written above.

Company:

**Aeolus Robotics Corporation**

By: /s/ Tsong Jung Lee

Name: Tsong Jung Lee

Title: DIRECTOR

The Parties have executed this Convertible Note Purchase Agreement as of the date first written above.

PURCHASER:

GigaMedia Limited

By: /s/ HUANG, CHENG-MING

Name: HUANG, CHENG-MING

Title: Chief Executive Officer

## EXHIBIT A-1

### FORM OF CONVERTIBLE PROMISSORY NOTE

THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THIS NOTE HAS NOT BEEN AND WILL NOT BE OFFERED OR SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION.

### AEOLUS ROBOTICS CORPORATION CONVERTIBLE PROMISSORY NOTE

US\$21,069

March 27, 2024

**FOR VALUE RECEIVED**, **Aeolus Robotics Corporation**, a Cayman Islands company (the “*Company*”) unconditionally promises to pay to the order of GigaMedia Limited, a Singapore company (the “*Holder*”), the principal of Twenty-One Thousand and Sixty-Nine U.S. dollars (US\$21,069) (the “*Principal Amount*”), or such lesser amount as shall then equal the outstanding principal amount hereunder, together with the Interest (as defined below) from the date of this convertible note (the “*Note*”) on the unpaid principal balance until the Principal Amount is paid in accordance with Section 3 hereof (or converted, as provided in Section 4 hereof).

This Note is issued pursuant to that certain Convertible Note Purchase Agreement dated March 15<sup>th</sup>, 2024 (the “*Purchase Agreement*”) by and between the Company and the Holder, and the resolutions of the board of directors and shareholders of the Company passed on or about the same date, and is subject to the provisions thereof. Any capitalized term used but not defined herein shall have such meaning ascribed to them in the Purchase Agreement.

The following is a statement of the rights of the Holder and the conditions to which this Note is subject, and to which the Holder, by the acceptance of this Note, agrees:

1. **Interest.** Subject to Section 4 hereof, the interest (the “*Interest*”) shall accrue from the date of the Note on the unpaid Principal Amount at a rate of four point five percent (4.5%) on an annual non-compound basis, computed on the basis of actual calendar days elapsed and a year of 365 days, subject to the terms and conditions of this Note.



2. Maturity and Extension. The Principal Amount plus all accrued and unpaid Interest thereon shall be due and payable on the day which is twenty-four (24) months from the date hereof (the “**Original Maturity Date**”), except and to the extent all or a portion of this Note shall have been previously repaid, redeemed or converted pursuant to Sections 3 and 4 hereof. The Original Maturity Date may be extended for an additional twelve (12) months by the Company at its sole discretion by giving written notice to the Holder at least thirty (30) days prior to the Original Maturity Date (the last day of such extended period of the Note is referred to as the “**Extended Maturity Date.**”) (The Extended Maturity Date together with the Original Maturity Date shall be collectively referred to as the “**Maturity Date.**”)

3. Repayments.

(a) Form of Payment. All payments of Principal Amount and Interest (other than payment by way of conversion) shall be made in U.S. dollars to the Holder and be remitted to the bank account specified by Holder in a written notice delivered to the Company.

(b) Repayment. Except for the portion of the Principal Amount which has been converted into Conversion Shares (as defined below), the total outstanding Principal Amount of the Note plus all accrued and unpaid Interest thereon shall be due and payable upon the date that is the earlier of: (i) the Maturity Date; or (ii) upon the occurrence of an Event of Default (as defined below), or (iii) upon the occurrence of a Deemed Liquidation Event (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association).

(c) Prepayment. Subject to providing a prior written notice to the Holder (the “**Prepayment Notice**”) of at least sixty (60) days (the “**Prepayment Notice Period**”) and the Holder’s right to convert this Note as prescribed in Section 4 hereof, the Company may redeem all or a portion of this Note at any time before the Maturity Date, upon the payment of the all or a portion of outstanding Principal Amount and Interest under the Note.

4. Conversion Rights. Subject to the terms and conditions of the Notes, all or a portion of the Principal Amount under the Note may be convertible into, where applicable and as further detailed herein, ordinary shares (the “**Ordinary Shares**”) of the Company, which shall be fully paid and nonassessable, and shall have the same characters, rights and privileges of ordinary shares or the preferred shares as provided in the Amended and Restated Memorandum and Articles of Association of the Company (the converted Ordinary Shares and/or Preferred Shares are referred to as “**Conversion Shares**”). For the avoidance of doubt, in the event that any portion of the Principal Amount is converted into the Conversion Shares, all the Interest accrued but unpaid on such portion of Principal Amount shall be waived.

(a) Automatic Conversion. This Note shall automatically be converted into Ordinary Shares at the conversion price of zero point one U.S. dollars (US\$0.1) per share (the “**Conversion Price**”) upon the date of filing formal application of a Qualified IPO (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association) or an earlier date as reasonably requested by the lead underwriter(s) of such Qualified IPO, which occurs on or before the Maturity Date.

(b) Optional Conversion.

(i) Option upon Prepayment. At any time before the Maturity Date, if the Holder receives a Prepayment Notice from the Company, at the Holder’s option and discretion,

all or a portion of the outstanding Principal Amount under this Note may be converted into Ordinary Shares at the Conversion Price, provided that the Holder shall give prior written notice to the Company before the end of the Prepayment Notice Period, and that such amount to be converted by the Holder shall be no greater than the prepayment amount specified in the Prepayment Notice.

(ii) Option upon Deemed Liquidation Event. At any time before the Maturity Date, the Company shall give the Holder a written notice within seven (7) days after the board of directors of the Company resolves to enter into any Deemed Liquidation Event, and at the Holder's option and discretion, all or a portion of the outstanding Principal Amount under this Note may be converted into Ordinary Shares at the Conversion Price, provided that (a) a written notice is given to the Company by the Holder within twenty-one (21) days after it receives said notice from the Company of such Deemed Liquidation Event, and (b) the conversion shall take place on or immediately before the closing of such Deemed Liquidation Event.

(iii) Option upon Maturity. On the Original Maturity Date or, if the Original Maturity Date is extended by the Company pursuant to Section 2 hereof, on the Extended Maturity Date, at the Holder's option and discretion, if the Note remains outstanding, all or a portion of the outstanding Principal Amount under the Note may be converted into Ordinary Shares at the Conversion Price, provided that a prior written notice of at least thirty (30) days is given to the Company by the Holder.

(c) Conversion Price Adjustment. If the Company, at any time while this Note is outstanding: (A) pays a dividend or otherwise makes a distribution in shares of the Company or any securities of any Group Company which entitle the holder thereof to acquire the shares of the Company; or (B) conducts a share split, reverse share split or similar event, then the Conversion Price shall be appropriately adjusted.

(d) Conversion Process. If the Holder decides to exercise the conversion rights hereunder, the Holder shall send a written conversion request notice to the Company during the applicable notice period pursuant to Section 4(b) hereof. The Company shall take all necessary and appropriate actions as promptly as possible to convert the applicable portion of the outstanding Principal Amount owing under this Note into the Conversion Shares. Upon such conversion, the Holder shall surrender this Note to the Company.

(e) Issuance of Certificates. As soon as is reasonably practicable after a conversion has been effected, the Company shall deliver to Holder a certificate or certificates representing the number of the Conversion Shares (excluding any fractional share) issuable by reason of such conversion.

(f) Issuance Costs. The issuance of certificate(s) for shares of capital stock issuable upon conversion of this Note shall be made without charge to the Holder for any issuance tax in respect thereof or other cost incurred by the Company in connection with such conversion and the related issuance of such shares of capital stock. Upon conversion of this Note, the Company shall take all such actions as are necessary in order to ensure that the capital stock issuable with respect to such conversion shall be validly issued, fully paid and nonassessable.

(g) No Fractional Shares. If any fractional share of capital stock would, except for the provisions hereof, be deliverable upon conversion of this Note, the Company, in

lieu of delivering such fractional share, shall pay an amount equal to the value of such fractional share, as determined by the per share conversion price used to effect such conversion.

(h) Documents. The conversions under this Section 4 shall be made in accordance with the terms and conditions set forth in the share subscription agreement and other documents in relation to the subscription (the “**Conversion Documents**”), including but without limitations to the shareholders’ agreement and the amended and restated memorandum and articles of association of the Company to be provided by the Company upon the conversion, where applicable. In connection with the conversions under this Section 4, the Holder agrees to execute and deliver to the Company any Conversion Documents reasonably requested by the Company.

(i) Compliance with Laws and Regulations. The Company shall take all such actions as may be necessary to assure that all Conversion Shares issued upon conversion pursuant hereto may be so issued without violation of any applicable law or governmental regulation or any requirement of any domestic securities exchange upon which such shares of capital stock may be listed.

(j) Termination of Rights. All rights with respect to this Note shall terminate upon the valid issuance of the Conversion Shares credited as paid up in full upon the conversions pursuant to this Section 4, whether or not this Note has been surrendered and whether or not all share subscription, shareholders’ agreement, or other agreements have been executed and delivered by the Holder to the Company.

(k) Conditions to Conversion. The conversion of the Note pursuant to this Section 4 shall be subject to both the Company and the Holder obtaining all permits, authorizations, approvals or consents of, notice to or registration with any governmental authority or regulatory body or other person in relation to transactions contemplated under or as required by the Note and applicable laws. Each Party agrees to provide necessary assistance to the other Party for it to obtain from the relevant governmental and regulatory authority the approvals required to convert the Note into the Conversion Shares at the other Party’s reasonable request. In the event that the approvals cannot be obtained, the Holder may assign the Note and its rights and obligations hereunder to a third party acceptable to and agreed by the Company, provided that the Company may not unreasonably withhold its consent.

## 5. Default.

(a) Events of Default. For purposes of this Note, any of the following events which shall occur shall constitute an “**Event of Default**”:

(i) the default by the Company in the payment of the aggregate Principal Amount and Interest when due and payable and such failure continues for a period of five (5) days;

(ii) a material breach by the Company of its representations, warranties, obligations or covenants contained in the Purchase Agreement or a material breach by Company of the terms of this Note, which if capable of remedy has not been remedied within ten (10) days of written notice to the Company of such breach;

(iii) a Liquidation Event (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association); or

(iv) the commencement of the bankruptcy proceedings against the Company.

(b) Consequences of Events of Default. If any Event of Default occurs before Maturity Date for any reason, whether voluntary or involuntary, and be continuing, the Company shall notify Holder in writing within five (5) days after learning of an Event of Default. Upon the occurrence or existence of any Event of Default and at any time thereafter, all outstanding Principal Amount and Interest will become immediately due and payable by the Company to the Holder.

6. Excessive Interest. Notwithstanding any other provision herein to the contrary, this Note is hereby expressly limited so that the interest rate charged hereunder shall at no time exceed the maximum rate permitted by applicable law. If, for any circumstance whatsoever, the interest rate charged exceeds the maximum rate permitted by applicable law, the interest rate shall be reduced to the maximum rate permitted, and if the Holder shall have received an amount that would cause the interest rate charged to be in excess of the maximum rate permitted, such amount that would be excessive interest shall be applied to the reduction of the Principal Amount owing hereunder, or if such excessive interest exceeds the unpaid balance of the Principal Amount, such excess shall be refunded to the Company.

7. Priority. The Note shall rank *pari passu*, without preference or priority of any kind over, with all other present and future unsubordinated and unsecured senior indebtedness of the Company.

8. Amendment and Waiver. Any term of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written agreement of the Company and the Holder.

9. Notices. All notices, requests, waivers and other communications made pursuant to this Note shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

*if to the Company:*

Address: 9-1<sup>th</sup> Floor, No 168, Ruiguang Road,  
Neihu District, Taipei 114  
Taiwan  
Attention: Aaron Chao / Yating Yang

*if to the Purchaser:*

Address: 8<sup>th</sup> Floor, No.22, Lane 407, Section 2,  
Tiding Boulevard Neihu District, Taipei 114.  
Taiwan  
Attention: Jack Wang

10. Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

11. Transferability. Unless otherwise agreed by the Company in writing, except as expressly permitted pursuant to Section 4(k), the Holder may not sell, transfer, assign, dispose of, realize, create any encumbrance over any part of the Note or enter into any agreement that will directly or indirectly constitute or be deemed as selling, transferring, assigning, disposing of, realizing, or creating any encumbrance over any part of the Note.

12. Governing Law; Dispute Resolutions. This Note is to be construed in accordance with and governed by the laws of the Republic of China. Any unresolved controversy or claim arising out of or relating to this Agreement or the Note shall be submitted to the exclusive jurisdiction of Taipei District Court, Taiwan for the first instance. The non-prevailing Party shall pay all costs and expenses incurred by the prevailing Party, including, without limitation, all reasonable attorneys' fees.

13. Time of Essence. Time is of the essence of this Note.

14. Purchase Agreement. This Note incorporates by reference all the terms of the Purchase Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the date first above written.

Company:

**Aeolus Robotics Corporation**

By: /s/ Tsong Jung Lee

Name: Tsong Jung Lee

Title: DIRECTOR

*[SIGNATURE PAGE TO CONVERTIBLE PROMISSORY NOTE]*

## EXHIBIT B

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents, warrants and covenants to the Purchaser as of the date hereof and as of the Closing, where applicable, as set forth below.

1. Corporate Power. The Company presently has, and as of the Closing will have, full legal right, power and capacity and all necessary consents, approvals and authorizations, whether corporate, shareholder, governmental or otherwise, as may be required to execute and deliver this Agreement, the Note and other documents in relation to the transactions contemplated hereunder (the “**Transaction Documents**”), and the Seventh Amended Memorandum and Articles of Association of the Company (the “**Company Articles**”), to issue and sell the Note to the Purchaser pursuant to the Agreement and the Note in the manner contemplated hereby and to carry out the provisions of the Transaction Documents and the Company Articles.

2. Organization, Good Standing and Qualification. Each of the Company and its subsidiaries (each a “**Group Company**” and collectively, the “**Group Companies**”) is duly incorporated, validly existing and in good standing (or has equivalent status in the relevant jurisdiction) under the laws of the place of its incorporation. Each of the Group Companies and is qualified and is authorized to do business as a foreign corporation in all jurisdictions where the failure to be so qualified and/or authorized would have a material adverse effect on the business, the assets, liabilities, financial condition, operation or prospects of such Group Company (“**Material Adverse Effect**”).

(i) Each Group Company has all requisite corporate power and authority to own and operate its properties and assets.

(ii) Each Group Company has kept all of its corporate records updated, accurate and complete, and has made all necessary filings on time in compliance with the respective laws of the country of its incorporation.

(iii) None of the Group Companies is in liquidation or in insolvency reorganization, or has taken any steps to enter into liquidation, insolvency reorganization, or suspend its business; no application has been made for liquidating or reorganizing any of the Group Companies or to suspend its business and there are no grounds on which an application could be based for liquidation or insolvency reorganization of the same or suspension of its business.

(iv) The Company has provided to the Purchaser certified true copies of each Group Company’s (where applicable) memorandum of association and articles of association or other constitutional documents, register of members, and the register of directors (collectively the “**Fundamental Documents**”). To the knowledge of the Company, the copies of the Fundamental Documents are true, correct, complete and not misleading, and they have not been amended throughout the Closing. To the knowledge of the Company, each Group Company has complied with its Fundamental Documents in all respects, and none of its activities, agreements, commitments or rights is *ultra vires* or unauthorized.

(v) No Group Company has any bank loans. For the purpose of this Agreement, “bank loans” shall mean the loans owed by a Group Company to banks with mortgages and/or pledges on the assets owned by the Group Company.

3. Capitalization. Immediately prior to the Closing, the authorized share capital of the Company is US\$56,410.00 divided into 564,100,000 shares of US\$0.0001 par value each comprising: (i) US\$46,090.00 divided into 460,900,000 Ordinary Shares (as defined in the Company's Articles) and of US\$0.0001 par value each (including up to 13,047,385 shares for certain employee share options under the employee share option plan adopted by the board of directors of the Company), (ii) US\$5,910.00 divided into 59,100,000 Series A Preferred Shares (as defined in the Company's Articles) of US\$0.0001 par value each, and (iii) US\$160.00 divided into 1,600,000 Series A-NDC Preferred Shares (as defined in the Company's Articles) of US\$0.0001 par value each, and (iv) US\$4,250.00 divided into 42,500,000 Series B Preferred Shares of US\$0.0001 par value each.

4. Enforceability. The Transaction Documents, when executed and delivered by the Company, shall be duly and validly executed and delivered by the Company and shall be the Company's legally binding obligations enforceable against the Company in accordance with their terms, except to the extent that such enforcement may be limited by bankruptcy, insolvency or similar laws now or hereafter in effect relating to creditors' rights and remedies generally, and as enforcement may be limited by equitable principles of general applicability. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution and delivery of the Transaction Documents, the adoption of the Company Articles, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Conversion Shares pursuant to the Agreement, the Note and the Company Articles and applicable laws has been taken or shall be taken prior to the Closing or relevant applicable conversion.

5. Offering. Provided that the representations and warranties made by the Purchaser herein are complete, true and accurate, then the offer, issuance, sale and conversion (as applicable) of the Note and the Conversion Shares pursuant to this Agreement is exempt from the registration requirements of the Securities and Exchange Act, and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable securities laws.

6. Intellectual Property Rights.

(i) The copyrights, patents, trademarks, licenses, trade secrets, mask works, service names, trade names, designs, know-how or other proprietary rights (whether registered or not) and all pending applications therefor (the "*Intellectual Properties*") that are required or likely to be required by or useful or likely to be useful to the Group Companies' business and operations, as now conducted or presently proposed to be conducted, are (a) legally and beneficially vested in the Group Companies and without any infringement of the rights of others, (b) valid and enforceable, (c) not being infringed or attached or opposed by any person, and (d) not subject to any license or authority of any other person.

(ii) The products and services dealt with by the Group Companies do not use or embody any Intellectual Property other than (a) those belonging to the Group Companies above, or (b) those in respect of which licenses have been obtained on commercially usual terms and are currently in force. In addition, none of the products and services infringes the right of any third party's Intellectual Properties, and to the knowledge of the Company, no claims have been made and no applications for such claims are pending.



(iii) The Group Companies have taken all necessary and appropriate security measures to protect the secrecy, confidentiality and value of the Group Companies' Intellectual Properties.

(iv) None of the Group Companies has utilized or proposes to utilize any Intellectual Property of any of their employees (or people it currently intends to hire) made prior to his or her employment by such Group Company except for such Intellectual Property that has been assigned or licensed to the Group Company.

(v) There are no outstanding options, licenses, agreements or rights of any kind granted by any Group Company relating to any Group Company's Intellectual Properties, nor is any Group Company bound by or a party to any options, licenses, agreements or rights of any kind with respect to the Intellectual Properties of any other person.

7. Compliance with Other Instruments. To the knowledge of the Company, each Group Company is not in violation or default of any term of the Company Articles, the Fundamental Documents, bylaws, or any other constitutional documents of such Group Company, except for immaterial noncompliance that in the aggregate are not material to the Group Companies taken as a whole. None of the Group Companies is in violation of any provision of any mortgage, indenture, agreement, instrument or contract to which such Group Company is a party or by which it or its assets are bound or of any judgment, decree, order or writ. The execution, delivery, and performance of and compliance with the Transaction Documents, the Company Articles and the issuance, sale and conversion (as applicable) of the Note and the Conversion Shares pursuant to the Transaction Documents and the Company Articles, will not, with or without the passage of time or giving of notice, result in any such violation, or be in conflict with or constitute a default under any such term, or result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Group Companies or the suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to any Group Company, its business or operations or any of its assets or properties.

8. Agreements.

(i) There are no agreements, understandings, instruments, contracts, proposed transactions or judgments or orders, in each case, to which any Group Company is a party or by which it is bound which (a) may involve obligations (contingent or otherwise) of, or payments by, any Group Company in excess of US\$1,000,000, (b) which are otherwise material and not entered into in the ordinary course of business, (c) are not cancelable by such Group Company without penalty on less than ninety (90)-day notice and are not entered into in any Group Company's ordinary course of business, (d) which contain covenants directly or explicitly limiting the freedom of any Group Company to compete in any line of business or with any person, or (e) contain provisions restricting or affecting the indemnification by any Group Company with respect to infringements of proprietary rights (other than indemnification obligations arising from purchase or sale agreements entered into in the ordinary course of business).

(ii) All of the contracts, agreements and instruments to which any Group Company is a party, are valid, binding and in full force and effect and constitute legal, valid and binding obligations of such Group Company, as the case may be, and of the other parties, and are enforceable subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other

equitable remedies. None of the Group Companies, nor any other party is in material default in complying with any provision of any such contract, agreement or instrument, and no condition of facts exist which, with notice, lapse of time or both, would constitute a default thereunder on the part of the Group Companies. The Company has no knowledge of any notice or threat to terminate any such contracts, agreements or instruments.

(iii) No Group Company is a party to any material written or oral contract which is not made in the ordinary course of business and on arm's length terms.

9. Compliance with Laws. The Group Companies are not in violation of any applicable statute, rule, regulation, order or restriction of any domestic or foreign government or any instrumentality or agency thereof in respect of the conduct of their business or the ownership of their properties, except as would not have a Material Adverse Effect. No permits are required to be obtained and no registrations or declarations are required to be filed in connection with the execution and delivery of the Transaction Documents and the issuance of the Note or the Conversion Shares, except such as have been duly and validly obtained or filed, or with respect to any filings that must be made after Closing, as will be filed in a timely manner. The Group Companies have all franchises, permits, licenses and any similar authority necessary for the conduct of their business as now being conducted by them ("**Permits**"), the lack of which could have a Material Adverse Effect, and all such Permits are valid and in full force and effect. No Permit is subject to termination as a result of the execution of the Transaction Documents or consummation of the transactions contemplated therein.

10. Litigation. There is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or, to the knowledge of the Company, currently threatened (i) against any Group Company, or any officer or director of any Group Company; or (ii) that questions the validity of the Transaction Documents or the right of any Group Company to enter into the Transaction Documents, or to consummate the transactions contemplated hereunder; or (iii) that might result, either individually or in the aggregate, in a Material Adverse Effect, financially or otherwise, or any change in the current equity ownership of any Group Company. The Company is not aware of any basis for the foregoing. To the knowledge of the Company, none of the Group Companies is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental authority. To the knowledge of the Company, there is no action, suit, proceeding or investigation by any Group Companies currently pending or which any Group Company intends to initiate.

11. Financial Statements. The Company has delivered to the Purchaser (i) an unaudited consolidated balance sheet and profit and loss sheet of the Company for the financial year ended December 31, 2023 and (ii) an unaudited consolidated balance sheet and profit and loss sheet of the Company as of January 31, 2024 (collectively, the "**Financial Statements**"). Such Financial Statements: (a) are in accordance with the books and records of each Group Company, which are complete and correct and have been maintained in accordance with reasonable business practices for companies similar to each Group Company, respectively; (b) are true, correct and complete and present fairly the financial condition of the Group Companies at the date or dates therein indicated and the results of operations for the period or periods therein specified, respectively, and (c) have been prepared in accordance with International Financial Reporting Standards (IFRS) (國際財務報導準則) applied on a consistent basis. Since January 31, 2024, there has been no change in the assets, liabilities, financial condition or operations of the Group Companies from that reflected in the Financial Statements. Full provision or reserve has been made in the Financial Statements for all Taxation (deferred or otherwise) liable to be assessed on the Group Companies and all Taxation which has been

assessed has been fully paid. Each Group Company has paid all the necessary Taxation in compliance with any law, rule, regulation or government policy to which it is subject. For the purpose of this Agreement, “**Taxation**” includes all form of taxation in the Cayman Islands, Hong Kong, the US, the Republic of China or elsewhere in the world, past, present and future (including, without limitation, gift tax, securities transaction tax, capital gains tax, income tax, estate duty, stamp duty, goods and services tax, customs and other import or export duties) and all other statutory, governmental or state impositions, duties and levies and all penalties, charges, costs and interest relating to any notice, demand, assessment, letter or other document issued or action taken by any revenue or taxation authority or other statutory or governmental authority, body or official whosoever whereby the Group Company is or may be placed or sought to be placed under a liability to make a payment or deprived of any relief, allowance, credit or repayment otherwise available.

12. Employment Matters. To the knowledge of the Company, none of the Group Companies’ employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would materially interfere with such employee’s ability to promote the interest of the Group Companies or that would conflict with the Group Companies’ business. The Group Companies are not delinquent in payments to any of their employees, consultants, or independent contractors for any wages, salaries, commissions, bonuses, or other direct compensation for any service performed by them as of the Closing or amounts required to be reimbursed to such employees, consultants or independent contractors, in all material respects. The Group Companies have complied in all material respects with all applicable equal employment opportunity laws and with other laws related to employment, including those related to pensions, wages, hours, worker classification and collective bargaining. No Group Company has any collective bargaining agreements with any of its employees. The existing employment contracts with each of the employees of each Group Company impose non-disclosure obligations on the employees to maintain the confidentiality of the confidential and/or proprietary information of the Group Company. Neither any Group Company nor any of its shareholders, employees or directors has solicited any employee to leave his or her previous employment in breach of any applicable laws or which may give rise to any tortious, contractual or criminal liability.

13. Material Adverse Effects. No other event or circumstance is outstanding which constitutes a default or termination right under any other agreement or instrument which is binding on the Group Companies or to which the Group Companies’ assets are subject which might have a Material Adverse Effect.

14. No Brokers or Finders. No person has or will have, as a result of the transactions contemplated by the Transaction Documents, any right, interest or claim against or upon any Group Company for any commission, fee or other compensation as a finder or broker.

15. Corrupt Business Practices. The Group Companies, their respective directors, employees, agents and their consultants and each other person acting for, or on behalf of, the Group Companies, has complied with Part 2, Chapter Four of the R.O.C. Criminal Code, the R.O.C. Statute of Punishment of Corruption, the Bribery Act of the United Kingdom of Great Britain and Northern Ireland, the U.S. Foreign Corrupt Practices Act of 1977, and any other law (broadly defined) intended to prevent or deter bribery or corrupt business practices, to the extent such laws are applicable to them (collectively the “**Anticorruption Laws**”). The Group Companies are not under investigation with respect to, and have not been given notice of, any violation of any Anticorruption Laws applicable to the business of the Group Companies, as

presently conducted or as has been conducted. Neither the Group Companies nor any officer, director, supervisor, agent or employee purporting to act on behalf of the Group Companies or any other related party has at any time, directly or indirectly:

(i) made, provided or paid any unlawful contributions, gifts, entertainment or other unlawful expenses to any candidate for political office, or failed to disclose fully any such contributions in violation of any applicable laws;

(ii) made any payment to any local, state, federal or any other type of governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments required or allowed by applicable Anticorruption Laws;

(iii) made any payment to any agent, employee, officer or director of any entity with which any Group Company or any other related party does business for the purpose of influencing such agent, employee, officer, supervisor or director to do business with the Group Companies;

(iv) engaged in any transactions, maintained any bank account or used any corporate funds, except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Group Companies;

(v) violated any provision of the Anticorruption Laws; or

(vi) made any payment in the nature of criminal bribery or any other unlawful payment.

16. Title to Properties and Assets. Each Group Company has good and marketable title to, and legally and beneficially owns or has valid leasehold interests or rights to use, all its property and assets, free and clear of all mortgages, liens, loans and encumbrances, except for liens for Taxation, assessments or other governmental charges or levies not yet due, and statutory liens for landlords, carriers, warehousemen, mechanics and other liens imposed by law created in the ordinary course of business of the Group Company consistent with past practices for amounts not yet due.

17. No Contingent Liabilities. No Group Company has given any guarantee, indemnity or suretyship for principal amounts recoverable exceeding that stated in the last audited accounts (if any) of such Group Company.

**EXHIBIT C**

**SECOND AMENDED AND RESTATED  
SHAREHOLDERS AGREEMENT**

**AMENDMENT TO  
FORM OF CONVERTIBLE PROMISSORY NOTE**

This AMENDMENT TO FORM OF CONVERTIBLE PROMISSORY NOTE (the “*Amended Note*”) is made and entered into as of **August 31, 2023**, by and among:

1. **Aeolus Robotics Corporation**, a company duly organized and validly existing under the laws of the Cayman Islands (the “*Company*”); and
2. **GigaMedia Limited**, a company duly organized and validly existing under the laws of Singapore (the “*Holder*”).

Each of the Company and the Holder is hereinafter referred to individually a “*Party*” and collectively, the “*Parties*”.

**WITNESSETH**

**WHEREAS**, the Company and the Holder entered into the Convertible Note Purchase Agreement effective as of August 31, 2020 (the “*Agreement*”), which is the Company issued a Form of Convertible Promissory Note (the “*Note*”) dated August 31, 2020 to the Holder, in the principal amount of ten million U.S. dollars (US\$10,000,000.00) (the “*Principal Amount*”).

**WHEREAS**, the Company and the Holder entered into the SERIES B PREFERRED SHARES PURCHASE AGREEMENT on October 22, 2021, which is the Holder has exercised its right of conversion under the Note in the amount of US\$2,000,000.00 into 735,835 shares of the Series B Preferred Shares of the Company (the “*Conversion*”) at the convention of US\$2.718 per share effective December 30, 2021. After the Conversion, the outstanding Principal Amount under the Note is US\$8,000,000.00.

**WHEREAS**, the Parties agree that the Closing of the Agreement shall be revised to the date of execution of this Amended Note by all Parties, and desire to amend the Note to extend the Maturity Date and make the further amendments as set forth in this Amended Note.

**NOW, THEREFORE**, in consideration of the mutual premises and covenants hereinafter set forth, the Parties hereto agree as follows:

**1. Principal Reduction Payment.**

The Company shall make payment for the portion of outstanding Principal Amount on the Note in the amount of US\$1,000,000.00 within three (3) business days after the execution of this Amended Note by all Parties.

**2. Approval.**

This Amended Note is conditioned on the payment by the Company to the account of the Holder of (i) accrued and unpaid interest on the unpaid Principal Amount of the Note due through August 30, 2023 in the amount of US\$480,000.00 (the “*Accrued Interest*”) within three (3) business days after the execution of this Amended

Note by all Parties, and (ii) the Principal Reduction Payment in the amount of US\$1,000,000.00.

### **3. Amendments to the Note.**

(a) The Section 1 of the Note is hereby deleted in its entirety and replaced with the following new Section 1:

“**1. Interest.** Subject to Section 4 hereof, the interest (the “*Interest*”) shall accrue from the date of execution of this Amended Note by all Parties on the unpaid Principal Amount at a rate of four percent (4%) on an annual non-compound basis, computed on the basis of actual calendar days elapsed and a year of 365 days, subject to the terms and conditions of this Note.”

(b) The Section 2 of the Note is hereby deleted in its entirety and replaced with the following new Section 2

“**2. Maturity and Extension.** The outstanding Principal Amount plus all accrued and unpaid Interest thereon shall be due and payable on the day which is eighteen (18) months from the date of execution of this Amended Note by all Parties (the “*Original Maturity Date*”), except and to the extent all or a portion of this Amended Note shall have been previously repaid, redeemed or converted pursuant to Section 3 and 4 hereof. The Original Maturity Date may be extended for an additional twelve (12) months by the Company at its sole discretion by giving written notice to the Holder at least thirty (30) days prior to the Original Maturity Date (the last day of such extended period of the Amended Note is referred to as the “*Extended Maturity Date.*”) (The Extended Maturity Date together with the Original Maturity Date shall be collectively referred to as the “*Maturity Date.*”).”

(c) The Section 4.(a) of the Note is hereby deleted in its entirety and replaced with the following new Section 4.(a):

“**4.(a) Automatic Conversion.** Upon the date of filing formal application of a Qualified IPO (as defined in the Company’s Seventh Amended and Restated Memorandum and Articles of Association) or an earlier date as reasonably requested by the lead underwriter(s) of such Qualified IPO, which occurs on or before the Maturity Date, this Amended Note shall automatically be converted into Ordinary Shares at a conversion price at the lower of (i) one dollar and a quarter U.S. dollars (US\$1.25) per share (the “*Conversion Price*”), or (ii) equal to eighty percent (80%) of the initial public offering price per share.”

(d) The Section 4.(b)(i) of the Note is hereby deleted in its entirety and replaced with the following new Section 4.(b)(i):

**“4.(b)(i) Qualified Financing.** Except and to the extent prepaid or converted earlier pursuant to Section 3 or 4 hereof, in the nearest next round equity financing on or before the Maturity Date where the Company contemplates to issue and sell any preferred shares of the Company to any third party (the **“Qualified Financing”**; for the avoidance of doubt, the Qualified Financing shall in no event include the Company’s issuance and sale of further Series A Preferred Shares, Series B Financing and A-NDC Preferred Shares), at the option and discretion of the Holder, the Holder may elect to convert all or any part of the outstanding Principal Amount of this Amended Note into the preferred shares to be issued at such Qualified Financing (the **“Preferred Shares”**), among which (i) fifty percent (50%) of such outstanding Principal Amount shall be converted at a conversion price equal to sixty percent (60%) of the purchase price offered to the investors in such Qualified Financing or the Conversion Price (US\$1.25), whichever is lower, and (ii) fifty percent (50%) of such outstanding Principal Amount shall be converted at a conversion price equal to one hundred percent (100%) of the purchase price offered to the investors in such Qualified Financing or the Conversion Price (US\$1.25), whichever is lower.”

(e) The Section 5.(a)(i) of the Note is hereby deleted in its entirety and replaced with the following new Section 5.(a)(i):

**“5.(a)(i)** the default by the Company in the payment of the aggregate outstanding Principal Amount and Interest when due and payable and such failure continues for a period of five (5) days;”

#### **4. Effectiveness of Amendments.**

The amendments in this Amended Note shall become effective immediately and without further action at the time (the **“Effective Time”**) of payment by the Company of the Principal Reduction Payment and Accrued Interest.

#### **5. Affirmation of the Note.**

The Company and the Holder each acknowledge and affirm that the Amended Note, as hereby amended, is hereby ratified and confirmed in all respects; and all terms, conditions, and provisions of the Agreement and the Note, except as amended by this Amended Note, shall remain unmodified and in full force and effect.

#### **6. Headings.**

The headings of various sections of this Amended Note are for reference only and shall not be deemed to be a part of this Amended Note.

*[Signature page follows]*



IN WITNESS WHEREOF, the Parties hereto have caused this AMENDMENT TO FORM OF CONVERTIBLE PROMISSORY NOTE to be duly executed as of the date first above written.

Company:

**Aeolus Robotics Corporation**

By: /s/ Tsong Jung Lee

Name: Tsong Jung Lee

Title: DIRECTOR

Holder:

**GigaMedia Limited**

By: /s/ HUANG, CHENG-MING

Name: HUANG, CHENG-MING

Title: Chief Executive Officer

*[Signature Page to Amendment to Form of Convertible Promissory Note]*

List of Subsidiaries

<u>Subsidiary</u>	<u>Year of Incorporation</u>	<u>Jurisdiction of Incorporation</u>
Hoshin GigaMedia Center Inc. ....	1998	Taiwan
GigaMedia (HK) Limited .....	2004	Hong Kong
GigaMedia International Holdings Limited.....	2004	British Virgin Islands
GIGM Corporation .....	2021	Cayman Islands
FunTown World Limited.....	2005	British Virgin Islands
GigaMedia Online Entertainment Corp.....	2009	Cayman Islands
FunTown Hong Kong Limited .....	1999	Hong Kong
GigaMedia Freestyle Holdings Limited .....	2009	British Virgin Islands
GigaMedia Cloud Services Co. Ltd.....	2011	Taiwan
GigaMedia Development Corporation .....	2013	Taiwan
GigaMedia (Cayman) Ltd.....	2015	Cayman Islands

**GIGAMEDIA LIMITED**

**CODE OF BUSINESS CONDUCT AND ETHICS**

---

Fourth Amendment on March 25, 2024

Third Amendment on March 18, 2013

Second Amendment on April 30, 2010

First Amendment on December 19, 2005

Adopted as of April 21, 2004

Dear Colleagues:

The good name and reputation of GigaMedia Limited (the "Company") are a result of the dedication and hard work of all of us. Together, we are responsible for preserving and enhancing this reputation, a task that is fundamental to our continued well-being. Our goal is not just to comply with the laws and regulations that apply to our business; we also strive to abide by the highest principles of business conduct and ethics.

We set forth in the succeeding pages the Company's Code of Business Conduct and Ethics (the "Code"). The purpose of the Code is to reinforce and enhance the Company's commitment to an ethical way of doing business. The contents of the Code are not new, however. The policies set forth here are part of the Company's long-standing tradition of high ethical standards.

All employees, consultants, officers and directors are expected to comply with the policies set forth in this Code. As a Singapore company, it goes without saying that we must comply with Singapore law. In addition, you must abide by applicable law in the country where you are located. In some instances, there may be a conflict between the applicable laws of two or more countries. If you encounter such a conflict, or if a local law conflicts with a policy set forth in this Code, you should consult with the General Counsel to determine the appropriate course of action.

Read the Code carefully and make sure that you understand it and the consequences of non-compliance. If you have any questions, speak to your supervisor, supervisor of the Legal Division or any of the other resources identified in this booklet. The Code cannot and is not intended to cover every applicable law or provide answers to all questions that might arise; for that we must ultimately rely on each person's good sense of what is right, including a sense of when it is proper to seek guidance from others on the appropriate course of conduct.

We at the Company are committed to providing the best and most competitive products and services to our customers and clients. Adherence to the policies set forth in the Code will help us achieve this goal.

Sincerely,

Chairman

## Table of Contents

	Page
PUTTING THE CODE OF BUSINESS CONDUCT AND ETHICS TO WORK.....	1
About the Code of Business Conduct and Ethics .....	1
Meeting Our Shared Obligations .....	1
RESPONSIBILITY TO OUR ORGANIZATION .....	1
Conflicts of Interest .....	1
Improper Personal Benefits from the Company .....	1
Financial Interests in Other Businesses .....	2
Business Arrangements with the Company .....	2
Outside Employment or Activities with a Competitor .....	2
Outside Employment with a Customer or Supplier .....	2
Non-Competition .....	2
Non-Solicitation .....	3
Corporate Opportunities .....	3
Charitable, Government and Other Outside Activities .....	3
Family Members Working in the Industry .....	3
Protection and Proper Use of Company Assets .....	3
Company Books and Records .....	4
Record Retention .....	4
Confidential Information .....	5
Insider Trading .....	6
Trademarks, Copyrights and Other Intellectual Property .....	6
Trademarks .....	6
Copyright Compliance .....	6
Intellectual Property Rights of Others .....	7
Computer and Communication Resources .....	7
Responding to Inquiries from the Press and Others .....	8
FAIR DEALING .....	8
Antitrust Laws .....	8
Conspiracies and Collaborations Among Competitors .....	8
Distribution Issues .....	9
Penalties .....	10
Gathering Information About the Company's Competitors .....	10
RESPONSIBILITY TO OUR PEOPLE .....	10
Respecting One Another .....	10
Privacy .....	11
Equal Employment Opportunity and Nondiscrimination .....	11
Sexual and Other Forms of Harassment .....	11
Other Forms of Harassment .....	12
Reporting Responsibilities and Procedures .....	12
Safety in the Workplace .....	13
Weapons and Workplace Violence .....	13
Drugs and Alcohol .....	13
INTERACTING WITH GOVERNMENT .....	13
Prohibition on Gifts to Government Officials and Employees .....	13
Political Contributions and Activities .....	13
Lobbying Activities .....	14
Bribery of Foreign Officials .....	14
IMPLEMENTATION OF THE CODE .....	14

Seeking Guidance.....	14
Reporting Violations	15
Investigations of Suspected Violations.....	15
Reports Regarding Accounting Issues.....	15
Treatment of Complaints and Retention of Records Regarding Accounting Issues	15
Discipline for Violations	16
A Framework for Approaching Questions and Problems	16
Waivers of the Code.....	16
No Rights Created.....	16

## **PUTTING THE CODE OF BUSINESS CONDUCT AND ETHICS TO WORK**

### **About the Code of Business Conduct and Ethics**

We at the Company are committed to the highest standards of business conduct in our relationships with each other and with our customers and clients, suppliers, shareholders and others. This requires that we conduct our business in accordance with all applicable laws and regulations and in accordance with the highest standards of business ethics. The Company's Code of Business Conduct and Ethics helps each of us in this endeavor by providing a statement of the fundamental principles and key policies and procedures that govern the conduct of our business.

Our business depends on the reputation of the Company and its employees for integrity and principled business conduct. Thus, in many instances, the policies referenced in this Code go beyond the requirements of the law.

The Code is a statement of policies for individual and business conduct and does not, in any way, constitute an employment contract or an assurance of continued employment. As employees of the Company, we are employed at-will except when we are covered by an express, written employment agreement. This means that you may choose to resign your employment at any time, for any reason or for no reason at all. The Company may choose to terminate your employment at any time, for any reason permitted under the laws in the country where you are employed.

### **Meeting Our Shared Obligations**

Each of us is responsible for knowing and understanding the policies and guidelines contained in the following pages. If you have questions, ask them; if you have ethical concerns, raise them. Supervisor of the Legal Division, who is responsible for overseeing and monitoring compliance with this Code, and the other company resources set forth in this Code are available to answer your questions and provide guidance and for you to report suspected misconduct. Our conduct should reflect the Company's values, demonstrate ethical leadership, and promote a work environment that upholds the Company's reputation for integrity, ethical conduct and trust.

## **RESPONSIBILITY TO OUR ORGANIZATION**

We are all expected to dedicate our best efforts to advancing the Company's interests and to make decisions that affect the Company using objective and independent standards.

### **Conflicts of Interest**

A conflict of interest occurs when your private interests interfere in any way, or even appear to interfere, with the interests of the Company as a whole. A conflict situation can arise when you take actions or have interests that make it difficult for you to perform your company work objectively and effectively. Your obligation to conduct the Company's business in an honest and ethical manner includes the ethical handling of actual or apparent conflicts of interest between personal and business relationships, including full disclosure of such conflicts. Although we cannot list every conceivable conflict, following are some common examples that illustrate actual or apparent conflicts of interest that should be avoided:

### ***Improper Personal Benefits from the Company***

Conflicts of interest arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. You may not accept any benefits from the Company that have not been authorized and approved pursuant to Company policy and procedure, including any Company loans or guarantees of your personal obligations. The Company will not make any personal loans to, nor guarantee the personal obligations of, directors and executive officers.

### ***Financial Interests in Other Businesses***

You may not own an interest in a company that competes with the Company. You may not own an interest in a company that does business with the Company (such as a Company customer or supplier) without the prior written approval of the supervisor of the Legal Division. Executive officers and members of the Board must obtain the written approval of the Audit Committee of the Board of Directors before making any such investment. However, it is not typically considered a conflict of interest (and therefore, prior approval is not required) to make investments of no more than one percent (1%) of the outstanding equity securities of competitors, customers or suppliers that are public companies (in other words, companies with stock listed on a national or international securities exchange), so long as the interest is not so significant that it would affect your decisions on behalf of the Company.

### ***Business Arrangements with the Company***

Without prior written approval from the supervisor of the Legal Division you may not participate in a joint venture, partnership or other business arrangement with the Company. Executive officers and members of the Board must obtain the prior written approval of the chairman of the Audit Committee of the Board of Directors and otherwise be in compliance with the Company's memorandum and articles of association before participating in such an arrangement.

### ***Outside Employment or Activities with a Competitor***

Simultaneous employment with or serving as a director of a competitor of the Company is strictly prohibited, as is any activity that is intended to or that you should reasonably expect to advance a competitor's interests. You may not market products or services in competition with the Company's current or potential business activities. It is your responsibility to consult with the supervisor of the Legal Division to determine whether a planned activity will compete with any of the Company's business activities before you pursue the activity in question.

### ***Outside Employment with a Customer or Supplier***

Without prior written approval from the supervisor of the Legal Division, you may not be a customer or client or be employed by, serve as a director of, or represent a customer of the Company. Similarly, without prior written approval from the supervisor of the Legal Division, you may not be a supplier or be employed by, serve as a director of, or represent a supplier to the Company. Executive officers and members of the Board must obtain the prior written approval of the Chairman of the Audit Committee of the Board of Directors and otherwise be in compliance with the Company's memorandum and articles of association before participating in such an arrangement.



### ***Non-Competition***

You may not participate, invest, license, employ or being employed, or corporate with any company or entity engaged in a line of business which may be competitive with the business of the Company within three months after termination of your employment of the Company, except the local law or the contract stated otherwise. The Company may take legal actions against you in the event of the mentioned is being violated.

### ***Non-Solicitation***

You may not, during your employment or within twelve months after termination of the employment, directly or indirectly, solicit, entice, or attempt to approach, solicit or entice any of the other employees of the Company or its affiliates to terminate the employment.

### ***Corporate Opportunities***

We each owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. If you learn of a business or investment opportunity through the use of corporate property or information or your position at the Company, such as from a competitor or actual or potential customer, supplier or business associate of the Company, you may not participate in the opportunity or make the investment without the prior written approval of the supervisor of the Legal Division. Such an opportunity should be considered an investment opportunity for the Company in the first instance. You may not use corporate property or information or your position at the Company for improper personal gain, and you may not compete with the Company.

### ***Charitable, Government and Other Outside Activities***

The Company encourages all employees to participate in projects and causes that further the welfare of our local communities. However, you must obtain the prior written approval of the supervisor of the Legal Division before serving as a director or trustee of any charitable, not-for-profit, for-profit, or other entity or before running for election or seeking appointment to any government-related position. Executive officers and members of the Board must obtain the prior written approval of the Audit Committee of the Board of Directors.

### ***Family Members Working in the Industry***

You may find yourself in a situation where your spouse or significant other, your children, parents, or in-laws, or someone else with whom you have a familial relationship is a competitor, supplier or customer of the Company or is employed by one. Such situations are not prohibited, but they call for extra sensitivity to security, confidentiality and conflicts of interest. You must disclose any such situation to the supervisor of the Legal Division to assess the nature and extent of any concern and how it can be resolved. In some instances, any risk to the Company's interests is sufficiently remote that the supervisor of the Legal Division may only remind you to guard against inadvertently disclosing the Company's confidential information and not to be involved in decisions on behalf of the Company that involve the other company.

### ***Protection and Proper Use of Company Assets***

We each have a duty to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. We should take

measures to prevent damage to and theft or misuse of Company property. Any suspected incidents of fraud or theft should be immediately reported to our Administration Department for investigation.

When you leave the Company, all Company property must be returned to the Company. Except as specifically authorized by the Company, Company assets, including Company time, equipment, materials, resources and proprietary information, must be used for legitimate business purposes only, though incidental personal use (such as, for example, of Company electronic mail and telephones) may be permitted. However, you should be aware that even personal messages on the Company's computer and telephone systems are Company property, and you should therefore have no expectation of personal privacy in connection with your use of these resources.

### **Company Books and Records**

It is Company policy to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission, any regulatory authority in Singapore, including but not limited to the Singapore Registry of Companies and Businesses and in all other public communications made by the Company. You must complete all Company documents accurately, truthfully, and in a timely manner, including all travel and expense reports. When using business expense accounts, you must document and record all information accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor or the appropriate financial officer.

When applicable, documents must be properly authorized. You must record the Company's financial activities in compliance with all applicable laws and accounting practices and the Company's system of internal controls. The making of false or misleading entries, records or documentation is strictly prohibited. You must never create a false or misleading report or make a payment or establish an account on behalf of the Company with the understanding that any part of the payment or account is to be used for a purpose other than as described by the supporting documents.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies to e-mail, internal memos, formal reports and all other business communications.

### **Record Retention**

In the course of its business, the Company produces and receives large numbers of records. Numerous laws require the retention of certain Company records for various periods of time. The Company is committed to compliance with all applicable laws and regulations relating to the preservation of records. Under no circumstances are Company records to be destroyed selectively or to be maintained outside Company premises or designated storage facilities.

If you learn of a subpoena or a pending or contemplated litigation or government investigation, you should immediately contact the supervisor of the Legal Division. You must retain and preserve ALL records that may be responsive to the subpoena or relevant to the litigation or that may pertain to the investigation until you are advised by the supervisor of the Legal Division as to how to proceed. You must not destroy any such records in your possession or control. You

must also affirmatively preserve from destruction all relevant records that without intervention would automatically be destroyed or erased (such as e-mails and voicemail messages). Destruction of such records, even if inadvertent, could seriously prejudice the Company. If you have any questions regarding whether a particular record pertains to a pending or contemplated investigation or litigation or may be responsive to a subpoena or regarding how to preserve particular types of records, you should preserve the records in question and ask the supervisor of the Legal Division for advice.

## **Confidential Information**

All employees may learn, to a greater or lesser degree, facts about the Company's business, plans, operations or "secrets of success" that are not known to the general public or to competitors. The advantages we derive from information we consider proprietary or sensitive is critical to the success of the Company. Sensitive information such as customer data, the terms offered or prices charged to particular customers, marketing or strategic plans or design, product specifications and production processes and techniques are examples of the Company's confidential information or trade secrets. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. During the course of performing your responsibilities, you may obtain information concerning possible transactions with other companies or receive confidential information concerning other companies, such as our customers, which the Company may be under an obligation to maintain as confidential.

You must maintain the confidentiality of information entrusted to you by the Company or its customers, except when disclosure is authorized or legally mandated. Employees who possess or have access to confidential information or trade secrets must:

- Not use the information for their own benefit or the benefit of persons inside or outside the Company.
- Carefully guard against disclosure of that information to people outside the Company. For example, you should not discuss such matters with family members or business or social acquaintances or in places where the information may be overheard, such as taxis, public transportation, elevators or restaurants.
- Not disclose confidential information to another Company employee unless the employee needs the information to carry out business responsibilities.

Confidentiality Agreements are commonly used when the Company needs to disclose confidential information to suppliers, consultants, joint venture participants, or others. A Confidentiality Agreement puts the person receiving confidential information on notice that he or she must maintain the secrecy of such information. If, in doing business with persons not employed by the Company, you foresee that you may need to disclose confidential information, you should call the supervisor of the Legal Division and discuss the utility of entering into a Confidentiality Agreement.

Your obligation to treat information as confidential does not end when you leave the Company. Upon the termination of your employment, you must return everything that belongs to the Company, including all documents and other materials containing Company and customer confidential information. You must not disclose confidential information to a new employer or to others after ceasing to be a Company employee.

You may not disclose your previous employer's confidential information to the Company. Of course, you may use general skills and knowledge acquired during your previous employment.

## **Insider Trading**

You are prohibited by Company policy and the law from buying or selling securities of the Company at a time when in possession of "material non-public information." This conduct is known as "insider trading." Passing such information on to someone who may buy or sell securities – known as "tipping" – is also illegal. The prohibition applies to Company securities and to securities of other companies if you learn material non-public information about other companies, such as the Company's customers, in the course of your duties for the Company.

Information is "material" if (a) there is a substantial likelihood that a reasonable investor would find the information "important" in determining whether to trade in a security; (b) the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell securities; or (c) the information, if made public, likely would affect the market price of a company's securities. Examples of types of material information include unannounced dividends, earnings, financial results, new or lost contracts or products, sales results, important personnel changes, business plans, possible mergers, acquisitions, divestitures or joint ventures, important litigation developments, and important regulatory, judicial or legislative actions. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information.

Information is considered to be non-public unless it has been adequately disclosed to the public, which means that the information must be publicly disclosed, and adequate time must have passed for the securities markets to digest the information. Examples of adequate disclosure include public filings with securities regulatory authorities and the issuance of press releases, and may also include meetings with members of the press and the public. A delay of one or two business days is generally considered a sufficient period for routine information to be absorbed by the market. Nevertheless, a longer period of delay might be considered appropriate in more complex disclosures.

Do not disclose material non-public information to anyone, including co-workers, unless the person receiving the information has a legitimate need to know the information for purposes of carrying out the Company's business. If you leave the Company, you must maintain the confidentiality of such information until it has been adequately disclosed to the public by the Company.

For additional information on trading in the Company's securities you should contact the supervisor of the Legal Division.

## **Trademarks, Copyrights and Other Intellectual Property**

### ***Trademarks***

Our logos and the name GigaMedia Limited are examples of Company trademarks. You must always properly use our trademarks and advise your supervisor or the supervisor of the Legal Division of infringements by others. Similarly, the trademarks of third parties must be used properly.

## ***Copyright Compliance***

Works of authorship such as books, articles, drawings, computer software and other such materials may be covered by copyright laws. It is a violation of those laws and of the Company's policies to make unauthorized copies of or derivative works based upon copyrighted materials. The absence of a copyright notice does not necessarily mean that the materials are not copyrighted.

The Company licenses the use of much of its computer software from outside companies. In most instances, this computer software is protected by copyright. You may not make, acquire or use unauthorized copies of computer software. Any questions concerning copyright laws should be directed to the supervisor of the Legal Division.

## ***Intellectual Property Rights of Others***

It is Company policy not to infringe upon the intellectual property rights of others. When using the name, trademarks, logos or printed materials of another company, including any such uses on the Company's websites, you must do so properly and in accordance with applicable law.

## **Computer and Communication Resources**

The Company's computer and communication resources, including computers, voicemail and e-mail, provide substantial benefits, but they also present significant security and liability risks to you and the Company. It is extremely important that you take all necessary measures to secure your computer and any computer or voicemail passwords. All sensitive, confidential or restricted electronic information must be password protected, and, if sent across the Internet, must be protected by Company-approved encryption software. If you have any reason to believe that your password or the security of a Company computer or communication resource has in any manner been compromised, you must change your password immediately and report the incident to the Information System Department or the Administration Department.

When you are using Company resources to send e-mail, voicemail or to access Internet services, you are acting as a representative of the Company. Any improper use of these resources may reflect poorly on the Company, damage its reputation, and expose you and the Company to legal liability.

All the computing resources used to provide computing and network connections throughout the organization are the property of the Company and are intended for use by the Company employees to conduct the Company's business. To the extent permitted by applicable law, all e-mail, voicemail and personal files stored on Company computers are Company property. You should therefore have no expectation of personal privacy in connection with these resources. The Company may, from time to time and at its sole discretion, review any files stored or transmitted on its computer and communication resources, including e-mail messages, for compliance with Company policy. Incidental and occasional personal use of electronic mail and telephones is permitted, but such use should be minimized and the length of the messages should be kept as short as possible, as these messages cost the Company in both productive time and money. As stated previously, even personal messages on the Company's e-mail and voicemail systems are Company property.

You should not use Company resources in a way that may be disruptive or offensive to others or unlawful. At all times when sending e-mail or transmitting any other message or file, you

should not transmit comments, language, images or other files that you would be embarrassed to have read by any person. Remember that your "private" e-mail messages are easily forwarded to a wide audience. In addition, do not use these resources in a wasteful manner. Unnecessarily transmitting messages and other files wastes not only computer resources, but also the time and effort of each employee having to sort and read through his or her own e-mail.

Use of computer and communication resources must be consistent with all other Company policies, including those relating to harassment, privacy, copyright, trademark, trade secret and other intellectual property considerations.

### **Responding to Inquiries from the Press and Others**

Company employees who are not official Company spokespersons may not speak with the press, securities analysts, other members of the financial community, shareholders or groups or organizations as a Company representative or about Company business unless specifically authorized to do so. Requests for financial or other information about the Company from the media, the press, the financial community, shareholders or the public should be referred to the Investor Relations Department. Requests for information from regulators or the government should also be referred to the supervisor of the Legal Division. You should then report any such contact to one of them.

### **FAIR DEALING**

The Company depends on its reputation for quality, service and integrity. The way we deal with our customers, competitors and suppliers molds our reputation, builds long-term trust and ultimately determines our success. We must never take unfair advantage of others through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

### **Antitrust Laws**

While the Company competes vigorously in all of its business activities, its efforts in the marketplace must be conducted in accordance with the letter and spirit of applicable antitrust and competition laws. While it is impossible to describe antitrust and competition laws fully in any code of business conduct, this Code will give you an overview of the types of conduct that are particularly likely to raise antitrust concerns.

### **Conspiracies and Collaborations Among Competitors**

One of the primary goals of the antitrust laws is to promote and preserve each competitor's independence when making decisions on price, output, and other competitively sensitive factors. Some of the most serious antitrust offenses are agreements between competitors that limit independent judgment and restrain trade, such as agreements to fix prices, restrict output or control the quality of products, or to divide a market for customers, territories, products or purchases. You should not agree with any competitor on any of these topics, as these agreements are virtually always unlawful.

Unlawful agreements need not take the form of a written contract or even express commitments or mutual assurances. Courts can -- and do -- infer agreements based on "loose talk," informal discussions, or the mere exchange between competitors of information from which pricing or other collusion could result. Any communication with a competitor's representative, no matter how innocuous it may seem at the time, may later be subject to legal scrutiny and form the basis

for accusations of improper or illegal conduct. You should take care to avoid involving yourself in situations from which an unlawful agreement could be inferred.

By bringing competitors together, trade associations and standard-setting organizations can raise antitrust concerns, even though such groups serve many legitimate goals. The exchange of sensitive information with competitors regarding topics such as prices, profit margins, output levels, or billing or advertising practices can potentially violate antitrust and competition laws, as can creating a standard with the purpose and effect of harming competition. You must notify the Legal Department before joining any trade associations or standard-setting organizations. Further, if you are attending a meeting at which potentially competitively sensitive topics are discussed without oversight by an antitrust lawyer, you should object, leave the meeting, and notify the Legal Department immediately.

Joint ventures with competitors are not illegal under applicable antitrust and competition laws. However, like trade associations, joint ventures present potential antitrust concerns. The Legal Department should therefore be consulted before negotiating or entering into such a venture.

### **Distribution Issues**

Relationships with customers and suppliers can also be subject to a number of antitrust prohibitions if these relationships harm competition. For example, it can be illegal for a company to affect competition by agreeing with a supplier to limit that supplier's sales to any of the company's competitors. Collective refusals to deal with a competitor, supplier or customer may be unlawful as well. While a company generally is allowed to decide independently that it does not wish to buy from or sell to a particular person, when such a decision is reached jointly with others, it may be unlawful, regardless of whether it seems commercially reasonable. Finally, it is always unlawful to restrict a customer's re-selling activity through minimum resale price maintenance (for example, by prohibiting discounts).

Other activities that can raise antitrust concerns are:

- discriminating in terms and services offered to customers where a company treats one customer or group of customers differently than another;
- exclusive dealing agreements where a company requires a customer to buy from or a supplier to sell to only that company;
- tying arrangements where a customer or supplier is required, as a condition of purchasing one product, to also purchase a second, distinct product;
- "bundled discounts," in which discount or rebate programs link the level of discounts available on one product to purchases of separate but related products (for example, pencils linked to other office supplies); and
- "predatory pricing," where a company offers a discount that results in the sales price of a product being below the product's cost (the definition of cost varies depending on the court), with the intention of sustaining that price long enough to drive competitors out of the market.

Because these activities are prohibited under many circumstances, you should consult the supervisor of the Legal Division before implementing any of them.

## **Penalties**

Failure to comply with antitrust laws in the relevant jurisdictions could result in jail terms for individuals and large criminal fines and other monetary penalties for both the Company and individuals. In addition, private parties may bring civil suits in the relevant jurisdictions to recover three times their actual damages, plus attorney's fees and court costs.

The antitrust laws are extremely complex. Because antitrust lawsuits can be very costly, even when a company has not violated the antitrust laws and is cleared in the end, it is important to consult with the Legal Department before engaging in any conduct that even appears to create the basis for an allegation of wrongdoing. It is far easier to structure your conduct to avoid erroneous impressions than to have to explain your conduct in the future when an antitrust investigation or action is in progress. For that reason, when in doubt, consult the Legal Department with your concerns.

## **Gathering Information About the Company's Competitors**

It is entirely proper for us to gather information about our marketplace, including information about our competitors and their products and services. However, there are limits to the ways that information should be acquired and used, especially information about competitors. In gathering competitive information, you should abide by the following guidelines:

- We may gather information about our competitors from sources such as published articles, advertisements, brochures, other non-proprietary materials, surveys by consultants and conversations with our customers, as long as those conversations are not likely to suggest that we are attempting to (a) conspire with our competitors, using the customer as a messenger, or (b) gather information in breach of a customer's nondisclosure agreement with a competitor or through other wrongful means. You should be able to identify the source of any information about competitors.
- We must never attempt to acquire a competitor's trade secrets or other proprietary information through unlawful means, such as theft, spying, bribery or breach of a competitor's nondisclosure agreement.
- If there is any indication that information that you obtain was not lawfully received by the party in possession, you should refuse to accept it. If you receive any competitive information anonymously or that is marked confidential, you should not review it and should contact the supervisor of the Legal Division immediately.

The improper gathering or use of competitive information could subject you and the Company to criminal and civil liability. When in doubt as to whether a source of information is proper, you should contact the supervisor of the Legal Division.



## **RESPONSIBILITY TO OUR PEOPLE**

### **Respecting One Another**

The way we treat each other and our work environment affects the way we do our jobs. All employees want and deserve a work place where they are respected and appreciated. Everyone who works for the Company must contribute to the creation and maintenance of such an environment, and supervisors and managers have a special responsibility to foster a workplace that supports honesty, integrity, respect and trust.

### **Privacy**

We respect the privacy and dignity of all individuals. The Company collects and maintains personal information that relates to your employment, including medical and benefit information. Special care is taken to limit access to personal information to Company personnel with a need to know such information for a legitimate purpose. Employees and officers who are responsible for maintaining personal information and those who are provided access to such information must not disclose private information in violation of any applicable law or in violation of the Company's policies.

Employees should not search for or retrieve items from another employee's workspace without prior approval of that employee or management. Similarly, you should not use communication or information systems to obtain access to information directed to or created by others without the prior approval of management, unless such access is part of your job function and responsibilities at the Company.

Personal items, messages, or information that you consider to be private should not be placed or kept in telephone systems, computer or electronic mail systems, office systems, offices, work spaces, desks, credenzas, or file cabinets. The Company reserves all rights, to the fullest extent permitted by law, to inspect such systems and areas and to retrieve information or property from them when deemed appropriate in the judgment of management.

### **Equal Employment Opportunity and Non-discrimination**

The diversity of the Company's employees is a tremendous asset. The Company is an equal opportunity employer in hiring and promoting practices, benefits and wages. We will not tolerate discrimination against any person on the basis of race, religion, color, gender, age, marital status, national origin, sexual orientation, citizenship, disabled veteran status or disability (where the applicant or employee is qualified to perform the essential functions of the job with or without reasonable accommodation), or any other basis prohibited by law in recruiting, hiring, placement, promotion, or any other condition of employment.

You must treat all Company people, customers and clients, suppliers and others with respect and dignity.

### **Sexual and Other Forms of Harassment**

Company policy strictly prohibits any form of harassment in the workplace, including sexual harassment. The Company will take prompt and appropriate action to prevent and, where necessary, discipline behavior that violates this policy.

Sexual harassment consists of unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature when:

- submission to such conduct is made a term or condition of employment;
- submission to or rejection of such conduct is used as a basis for employment decisions; or
- such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, offensive or hostile work environment.

Forms of sexual harassment include, but are not limited to, the following:

- verbal harassment, such as unwelcome comments, jokes, or slurs of a sexual nature;
- physical harassment, such as unnecessary or offensive touching, or impeding or blocking movement; and
- visual harassment, such as derogatory or offensive posters, cards, cartoons, graffiti, drawings or gestures.

### ***Other Forms of Harassment***

Harassment on the basis of other characteristics is also strictly prohibited. Under this policy, harassment is verbal or physical conduct that degrades or shows hostility or hatred toward an individual because of his or her race, color, national origin, citizenship, religion, sexual orientation, marital status, age, mental or physical handicap or disability, veteran status or any other characteristic protected by law, which

- has the purpose or effect of creating an intimidating, hostile, or offensive work environment;
- has the purpose or effect of unreasonably interfering with an individual's work performance; or
- otherwise adversely affects an individual's employment.

Harassing conduct includes, but is not limited to, the following: epithets; slurs; negative stereotyping; threatening, intimidating or hostile acts; and written or graphic material that ridicules or shows hostility or aversion to an individual or group and that is posted on Company premises or circulated in the workplace.

### ***Reporting Responsibilities and Procedures***

If you believe that you have been subjected to harassment of any kind, you should promptly report the incident to your supervisor, the harasser's supervisor, or the supervisor of Human Resources Department. If you feel comfortable doing so, you may also wish to confront the offender and state that the conduct is unacceptable and must stop. Complaints of harassment, abuse or discrimination will be investigated promptly and thoroughly and will be kept confidential to the extent possible. The Company will not in any way retaliate against any employee for making a good faith complaint or report of harassment or participating in the investigation of such a complaint or report.

The Company encourages the prompt reporting of all incidents of harassment, regardless of who the offender may be, or the offender's relationship to the Company. This procedure should also be followed if you believe that a non-employee with whom you are required or expected to

work has engaged in prohibited conduct. Supervisors must promptly report all complaints of harassment to the supervisor of Human Resources Department.

Any employee who is found to be responsible for harassment, or for retaliating against any individual for reporting a claim of harassment or cooperating in an investigation, will be subject to disciplinary action, up to and including discharge.

Remember that, regardless of legal definitions, the Company expects employees to interact with each other in a professional and respectful manner.

### **Safety in the Workplace**

Safety and security are of primary importance. You are responsible for maintaining our facilities free from recognized hazards and obeying all Company safety rules. Working conditions should be maintained in a clean and orderly state to encourage efficient operations and promote good safety practices.

### ***Weapons and Workplace Violence***

No employee may bring firearms, explosives, incendiary devices or any other weapons into the workplace or any work-related setting, regardless of whether or not employees are licensed to carry such weapons. Similarly, the Company will not tolerate any level of violence in the workplace or in any work-related setting. Violations of this policy must be referred to your supervisor and the Director of the Administration Department immediately. Threats or assaults that require immediate attention should be reported to the police.

### ***Drugs and Alcohol***

The Company intends to maintain a drug-free work environment. Except at approved Company functions, you may not use, possess or be under the influence of alcohol on Company premises.

You cannot use, sell, attempt to use or sell, purchase, possess or be under the influence of any illegal drug on Company premises or while performing Company business on or off the premises.

## **INTERACTING WITH GOVERNMENT**

### **Prohibition on Gifts to Government Officials and Employees**

The various branches and levels of government in all countries have different laws restricting gifts, including meals, entertainment, transportation and lodging, that may be provided to government officials and government employees. You are prohibited from providing gifts, meals or anything of value to government officials or employees or members of their families without prior written approval from the supervisor of the Legal Division.

### **Political Contributions and Activities**

Laws of certain jurisdictions prohibit the use of Company funds, assets, services, or facilities on behalf of a political party or candidate. Payments of corporate funds to any political party,

candidate or campaign may be made only if permitted under applicable law and approved in writing and in advance by the supervisor of the Legal Division.

Your work time may be considered the equivalent of a contribution by the Company. Therefore, unless required by applicable law, you will not be paid by the Company for any time spent running for public office, serving as an elected official, or campaigning for a political candidate. Nor will the Company compensate or reimburse you, in any form, for a political contribution that you intend to make or have made.

You must notify the supervisor of the Legal Division before running for election or seeking appointment to any government-related position. Executive officers and members of the Board of Directors must notify the Chairman of the Audit Committee of the Board before running for election or seeking appointment to any government-related position.

### **Lobbying Activities**

Laws of some jurisdictions require registration and reporting by anyone who engages in a lobbying activity. Generally, lobbying includes: (1) communicating with any member or employee of a legislative branch of government for the purpose of influencing legislation; (2) communicating with certain government officials for the purpose of influencing government action; or (3) engaging in research or other activities to support or prepare for such communication.

So that the Company may comply with lobbying laws, you must notify the supervisor of the Legal Division before engaging in any activity on behalf of the Company that might be considered "lobbying" as described above.

### **Bribery of Foreign Officials**

Company policy, the U.S. Foreign Corrupt Practices Act (the "FCPA"), and the laws of many other countries (including but not limited to the Prevention of Corruption Act, Chapter 24 of Singapore) prohibit the Company and its officers, employees and agents from giving or offering to give money or anything of value to a foreign official, a foreign political party, a party official or a candidate for political office in order to influence official acts or decisions of that person or entity, to obtain or retain business, or to secure any improper advantage. A foreign official is an officer or employee of a government or any department, agency, or instrumentality thereof, or of certain international agencies, such as the World Bank or the United Nations, or any person acting in an official capacity on behalf of one of those entities. Officials of government-owned corporations are considered to be foreign officials.

Payments need not be in cash to be illegal. The FCPA prohibits giving or offering to give "anything of value." Over the years, many non-cash items have been the basis of bribery prosecutions, including travel expenses, golf outings, automobiles, and loans with favorable interest rates or repayment terms. Indirect payments made through agents, contractors, or other third parties are also prohibited. Employees may not avoid liability by "turning a blind eye" when circumstances indicate a potential violation of the FCPA.

The FCPA does allow for certain permissible payments to foreign officials. Specifically, the law permits "facilitating" payments, which are payments of small value to effect routine government actions such as obtaining permits, licenses, visas, mail, utilities hook-ups and the like. However, determining what is a permissible "facilitating" payment involves difficult legal

judgments. Therefore, employees must obtain permission from the supervisor of the Legal Division before making any payment or gift thought to be exempt from the FCPA.

## **IMPLEMENTATION OF THE CODE**

Copies of this Code are available from the supervisor of Human Resources Department or the supervisor of the Legal Division. The Code is available in print to any shareholder who requests it. The Code can also be found on the Company website at <http://www.gigamedia.com/code.htm>. A statement of compliance with the Code must be signed by all employees, officers, directors and consultants.

### **Seeking Guidance**

This Code cannot provide definitive answers to all questions. If you have questions regarding any of the policies discussed in this Code or if you are in doubt about the best course of action in a particular situation, you should seek guidance from your supervisor, the supervisor of the Legal Division or the other resources identified in this Code.

### **Reporting Violations**

If you know of or suspect a violation of applicable laws or regulations, the Code, or the Company's related policies, you must immediately report that information to your supervisor, the supervisor of the Legal Division, the Taskforce, or, in the circumstances described below, the Audit Committee of the Board. *No one will be subject to retaliation because of a good faith report of suspected misconduct.* If any fraud is involved in the reported violation, supervisors should report to the Taskforce in accordance with the Antifraud Policy.

### **Investigations of Suspected Violations**

All reported violations will be promptly investigated and treated confidentially to the greatest extent reasonably possible, given the need to conduct an investigation. It is imperative that reporting persons not conduct their own preliminary investigations. Investigations of alleged violations may involve complex legal issues, and acting on your own may compromise the integrity of an investigation and adversely affect both you and the Company. You are expected to cooperate in internal investigations of suspected misconduct.

### **Reports Regarding Accounting Issues**

The Company is committed to compliance with applicable securities and other laws, rules, and regulations, accounting standards and internal accounting controls. You are expected to report any complaints or concerns regarding accounting, internal accounting controls and auditing matters ("Accounting Issues") promptly. Reports may be made in writing to either the Taskforce at [antifraud@gigamedia.com.tw](mailto:antifraud@gigamedia.com.tw), or to the Audit Committee of the Board at [audit\\_committee@gigamedia.com.tw](mailto:audit_committee@gigamedia.com.tw). Reports may be made anonymously. Reports will be treated confidentially to the extent reasonably possible given the need to conduct an investigation. No one will be subject to retaliation because of a good faith report of a complaint or concern regarding Accounting Issues.

### **Treatment of Complaints and Retention of Records Regarding Accounting Issues**

Reports of concerns or complaints regarding Accounting Issues will be investigated in accordance with Antifraud Policy. The Taskforce will forward, as appropriate, complaints and concerns regarding Accounting Issues to the Audit Committee, and if appropriate, to the Chief Financial Officer. The Taskforce will retain copies of all reports, investigative reports, summaries of reports and other documents relating to complaints and concerns regarding Accounting Issues in accordance with the Company's records retention policy.

### **Discipline for Violations**

The Company intends to use every reasonable effort to prevent the occurrence of conduct not in compliance with its Code and to halt any such conduct that may occur as soon as reasonably possible after its discovery. Subject to applicable laws and agreements, Company personnel who violate this Code and other Company policies and procedures may be subject to disciplinary actions, up to and including discharge. In addition, disciplinary measures, up to and including discharge, may be taken against anyone who directs or approves infractions or has knowledge of them and does not promptly report and correct them in accordance with Company policies.

### **A Framework for Approaching Questions and Problems**

Everyone must work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know right from wrong. Since it is impossible to anticipate every situation that will arise, it is important to have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your independent good judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.

Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, contact the supervisor of the Legal Division or the Audit Committee by email at [audit\\_committee@gigamedia.com.tw](mailto:audit_committee@gigamedia.com.tw).

### **Waivers of the Code**

Waivers of the Code for directors and executive officers may be made only by the Board of Directors or the Audit Committee of the Board. The Company is required to disclose any such waivers within four business days either by distributing a press release or including disclosure in a Form 6-K in its U.S. securities filings.

## **No Rights Created**

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of the Company's business. It is not intended to and does not create any rights in any employee, officer, customer, supplier, competitor, shareholder or any other person or entity.

## ACKNOWLEDGMENT FORM

I have received and read the Company's Code of Business Conduct and Ethics ("Code"), and I understand its contents. I agree to comply fully with the standards, policies and procedures contained in the Code and the Company's related policies and procedures. I understand that I have an obligation to report to the supervisor of the Legal Division any suspected violations of the Code that I am aware of. I acknowledge that the Code is a statement of policies for business conduct and does not, in any way, constitute an employment contract or an assurance of continued employment.

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS  
ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Cheng-Ming Huang, Chief Executive Officer of GigaMedia Limited, certify that:

1. I have reviewed this annual report on Form 20-F of GigaMedia Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

By: /s/ HUANG, CHENG-MING  
Name: HUANG, CHENG-MING  
Title: Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS  
ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Cheng-Ming Huang, Chief Financial Officer of GigaMedia Limited, certify that:

1. I have reviewed this annual report on Form 20-F of GigaMedia Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2024

By: /s/ HUANG, CHENG-MING  
Name: HUANG, CHENG-MING  
Title: Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of GigaMedia Limited (the “Company”) on Form 20-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cheng-Ming Huang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2024

By: /s/ HUANG, CHENG-MING  
HUANG, CHENG-MING  
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT  
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of GigaMedia Limited (the “Company”) on Form 20-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Cheng-Ming Huang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2024

By: /s/ HUANG, CHENG-MING  
HUANG, CHENG-MING  
Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-148663, 333-142963, 333-119616, 333-168123 and 333-160535 on Form S-8 of our report dated April 29, 2024, relating to the financial statements of GigaMedia Limited, appearing in this Annual Report on Form 20-F for the year ended December 31, 2023.

/s/Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 29, 2024

Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	1 of NUMPAGES 6

## Table of Contents

- 1. Purpose**
- 2. Definitions**
- 3. Recovery Requirement and Recovery Period**
- 4. Amount Subject to Recovery**
- 5. Procedure of Recovery**
- 6. Exceptions to Recovery**
- 7. Prohibition against indemnification**
- 8. Disclosure**
- 9. Effectiveness**

# GIGAMEDIA LIMITED

Exhibit 97.1

Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	2 of NUMPAGES 6

Version	Revised Section	Summary of Context	Revised Date
I		Original Version	2023/10/30

Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	3 of NUMPAGES 6

The Compensation Recovery Policy (the “Policy”) is subject to the then-effective Rule 5608 of The Nasdaq Stock Market LLC Rules and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

## 1. Purpose

GigaMedia Limited (the “Company”) has adopted the Policy which provides for the recovery of excess incentive-based compensation earned by current or former Executive officers in the event of an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws (“Accounting Restatement”).

## 2. Definitions

Unless the context otherwise requires, the following definitions apply for purpose of this Policy:

**“Executive Officer”** means the Company’s president, chief executive officer, chief financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function, or any other officer or person who performs a policy-making function for the Company. Executive Officers of the Company’s parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions for the Company. Identification of an executive officer for purposes of this Policy would include at a minimum executive officers identified pursuant to 17 CFR 229.401(b) of Code of Federal Regulations, as determined by the Compensation Committee of the Board of Director (the “Compensation Committee”)

**“Financial Reporting Measures”** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Commission.

**“Incentive-Based Compensation”** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

## 3. Recovery Requirement and Recovery Period

The Company shall recover reasonably prompt the amount of erroneously awarded Incentive-Based Compensation in the event that the Company is required to prepare an Accounting Restatement.



Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	4 of NUMPAGES 6

**3.1 Covered Executive Officers and Recovery Period.** This Policy applies to all Incentive-Based Compensation received by each Executive Officer:

- A. After beginning service as an Executive Officer;
- B. Who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation;
- C. While the Company has a class of securities listed on a national securities exchange or a national securities association; and
- D. During the three completed fiscal years immediately preceding the date that the Company is required to prepare an Accounting Restatement. In addition to these last three completed fiscal years, the Policy applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months would be deemed a completed fiscal year.

**3.2 Determining Recovery Period.** For purposes of determining the relevant recovery period, the date of the Company is required to prepare an Accounting Restatement is the earlier to occur of:

- A. The date the Company's board of directors, a committee of the board of directors, or the executive officers of the Company authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or
- B. The date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

## **4. Amount Subject to Recovery**

4.1 The amount of the Incentive-Based Compensation that must be subject to the Policy is the amount of incentive-based compensation that paid to the Executive Officer based on the erroneous data over the Incentive-Based Compensation that would have been paid to the Executive Officer had it been based on the restated results ("Erroneously Awarded Compensation").

4.2 For the Incentive-based compensation based on stock price or total shareholder return, where the Erroneously Awarded Compensation is not subject to

Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	5 of NUMPAGES 6

mathematical recalculation directly from the Accounting Restatement, the Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

## 5. Procedure of Recovery

In the event that the Company is required to recover the Erroneously Awarded Compensation pursuant to this Policy, the Human Resource Division of the Company shall promptly inform the Compensation Committee and then submit the recovery proposal with supporting documents to the Compensation Committee meeting for the approval by the Compensation Committee

The Compensation Committee shall determine the amount and method for recouping of Erroneously Awarded Compensation hereunder which may include, without limitation:

- A. Requiring reimbursement of cash Incentive Compensation previously paid;
- B. Offsetting the recouped amount from any compensation otherwise owed by the Company to the Executive Officer, except to the extent such offset is prohibited by law;
- C. Cancelling outstanding vested or unvested equity awards; and/or
- D. Taking any other remedial and recovery action permitted by law

## 6. Exceptions to Recovery

The Company shall recover Erroneously Awarded Compensation in compliance with this Policy except to the extent that the conditions set out below are met and the Compensation Committee has made a determination that recovery would be impracticable.

- A. **Direct expense exceeds the amount to be covered:** The direct expense paid to a third party to assist in enforcing the policy would exceed the amount

Document #	Document Name	Version	Date of Approval	Page
	<b>COMPENSATION RECOVERY POLICY</b>	1	2023/10/30	6 of NUMPAGES 6

to be recovered. Before concluding that it would be impracticable to recover Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq.

- B. Recovery would violate home country law: Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover the Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, and must provide such opinion to Nasdaq
- C. Recovery from certain tax-qualified Retire plan: Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## 7. Prohibition against indemnification

The Company is prohibited from indemnifying any executive officer or former executive officer against the loss of Erroneously Awarded Compensation

## 8. Disclosure

The Company shall file all disclosures with respect to recovery under the Policy in accordance with the requirements of the U.S. Federal securities laws, including the disclosure required by the applicable Commission filings.

## 9. Effectiveness

The Policy is effective on and after Oct 2, 2023.

The Policy shall be approved by the Board of Director of the Company. Any amendment hereof is subject to the same procedure.