
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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

For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-35216

UTStarcom Holdings Corp.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

4th Floor, South Wing, 368 Liuhe Road, Binjiang District, Hangzhou 310052, P.R. China

(Address of principal executive offices)

Investor Relations

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UTSI-IR@utstar.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Ordinary Shares, \$0.015 par value	UTSI	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or ordinary shares as of the close of the period covered by the annual report: 9,113,770 ordinary shares, par value US\$0.015 per share.

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 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

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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, or a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☐

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 required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period 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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

UTSTARCOM HOLDINGS CORP.

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INTRODUCTION

Unless the context otherwise requires, in this annual report on Form 20-F:

- “We,” “us,” “our,” “our Company,” the “Company” and the “parent” refer to UTStarcom Holdings Corp., an exempted company incorporated under the laws of the Cayman Islands in April 2011, and its direct and indirect subsidiaries;
- “UTStarcom” refers to UTStarcom Holdings Corp.;
- “Shares” or “ordinary shares” refers to our ordinary shares, par value \$0.015 per share;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report, Taiwan, Hong Kong and Macau; and
- “RMB” or “Renminbi” refers to the legal currency of China, “JPY” or “Japanese Yen” refers to the legal currency of Japan, “INR” or “Indian Rupee” refer to the legal currency of India, and “\$” or “U.S. dollars” refers to the legal currency of the United States.

Names of certain PRC companies provided in this annual report are translated or transliterated from their original PRC legal names.

Discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB 7.0999 to \$1.00, the noon buying rate on December 29, 2023, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. See “Item 3. Key Information-D. Risk Factors-Risks Relating to Conducting Business in China-Fluctuation in the value of the RMB relative to the U.S. dollar could affect our operating results and may have a material adverse effect on your investment.”

This annual report also contains translations of certain Indian Rupee amounts into U.S. dollars at the rate of INR 83.19 to \$1.00, the noon buying rate on December 29, 2023, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Indian Rupee or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Indian Rupee, as the case may be, at any particular rate or at all. Fluctuation in the value of the Indian Rupee may have a material adverse effect on your investment. See “Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-Currency rate fluctuations may adversely affect our cash flow and operating results.”

This annual report also contains translations of certain Japanese Yen amounts into U.S. dollars at the rate of JPY 140.92 to \$1.00, the noon buying rate on December 29, 2023, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that the Japanese Yen or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Japanese Yen, as the case may be, at any particular rate or at all. Fluctuation in the value of the Japanese Yen may have a material adverse effect on your investment. See “Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-Currency rate fluctuations may adversely affect our cash flow and operating results.”

Our ordinary shares are listed on the NASDAQ Stock Market, or NASDAQ, under the symbol “UTSI”. On March 21, 2013, we effected a one-for-three reverse share split of our ordinary shares. On June 28, 2022, we effected a one-for-four reverse share split of our ordinary shares. Unless otherwise specified, all share and per share information in this annual report has been retroactively adjusted to reflect this reverse share split.

On June 24, 2011, we effected a merger, or the Merger, to reorganize the corporate structure of UTStarcom, Inc., a Delaware corporation incorporated in 1991, and its subsidiaries. The Merger resulted in shares of the common stock of UTStarcom, Inc. being converted into the right to receive an equal number of ordinary shares in our capital, which were issued by us in connection with the Merger. Following the Merger, UTStarcom, Inc. became our wholly owned subsidiary and we became the parent company of UTStarcom, Inc. and its subsidiaries. See "Item 4. Information on the Company-C. Organizational Structure" for a list of our subsidiaries. We, together with our subsidiaries, continue to conduct our business in substantially the same manner as was conducted by UTStarcom, Inc. and its subsidiaries. The transaction was accounted for as a legal re-organization of entities under common control. Accordingly, we have prepared our consolidated financial statements as if the current corporate structure had been in existence throughout all relevant periods. Our consolidated financial statements prior to the Merger reflect the financial position, results of operations and cash flows of UTStarcom, Inc. and its subsidiaries. Our consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 reflect our financial position, results of operations and cash flows.

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

Investing in our securities involves a high degree of risk. Please carefully consider the risks discussed under "Item 3. Key Information—D. Risk Factors" in this annual report. We provide the following disclosure to help investors better understand our corporate structure, operations in China and the associated risks.

Our Corporate Structure and Operation in China

We are a Cayman Islands holding company and conduct all of our operations through our operating subsidiaries. Investors in our shares are not holding equity securities of our operating subsidiaries but instead are holding equity securities of a Cayman Islands holding company. We face various legal and operational risks and uncertainties associated with having a significant portion of our operations in China and the complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offerings conducted overseas and foreign investment in China-based issuers, and oversight on data security and data privacy, which may negatively impact our ability to conduct certain businesses, access foreign investments, or list on foreign stock exchange. These risks could result in a material adverse change in our operations and the value of our shares, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline or become worthless. For a detailed description, see "Item 3. Key Information—D. Risk Factors — Risks Related to Conducting Business in China."

The Holding Foreign Companies Accountable Act (the "HFCAA")

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the Securities and Exchange Commission, or the SEC, determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the Public Company Accounting Oversight Board, or the PCAOB, for two consecutive years, the SEC will prohibit our shares from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not currently expect to be identified as a Commission-Identified Issuer under the HFCAA. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See "Item 3. Key Information—D. Risk Factors—Risks Related to Conducting Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections."

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risk Factors Summary

An investment in our ordinary share is subject to a number of risks. The following summarizes some, but not all, of these risks. Please carefully consider all of the information discussed in "Item 3. Key Information— Risk Factors" in this annual report for a more thorough description of these and other risks.

Risks Related To Our Business

- We are a Cayman Islands holding company and conduct all of our operations through our operating subsidiaries.
- We have a history of operating losses and may not have enough liquidity to execute our business plan or to continue our operations without obtaining additional funding or selling additional securities. We may not be able to obtain additional funding under commercially reasonable terms or issue additional securities.
- Our strategic plan may not be successful, which may materially and adversely affect our financial results.
- Our cost-reduction initiatives and restructuring plans may not result in anticipated savings or more efficient operations. Our restructuring may disrupt our operations and adversely affect our operations and financial results.
- Changes in our management may cause uncertainty in, or be disruptive to, our business. Certain of our directors and management team members have been with us in those capacities for only a short time.
- We rely on a Japanese customer and an Indian customer for a significant portion of our net sales. Any deterioration of our relationship or any interruption to our ongoing collaboration with these customers, may significantly harm our business, financial condition and results of operations.
- Failure of Bharat Sanchar Nigam Ltd ("BSNL") to make timely payment for our products and services.
- We have a rapidly evolving business model, and if our new product and service offerings fail to attract or retain customers or generate revenue, our growth and operating results could be harmed.
- Our future product sales are unpredictable and our operating results are likely to fluctuate from quarter to quarter as a result.
- Changes in government trade policies could limit the demand for our equipment and increase the cost of our equipment.
- Competition in our markets may lead to reduced prices, revenues and market share.
- The average selling prices of our products may decrease, which may reduce our revenues and our gross profit.
- Our market is subject to rapid technological change and we must continually introduce new products and product enhancements that achieve market acceptance to compete effectively.
- We purchase certain key components and materials used in our products from authorized distributors of sole source suppliers. If we cannot secure adequate supplies of high quality products at competitive prices or in a timely manner, our competitive position, reputation and business could be harmed.
- Our multinational operations may strain our resources and subject us to various economic, political, regulatory and legal risks.
- Our success depends on our ability to hire and retain qualified personnel, including senior managers. If we are not successful in attracting and retaining these personnel and in managing key employee turnover, our business will suffer.
- Currency rate fluctuations may adversely affect our cash flow and operating results.
- Currency exchange control and government restrictions on dividends may impact our ability to transfer funds outside of China and India.
- We may not be able to take advantage of acquisition opportunities or achieve the anticipated benefits of completed acquisitions.

- We may be unable to adequately protect against the loss or misappropriation of our intellectual property, which could substantially harm our business.
- We may be subject to claims that we infringe the intellectual property rights of others, which could substantially harm our business.
- We are subject to risks related to our financial and strategic investments in third party businesses.
- We could incur asset impairment charges for long-lived assets or long-term investments, which could negatively affect our future operating results and financial condition.
- Product defect or quality issues may divert management's attention from our business and/or result in costs and expenses that could adversely affect our operating results.
- We are subject to complex and evolving laws and regulations regarding privacy and data protection.
- We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and noncompliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, results of operations, financial condition, and reputation.
- Business interruptions could adversely affect our business.
- We face risks related to outbreaks of health epidemics, natural disasters, and other extraordinary events, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operations.
- Failure to achieve and maintain effective internal control in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and share price.

Risks Related to Conducting Business in China

- Uncertainties with respect to China's economic, political and social condition, as well as government policies, could adversely affect our business and results of operations.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- The opinions on supervision of illegal securities activities issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirements in the future.
- The approval or filing requirement of the China Securities Regulatory Commission (the "CSRC"), may be required in connection with any future offering we may conduct, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings.
- The greater oversight by the Cyberspace Administration of China, or the CAC, over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.
- Fluctuations in the value of the RMB relative to the U.S. dollar could affect our operating results and may have a material adverse effect on your investment.
- We may be deemed a PRC resident enterprise under the Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.
- Dividends payable by us to our foreign investors and profits on the sale of our shares may be subject to tax under PRC tax laws.
- There are uncertainties with respect to Value-Added Tax Rates relating to the tax liabilities of our PRC subsidiaries.
- PRC regulations establish more complex procedures for acquisitions conducted by foreign investors which could make it more difficult for us to pursue growth through acquisitions.
- Strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our acquisition strategy.
- Restrictions on direct foreign investments in certain business sectors may require that we enter into contractual arrangements with our PRC business partners, which are subject to potential risks and uncertainties.

- PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the offshore capital we raise to make loans to our PRC subsidiaries, or to make additional capital contributions
- PRC regulations relating to offshore investment activities by PRC residents and employee stock options granted by overseas-listed companies may increase our administrative burden. If our shareholders who are PRC residents, or our PRC employees who are granted or exercise stock options, fail to make any required registrations or filings, we may be unable to distribute profits and may become subject to fines and other legal or administrative sanctions under PRC laws.
- The enforcement of the laws on Employment Contracts and other labor-related regulations in the PRC may adversely affect our business and our results of operations.
- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Risks Related to the Performance of Our Ordinary Shares

- Our share price is highly volatile. Our shareholders may not be able to resell their ordinary shares at or above the price they initially paid for our shares, or at all.
- Some of our shareholders have significant influence over our management and affairs, which they could exercise against the best interests of our shareholders.
- We may need additional capital, and the sale of additional ordinary shares or other equity securities could result in additional dilution to our shareholders.
- We are a "foreign private issuer," and our disclosure obligations differ from those of U.S. domestic reporting companies. As a result, we may not provide you the same information as U.S. domestic reporting companies or we may provide information at different times, which may make it more difficult for you to evaluate our performance and prospects.
- We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders may be more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.
- You may have difficulty enforcing judgments obtained against us.
- We have incurred additional costs as a result of being a public company, which could negatively impact our net income and liquidity.
- Our failure to timely file periodic reports with the SEC or satisfy the ongoing NASDAQ listing requirements could result in the delisting of our shares from the NASDAQ, affect the liquidity of our shares and cause us to default on covenants contained in contractual arrangements. The NASDAQ continued listing requirements include minimum trading price at least \$1 per share, at least 400 total shareholders, and other standards in equity, market value, or total assets/total revenue.
- We believe that we will be treated as a U.S. corporation for U.S. federal income tax purposes.

Risks Related To Our Business

We are a Cayman Islands holding company and conduct all of our operations through our operating subsidiaries.

We conduct all of our operations through our operating subsidiaries. Investors in our shares are not holding equity securities of our operating subsidiaries but instead are holding equity securities of a Cayman Islands holding company.

We have a history of operating losses and may not have enough liquidity to execute our business plan or to continue our operations without obtaining additional funding or selling additional securities. We may not be able to obtain additional funding under commercially reasonable terms or issue additional securities.

We reported a net loss of \$3.9 million, \$5.0 million and \$5.8 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023, we had \$50.0 million in cash or cash equivalents. Our management considered our current financial status, business operation, market strategy, and product development in the twelve months following the issuance date of this report and believes that we will have sufficient liquidity to finance our anticipated operations, capital expenditure requirements and new business acquisitions and investments, as well as achieve projected cash collections from customers and contain expenses and cash used in operations over that period. However, we may not achieve such operating performance and our management expects to continue to implement our liquidity plans, including reducing operating expenses and improving cash collections and receivable turnover. If we cannot successfully implement our liquidity plans, it may be necessary for us to make significant changes to our business plans and strategy to maintain adequate liquidity. In addition, various other factors may negatively impact our liquidity, such as:

- our inability to achieve planned operating results, which may increase liquidity requirements beyond those considered in our business plans;
- our growth initiatives, which may increase liquidity requirements beyond those considered in our business plans;
- changes in our business conditions or the financial markets that could limit our access to existing credit facilities or make new sources of financing more-costly or commercially unviable;
- changes in China's currency exchange control regulations, which could limit our ability to access cash outside of China to meet liquidity requirements for our operations in China, or vice-versa; and
- changes in the public health crisis of COVID-19.

Although our management has developed liquidity plans, we may have difficulty maintaining existing relationships or developing new relationships with suppliers as a result of our current financial condition. Our suppliers may choose to provide products or services to us on more stringent payment terms than those currently in place, such as requiring advance payment or payment upon delivery, which may have a negative impact on our short-term cash flows, and in turn materially and adversely affect our ability to retain current customers, attract new customers and maintain contracts that are critical to our operations.

If we cannot meet our liquidity needs through improved operating results, we may need to obtain additional financing from financial institutions or other third parties. However, we may not be able to obtain financing under commercially reasonable terms, or at all. Additionally, we may not be able to sell additional securities to meet our liquidity needs, and any such sale of securities would dilute the ownership of our shareholders.

Our strategic plan may not be successful, which may materially and adversely affect our financial results.

We have a strategic plan in place and expect that this plan in time will result in an optimized revenue profile and improve our margins. While we continue to execute and modify our plan to align with market changes, we may not be successful in reducing our costs, improving our efficiencies, or expanding our margins. If our current or future strategic plans for the business of our Company are not as successful as originally anticipated, or at all, our Company, financial prospects and results of operations may be materially and adversely affected.

Our cost-reduction initiatives and restructuring plans may not result in anticipated savings or more efficient operations. Our restructuring may disrupt our operations and adversely affect our operations and financial results.

In the past several years, we implemented certain cost-reduction initiatives and restructuring plans. However, our restructuring may not improve our results of operations and cash flows as we anticipated. Our inability to realize the benefits of our cost-reduction initiatives and restructuring plans may result in an ineffective business structure that could negatively affect our results of operations. In addition to severance and other employee-related costs, our restructuring plans may also subject us to litigation risks and expenses.

Our restructuring may also have other adverse consequences, such as employee attrition beyond our planned reduction in the workforce, the loss of employees with valuable knowledge or expertise, a negative effect on employee morale and gains in competitive advantages by our competitors. Our restructuring may also place increased demands on our personnel and could adversely affect our ability to attract and retain talent, develop and enhance our products and services, service our existing customers, achieve our sales and marketing objectives and perform our accounting, finance and administrative functions.

We may undertake future cost-reduction initiatives and restructuring plans that may materially and adversely impact our operations. If we do not realize the anticipated benefits of any future restructurings, our operations and financial results could be adversely affected.

Changes in our management may cause uncertainty in, or be disruptive to, our business. Certain of our directors and management team members have been with us in those capacities for only a short time.

We have experienced significant changes in our management and our Board of Directors, or Board, in recent years. In September 2019, two of our directors were replaced resulting from the sale of 9.2 million (or 2.3 million after reverse share split) shares by Shah Capital Opportunity Fund and Mr. Hong Liang Lu ("Selling Shareholders") to Tonghao (Cayman) Limited. In March 2020, the Chief Executive Officer ("CEO") took a temporary medical leave of absence, and our Board of Directors appointed an acting CEO. In May 2020, the Vice President of Finance resigned from the Company, and we then appointed a new Vice President of Global Finance in December 2020. In December 2020, the CEO resigned from the Company and the Board of Directors appointed the acting CEO as the new CEO. In May 2021, the Chairman of the Board was replaced. In June 2021, the CEO vacated the position and the Board of Directors appointed a new CEO. In November 2021, one of our directors was replaced and another director was replaced in January 2022. In September 2022, we appointed Chief Financial Officer ("CFO"), Chief Technology Officer ("CTO") and Chief Human Resources Officer ("CHO"). In March 2024, one of our independent directors resigned and a new independent director was appointed. Although we have endeavored to implement any director and management transition in a non-disruptive manner, any such transition might impact our business, and give rise to uncertainty among our customers, investors, vendors, employees and others concerning our future direction and performance, which may materially and adversely affect our business, financial condition, results of operations and cash flows, and our ability to execute our business model.

In addition, because certain members of our management and Board have served in their respective capacities for only limited durations, we face the additional risks that these persons:

- have limited familiarity with our past practices;
- lack experience in communicating effectively within our team and with other employees and directors;
- lack settled areas of responsibility; and
- lack established track records in managing our business strategy.

We rely on a Japanese customer and an Indian customer for a significant portion of our net sales. Any deterioration of our relationship or any interruption to our ongoing collaboration with these customers, may significantly harm our business, financial condition and results of operations.

A significant portion of our net sales is derived from a Japanese customer, SoftBank Corp. and its related entities (collectively "Softbank"), and an Indian customer, Bharat Sanchar Nigam Limited and its related entities (collectively "BSNL").

Although we have collaborated with Softbank since 2008, Softbank may not continue working with us in the future, whether due to changes in management preferences, business strategy, corporate structure or other factors. Softbank previously was one of our principal shareholders. On January 14, 2014, Softbank sold its entire stake in our Company, consisting of 4,883,875 (or 1,220,969 after reverse share split) ordinary shares. We repurchased 3,883,875 (or 970,969 after reverse share split) ordinary shares, and Shah Capital Opportunity Fund LP, one of our shareholders, purchased 1,000,000 (or 250,000 after reverse share split) ordinary shares, for a price of \$2.54 (or \$10.16 after reverse share split) per ordinary share. After the consummation of the transaction, Softbank was no longer a related party. Our net sales to Softbank totaled approximately \$3.7 million and \$4.0 million, respectively, representing approximately 23% and 28%, respectively, of our total net sales in 2023 and 2022. Our net sales to BSNL totaled approximately \$5.6 million and \$6.2 million, respectively, representing approximately 36% and 44%, respectively, of our total net sales in 2023 and 2022. We anticipate that our dependence on Softbank and BSNL will continue for the foreseeable future.

Consequently, our failure to continue collaborating with Softbank and BSNL may adversely affect our business, financial conditions and results of operations. Any of the following events may cause material fluctuations or declines in our net sales or liquidity position and have a material adverse effect on our financial condition and results of operations:

- changes in the regulatory environment in Japan or India that adversely affect the Softbank or BSNL businesses that we supply;
- changes in the commercial environment in Japan or India that adversely affect the Softbank or BSNL businesses we supply;
- changes in the trade barriers in Japan or India that adversely affect the Softbank or BSNL businesses we supply;
- Softbank or BSNL's collaborations with our competitors;
- local manufacture requirement in Japan or India;
- reduction, delay or cancellation of contracts from Softbank or BSNL;

- the success of Softbank or BSNL utilizing our products; and
- failure of Softbank or BSNL to make timely payment for our products and services.

Failure of BSNL to make timely payment for our products and services.

BSNL is UTStarcom's long-time customer in India. In particular, our Company took on several major projects during the past few years involving the supply of telecom equipment, installation and commissioning, as well as annual maintenance contracts, and accumulated a significant amount of accounts receivable. The process of collecting payments from BSNL is taking longer than we had anticipated. As of December 31, 2023, the gross accounts receivable amount owed by BSNL to the Company was approximately \$5.5 million (INR 0.5 billion).

Our Company has two types of contracts with BSNL. The first type is an annual maintenance contract for regular maintenance service provided to BSNL's existing system. The revenue for this type of service is recognized after service is rendered and certified by BSNL. Payment is due upon BSNL's acceptance of the invoices. The second type of contract is related to projects. Normally a project is comprised of two parts: provision of communication equipment and installation services.

For project equipment sales, the payment term of a typical project contract requires substantial payment (50% to 60%) upon equipment delivery and the rest to be paid over time. We issue invoices to BSNL requesting payment when certain contractual milestones are reached. Payment is due upon BSNL's acceptance of the invoice. For the service component of a project, an invoice is submitted and payment is due after services are rendered and accepted. For sale of both equipment and services, the payment process normally is about 90 days.

Based on the contract terms and the payment history of BSNL, the time period between the delivery of our goods or services and payment receipts is no more than one year, thus there is no financing component in our contracts with BSNL. The total contract amount was recorded as revenue when revenue recognition criteria were met. Correspondingly, the accounts receivable resulting from those BSNL revenues are trade receivables generated during the normal course of business and not financing receivables.

UTStarcom and other equipment providers shipped substantial amounts of equipment to BSNL in 2018 to support BSNL's network expansion. However, BSNL was delinquent in paying its suppliers as its financial condition deteriorated. We collected \$11 million, \$21 million, \$35 million and \$23 million in 2019, 2020, 2021 and 2022. Further we collected about \$10.0 million and \$2.2 million in 2023 and in the first quarter of 2024, respectively. The accounts receivable due from BSNL is approximately \$5.5 million as of the year end. As BSNL's operating status has not significantly improved, the timing of future payments is uncertain despite significant collections in 2023. See "Item 5-Operating and Financial Review and Prospect".

We assessed the current situation and financial outlook for BSNL. Based on the formal financial backing of the Indian government, we believe collectability is probable. However, timing of future payments for remaining open accounts receivable is uncertain. We are closely monitoring BSNL's financial and payment activities and accordingly will adjust our allowance of credit losses quarterly.

We have a rapidly evolving business model, and if our new product and service offerings fail to attract or retain customers or generate revenue, our growth and operating results could be harmed.

We have a rapidly evolving business model and are regularly exploring entry into new market segments and introduction of new products, features and services with respect to which we may have limited experience. In the past, we have added additional types of services and product offerings, and in some cases, we have modified or discontinued those offerings. We may continue to offer additional types of products or services in the future, but these products and services may not be successful. The additions and modifications to our business have increased its complexity and may present new and significant technological challenges, as well as strains on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. The future viability of our business will depend on the success of our new business model and product and service offerings, and if they fail to attract or retain customers or generate revenue, our growth and operating results could be materially and adversely affected.

Our future product sales are unpredictable and our operating results are likely to fluctuate from quarter to quarter as a result.

Our quarterly and annual operating results have fluctuated in the past and are likely to fluctuate in the future due to a variety of factors, some of which are outside of our control. Factors that may affect our future operating results include:

- the timing and size of the orders for our products;
- customer acceptance of new products we may introduce to market;
- changes in the growth rate of customer purchases of communications services;
- lengthy and unpredictable sales cycles associated with sales of our products;
- cancellation, deferment or delay in implementation of large contracts;
- quality issues resulting from the design or manufacture of the products, or from the software used in the products;
- cash collection cycles in the markets where we operate;
- reliance on product, software and component suppliers which may constitute a sole source of supply or may have going concern issues;
- the decline in business activity we typically experience during the Lunar New Year holiday in China, which leads to decreased sales and collections during our first fiscal quarter;
- issues that might arise from divestiture of non-core assets or operations or the integration of acquired entities and the inability to achieve expected results from such divestitures or acquisitions;
- shifts in our product mix or market focus; and
- availability of adequate liquidity to implement our business plan.

As a result of these and other factors, period-to-period comparisons of our operating results are not necessarily meaningful or indicative of future performance. In addition, the factors noted above may make it difficult for us to forecast our future financial performance. Furthermore, it is possible that in some future quarters our operating results will fall below our internal forecasts, public guidance or the expectations of securities analysts or investors, which may adversely affect the trading price of our ordinary shares.

Changes in government trade policies could limit the demand for our equipment and increase the cost of our equipment.

General trade tensions between the United States and China escalated beginning in 2018. Since 2018, the U.S. government imposed new or higher tariffs on specified imported products originating from China in response to what the U.S. government characterizes as unfair trade practices. The Chinese government responded to each of these rounds of U.S. tariff changes by imposing new or higher tariffs on specified products imported from the United States. Higher duties on existing tariffs and further rounds of tariffs have been announced or threatened by U.S. and Chinese leaders. The imposition of tariffs by the U.S. and Chinese governments and the surrounding economic uncertainty may have a negative impact on the telecommunications equipment industry. Depending upon their duration and implementation, as well as our ability and available alternatives to mitigate their impact, these tariffs could materially affect our business, including in the form of increased cost of goods sold, increased pricing for customers, and reduced sales. In addition, any changes in trade policies between China and certain trading partners could trigger retaliatory actions by affected countries, resulting in further cost escalations and reduced demand for our products. Our access to parts and ability to sell our products could also be impacted by other trade-related factors, such as restrictions on the sale of certain parts into China, or government-promoted "buy local" campaigns.

Trade tensions between China and India arose as a result of border clashes since 2020. On July 23, 2020, India's Department of Expenditure (DoE) issued an office memorandum amending Rule 144 of General Financial Rules, 2017 (GFR) by inserting a new sub-Rule (xi) under Rule 144. The new sub-Rule (xi) empowers DoE to impose restrictions, including prior registration and screening requirements, in relation to procurement from bidders from certain countries, including China, on grounds of defenses or national security of India, and no procurements shall be made in violation of any restrictions that may be imposed by DoE in this regard. According to the office memorandum, such restrictions would apply to tenders issued by several entities including public sector banks, financial institutions and government enterprises. The Political and security clearance from the Ministries of External and Home Affairs respectively is mandatory as well. The memorandum was amended on February 23, 2023 (Public Procurement N.4) to further tighten the restrictions. According to the updated office memorandum, the prior registration scope was extended to any bidder (including an Indian bidder) who has a Specified Transfer of Technology (ToT) arrangement with an entity from a country which shares a land border with India. After evaluating the relevant regulations changes, we believe that we are under these restrictions because our major shareholders are connected with Chinese entities or individuals. We cannot assure that we will be able to obtain the approvals of such required registrations and clearance, and the approval, if granted, may be subject to cancellation. As a result, we may not be able to

participate in future biddings in India; in addition, our potential client may take such new regulations into consideration and our overall likelihood of success in bidding may decrease and this will have material negative impact on our operation in India.

Competition in our markets may lead to reduced prices, revenues and market share.

We currently face and will continue to face intense competition from both domestic and international companies in our target markets, many of which may operate under lower cost structures and have much larger sales forces than we do. Additionally, other companies not presently offering competing products may also enter our target markets. Many of our competitors have significantly greater financial, technical, product development, sales, marketing and other resources than we do. As a result, our competitors may be able to respond more quickly to new or emerging technologies and changes in service provider requirements. Our competitors may also be able to devote greater resources than we can to the development, promotion and sale of new products. These competitors may be able to offer significant financing arrangements to service providers, which may give them a competitive advantage in selling systems to service providers with limited financial resources. In many of the developing markets in which we operate or intend to operate, relationships with local governmental telecommunications agencies are important to establish and maintain through permissible means. In many such markets, our competitors may have or be able to establish better relationships with local governmental telecommunications agencies than we have, which could result in their ability to influence governmental policy formation and interpretation to their advantage. Additionally, our competitors might have better relationships with their third-party suppliers and obtain component parts at reduced rates, allowing them to offer their end products at reduced prices. Moreover, the telecommunications and data transmission industries have experienced significant consolidation, and we expect this trend to continue. Increased customer concentration may increase our reliance on larger customers and our bargaining position and profit margins may suffer.

Increased competition is likely to result in price reductions, reduced profit margin and loss of market share, any one of which could materially harm our business, cash flows and financial condition. In order to remain competitive, we must continually reduce the cost of manufacturing our products through design and engineering changes and other cost control measures. We may not be successful in these efforts or in delivering our products to market in a timely manner. In addition, any redesign may not result in sufficient cost reductions to allow us to reduce the prices of our products to remain competitive or to improve or maintain our profit margin, which would cause our financial results to suffer.

To remain competitive, we may enter into contracts with low profitability or even anticipated losses if we believe it is necessary to establish a relationship with a customer or a presence in a market that we consider important to our strategy. Entering into a contract with an anticipated loss requires us to provide for the entire loss in the period in which it becomes evident rather than in later periods in which contract performance occurs. Entering into contracts with low gross margins adversely affects our reported results when the revenues from such contracts are recognized.

The average selling prices of our products may decrease, which may reduce our revenues and our gross profit.

The average selling prices of our products may decrease in the future in response to product introductions by us or our competitors or other factors, including price pressures from customers. Sales of products with low gross profit margins may adversely affect our profitability and result in losses with respect to such products. Therefore, we must continue to develop, source and introduce new products and enhancements to existing products that incorporate features that can be sold at higher average selling prices. Failure to do so, or the failure of consumers or our direct customers to accept such new products, could cause our revenues and profitability to decline.

Our market is subject to rapid technological change and we must continually introduce new products and product enhancements that achieve market acceptance to compete effectively.

The market for broadband equipment is characterized by rapid technological developments, frequent new product introductions, changes in consumer preferences and evolving industry and regulatory standards. Our success will depend in large part on our ability to enhance our technologies and develop and introduce new products and product enhancements that anticipate changing service provider requirements, technological developments and evolving consumer preferences. We may need to make substantial capital expenditures and incur significant R&D expenses to develop and introduce new products and enhancements. If we fail to develop and introduce new products or enhancements to existing products that effectively respond to technological change on a timely basis, our business, financial condition and results of operations could be materially and adversely affected.

Certain of our products are subject to rapid changes in standards, applications and technologies. Moreover, from time to time, we or our competitors may announce new products or product enhancements, technologies or services that have the potential to replace or shorten the life cycles of our products and that may cause customers to defer purchasing our existing products, resulting in charges for inventory obsolescence reserves. Future technological advances in the communications industry may diminish or inhibit market

acceptance of our existing or future products or render our products obsolete. Even if we are able to develop and introduce new products, they may not gain market acceptance. Market acceptance of our products will depend on various factors, including:

- our ability to obtain necessary approvals from regulatory organizations within the countries in which we operate and for any new technologies that we introduce;
- the length of time it takes service providers to evaluate our products, causing the timing of purchases to be unpredictable;
- the compatibility of our products with legacy technologies and standards existing in previously deployed network equipment;
- our ability to attract customers who may have pre-existing relationships with our competitors;
- product pricing relative to performance;
- the level of customer service available to support new products; and
- the timing of new product introductions meeting demand patterns.

If our products fail to obtain market acceptance in a timely manner, our business and results of operations could be materially and adversely affected.

We purchase certain key components and materials used in our products from authorized distributors of sole source suppliers. If we cannot secure adequate supplies of high quality products at competitive prices or in a timely manner, our competitive position, reputation and business could be harmed.

We purchase certain key components and materials, such as chipsets, used in our products from authorized distributors of sole source suppliers. We do not have direct contractual arrangements with the sole source suppliers of chipsets used in our products. If we are unable to obtain high-quality components and materials in the quantities required and at the costs specified by us, we may not be able to find alternative sources on favorable terms, in a timely manner, or at all. Our inability to obtain or to develop alternative sources if and as required could result in delays or reductions in manufacturing or product shipments. From time to time, there may be shortages of certain products or components. Moreover, the components and materials we purchase may be inferior quality products. If an inferior quality product supplied by a third-party is used in our end product and causes a problem, our end product may be deemed responsible and our competitive position, reputation and business could suffer.

Our ability to source a sufficient quantity of high-quality, cost-effective components used in our products may also be limited by import restrictions and duties in the foreign countries where we manufacture our products. We require a significant number of imported components to manufacture our products, and these imported components may be limited by a variety of permit requirements, approval procedures, patent infringement claims, import duties and licensing requirements. Moreover, import duties on such components increase the cost of our products and may make them less competitive.

Our multinational operations may strain our resources and subject us to various economic, political, regulatory and legal risks.

We market and sell our products globally. Our existing multinational operations require significant management attention and financial resources. To continue to manage our global business, we will need to continue to take various actions, including:

- enhancing management information systems, including forecasting procedures;
- further developing our operating, administrative, financial and accounting systems and controls;
- managing our working capital and sources of financing;
- maintaining close coordination among our engineering, accounting, finance, marketing, sales and operations organizations;
- successfully consolidating a number of functions in China to eliminate functional duplication;
- retaining, training and managing our employee base;
- reorganizing our business structure to allocate and utilize our internal resources more effectively;
- improving and sustaining our supply chain capability; and
- managing both our direct and indirect sales channels in a cost-efficient and competitive manner.

If we fail to implement or improve systems or controls or to manage any future growth and transformation effectively, our business could suffer.

Furthermore, our multinational operations are subject to a variety of risks, such as:

- the complexity of complying with a variety of foreign laws and regulations in each of the jurisdictions in which we operate;
- difficulty complying with continually evolving and changing global product and communications standards and regulations for both our end products and their component technology;
- market acceptance of our new products, including longer product acceptance periods in new markets into which we enter;
- reliance on local original equipment manufacturers, third party distributors, resellers and agents to effectively market and sell our products;
- unusual contract terms required by customers in developing markets;
- changes to import and export regulations, including quotas, tariffs, licensing restrictions and other trade barriers;
- the complexity of compliance with the varying taxation requirements of multiple jurisdictions;
- evolving and unpredictable nature of the economic, regulatory, competitive and political environments;
- reduced protection for intellectual property rights in some countries;
- compliance issues relating to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations;
- longer accounts receivable collection periods; and
- difficulties and costs of staffing, monitoring and managing multinational operations, including but not limited to internal controls and compliance.

In addition, many of the global markets are less developed, presenting additional economic, political, regulatory and legal risks unique to developing economies, such as the following:

- customers that may be unable to pay for our products in a timely manner or at all;
- new and unproven markets for our products and the telecommunications services that our products enable;
- lack of a large, highly trained workforce;
- difficulty in controlling local operations from our headquarters;
- variable ethical standards and an increased potential for fraud;
- unstable political and economic environments; and
- lack of a secure environment for our personnel, facilities and equipment.

In particular, these factors create the potential for physical loss of inventory and misappropriation of operating assets. We have in the past experienced cases of vandalism and armed theft of our equipment that had been or was being installed in the field. If disruptions for any of these reasons become too severe in any particular market, it may become necessary for us to terminate contracts and withdraw from that market and suffer the associated costs and lost revenue.

Our success depends on our ability to hire and retain qualified personnel, including senior managers. If we are not successful in attracting and retaining these personnel and in managing key employee turnover, our business will suffer.

The success of our business depends in significant part upon the continued contributions of key technical and senior management personnel, many of whom would be difficult to replace. The loss of a key employee, the failure of a key employee to perform satisfactorily in his or her current position or our failure to attract and retain other key technical and senior management employees could have a significant negative impact on our operations.

Notwithstanding our recent workforce restructurings, to effectively manage our operations, we will need to recruit, train, assimilate, motivate and retain qualified employees, especially in China. Competition for qualified employees is intense, and the process of recruiting personnel in all fields, including technology, research and development, sales and marketing, finance and accounting, administration and management with the combination of skills and attributes required to execute our business strategy can be difficult, time-consuming and expensive. We must continue to implement hiring and training processes that are capable of quickly deploying qualified local residents to support our products and services knowledgeably. Alternatively, if there are an insufficient number of qualified local residents available, we might incur substantial costs importing expatriates to service new global markets. For example,

we have historically experienced and continue to experience difficulty finding qualified accounting personnel knowledgeable in both U.S. and PRC accounting standards who are PRC residents. In addition, we made changes within our senior management team in China over the past years. If our current senior management in China cannot maintain and/or establish key relationships with customers, governmental entities and other relevant parties in China, our business may decline significantly. If we fail to attract, hire, assimilate or retain qualified personnel, our business would be harmed. Competitors and others have in the past, and may in the future, attempt to recruit our employees. In addition, companies in the telecommunications industry whose employees accept positions with competitors frequently claim that the competitors have engaged in unfair hiring practices. We may be the subject of these types of claims in the future as we seek to hire qualified personnel. Some of these claims may result in material litigation and disruption to our operations. We could incur substantial costs in defending ourselves against these claims, regardless of their merit.

Currency rate fluctuations may adversely affect our cash flow and operating results.

Our business is subject to risk from changing foreign exchange rates as a substantial part of our business was conducted in a variety of currencies other than the U.S. dollar. In 2023, a majority of our sales were made in India and denominated in Indian Rupee. The value of INR against the U.S. dollar and other currencies fluctuate and is affected by, among other things, changes in the respective country's monetary or fiscal policies and political and economic conditions and supply and demand in local markets. Over the past three years, INR fluctuated about 2.0%, 11.1% and 0.6% against the U.S. dollar in 2021, 2022 and 2023 respectively. In addition, significant sales were denominated in Japanese Yen and most of our inventory purchases and operating expenses were denominated in Renminbi. Adverse movements in currency exchange rates may negatively affect our cash flow and operating results. In aggregate, we recorded a net gain of \$1.3 million in 2021, a net loss of \$0.7 million in 2022 and a net gain of \$1.9 million in 2023 respectively. We currently do not use forward and option contracts to hedge against the risk of foreign currency rate fluctuation in the eventual net cash inflows and outflows resulting from foreign currency denominated transactions with customers, suppliers, and non-U.S. subsidiaries. We are limited in our ability to hedge our exposure to rate fluctuations in certain currencies, including the Renminbi and Indian Rupee, primarily due to governmental currency exchange control regulations that restrict currency conversion and remittance. As a result, fluctuations in foreign currencies may have a material impact on our business, results of operations and financial condition.

Currency exchange control and government restrictions on dividends may impact our ability to transfer funds outside of China and India.

A significant portion of our business is conducted in China where the currency is the RMB and in India where the currency is the INR. Regulations in China and India permit foreign owned entities to freely convert the RMB or INR into foreign currency for transactions that fall under the "current account," which includes trade related receipts and payments. Accordingly, our PRC or Indian subsidiaries may use RMB or INR to purchase foreign exchange for settlement of such "current account" transactions without pre-approval. However, pursuant to applicable regulations in China, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In calculating accumulated profits, foreign investment enterprises in China are required to allocate at least 10% of their realized profits each year, if any, to fund certain reserves, until these reserves have reached 50% of the registered capital of the enterprises.

Transactions other than those that fall under the "current account" and that involve conversion of RMB or INR into foreign currency are classified as "capital account" transactions; examples of "capital account" transaction include repatriations of investment by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. In China, "capital account" transactions will be examined and registered by banks or State Administration of Foreign Exchange ("SAFE") in China to convert a remittance into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of China. In India, "capital account" transactions will be examined and approved by the Reserve Bank of India ("RBI") to convert INR into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of India.

The foreign exchange control system in China or India could be changed at any time and any such change may affect the ability of us or our subsidiaries in China or India to repatriate capital or profits, if any, outside China or India. Furthermore, SAFE, RBI or other governmental authorities have a significant degree of administrative discretion in implementing the laws and regulations and has used this discretion to limit convertibility of "current account" payments out of China or India. Whether as a result of a deterioration in the PRC or India balance of payments, a shift in the PRC or Indian macroeconomic prospects or any number of other reasons, China or India could impose additional restrictions on capital remittances abroad. As a result of these and other restrictions under the laws and regulations of the PRC or India, our PRC or India subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent. We have no assurance that the relevant PRC or Indian governmental authorities in the future will not limit further or eliminate the ability of our PRC or Indian subsidiaries to purchase foreign currencies and transfer such funds to us to meet our liquidity or other business needs. Any inability to access funds in China or India, if and when needed for use by us outside of China or India, could have a material and adverse effect on our liquidity and our business.

We may not be able to take advantage of acquisition opportunities or achieve the anticipated benefits of completed acquisitions.

We have in the past acquired certain businesses, products and technologies. We will continue to evaluate acquisition prospects that would complement our existing product offerings, augment our market coverage, enhance our technological capabilities, or that may otherwise offer growth opportunities. To the extent we desire to raise additional funds for purposes not currently included in our business plan (such as taking advantage of acquisition opportunities, developing new or enhanced products, responding to competitive pressures, or raising capital for strategic purposes), additional financing for these or other purposes may not be available on acceptable terms or at all. If we raise additional funds through the issuance of equity securities, our shareholders will experience dilution of their ownership interest, and the newly issued securities may have rights superior to those of ordinary shares. If we raise additional funds by issuing debt, our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. Additionally, debt obligations may subject us to limitations on our operations and increased leverage. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of operations, technologies, products and personnel of the acquired company; failures in realizing anticipated synergies; diversion of management's attention from other business concerns; adverse effects on existing business relationships with customers; difficulties in retaining business relationships with suppliers and customers of the acquired company; risks of entering markets in which we have no direct or limited prior experience; the potential loss of key employees of the acquired company; unanticipated costs; difficulty in maintaining controls, procedures and policies during the transition and integration process; failure of our due diligence process to identify significant issues, including issues with respect to product quality, product architecture and legal and financial contingencies; product development; significant exit charges as impairment charges if products or businesses acquired are unsuccessful or do not perform as expected; potential future impairment of our acquisitions or investments; potential full or partial write-offs of acquired assets or investments and associated goodwill; potential expenses related to the amortization of intangible assets; and, in the case of the acquisition of financially troubled businesses, challenges as to the validity of such acquisitions from third party creditors of such businesses.

We may be unable to adequately protect against the loss or misappropriation of our intellectual property, which could substantially harm our business.

We rely on a combination of patents, copyrights, trademarks, trade secret laws and contractual obligations to protect our technology. We have patents issued in the United States and internationally and have pending patent applications internationally. Additional patents may not be issued from our pending patent applications, and our issued patents may not be upheld. In addition, we have, from time to time, chosen to abandon previously filed patent and trademark applications. Moreover, we may face difficulties in registering our existing trademarks in new jurisdictions in which we operate, and we may be forced to abandon or change product or service trademarks because of the unavailability of our existing trademarks or because of oppositions filed or legal challenges to our trademark filings. The intellectual property protection measures that we have taken may not be sufficient to prevent misappropriation of our technology or trademarks and our competitors may independently develop technologies that are substantially equivalent or superior to ours. In addition, the legal systems of many foreign countries do not protect or honor intellectual property rights to the same extent as the legal system of the United States. For example, in China, the legal system in general, and the intellectual property regime in particular, are still in the development stage. It may be very difficult, time-consuming and costly for us to attempt to enforce our intellectual property rights in these jurisdictions.

We may be subject to claims that we infringe the intellectual property rights of others, which could substantially harm our business.

The industry in which we compete is moving towards aggressive assertion, licensing and litigation of patents and other intellectual property rights. From time to time, we have become aware of the possibility or have been notified that we may be infringing certain patents or other intellectual property rights of others. In 2023, we have not received such claim letter. Regardless of their merit, responding to such claims could be time consuming, divert management's attention and resources and cause us to incur significant expenses. In addition, although some of our supplier contracts provide for indemnification from the supplier with respect to losses or expenses incurred in connection with any infringement claim, certain contracts with our key suppliers do not provide for such protection. Moreover, certain of our sales contracts provide that we must indemnify our customers against claims by third parties for intellectual property rights infringement related to our products. There are no limitations on the maximum potential future payments under these guarantees. Therefore, we may incur substantial costs related to any infringement claim, which may substantially harm our results of operations and financial condition.

We have been and may in the future become subject to litigation to defend against claimed infringements of the rights of others or to determine the scope and validity of the proprietary rights of others. Future litigation may also be necessary to enforce and protect our patents, trade secrets and other intellectual property rights. Any intellectual property litigation or threatened intellectual property litigation could be costly, and adverse determinations or settlements could result in the loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from or pay royalties to third parties which may not be available on commercially reasonable terms, if at all, and/or prevent us from manufacturing or selling our products, which could cause disruptions to our operations.

In the event that there is a successful claim of infringement against us, it may cause us to pay monetary damages, costly royalty or licensing agreements (if licenses are available at all) or prevent us from offering certain products. It may also cause us to change our business practices and require development of non-infringing products, which could result in a loss of revenues for us and otherwise harm our business, and if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, results of operations and financial condition could be materially and adversely impacted.

We are subject to risks related to our financial and strategic investments in third party businesses.

From time to time, we make financial and/or strategic investments in third party businesses. We cannot be certain that such investments will be successful. In certain instances, we have lost part or all of the value of such investments, resulting in a financial loss and/or the loss of potential strategic opportunities. We recognize an impairment charge on our investment when a decline in the fair value of such investment below the cost basis is judged to be other-than-temporary. In making this determination, we review several factors to determine whether the losses are other-than-temporary, including but not limited to: (i) the length of time the investment was in an unrealized loss position, (ii) the extent to which fair value was less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value. For the years ended December 31, 2023 and 2022, we recorded impairment charges of nil and nil related to investments, respectively. If we have to write down or write-off our investments, or if potential strategic opportunities do not develop as planned, our financial performance may suffer. Moreover, these investments are often illiquid, such that it may be difficult or impossible for us to monetize such investments.

We could incur asset impairment charges for long-lived assets or long-term investments, which could negatively affect our future operating results and financial condition.

As of December 31, 2023, we had long-lived assets. During 2023 we performed assessments for any possible impairment of long-lived assets and long-term investments for accounting purposes. We review the recoverability of the carrying value of long-lived assets held and used and long-lived assets to be disposed of whenever events or changes in circumstances indicate that the carrying value of the assets or asset groups may not be recoverable. Any such charge may adversely affect our operating results and financial condition.

When determining whether an asset impairment has occurred or calculating such impairment for long-term investments or other long-lived asset, fair value is determined using the present value of estimated cash flows or comparable market values. Our valuation methodology requires management to make judgments and assumptions based on projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to these comparable entities. Projections of future operating results and cash flows may vary significantly from actual results. Changes in estimates and/or revised assumptions affecting the present value of estimated future cash flows or comparable market values may result in a decrease in fair value of a reporting unit, or a decrease in fair value of long-lived assets or asset groups, our acquisitions or investments. The decrease in fair value could result in a non-cash impairment charge.

Product defect or quality issues may divert management's attention from our business and/or result in costs and expenses that could adversely affect our operating results.

Product defects or performance quality issues could cause us to lose customers and revenue or to incur unexpected expenses. Many of our products are highly complex and may have quality deficiencies resulting from the design or manufacturing of such product, or from the software or components used in the product. Often these issues are identified prior to the shipment of the products and may cause delays in market acceptance of our products, delays in shipping products to customers, or the cancellation of orders. In other cases, we may identify the quality issues after the shipment of products. In such cases, we may incur unexpected expenses and diversion of resources to replace defective products or correct problems. Such pre-shipment and post-shipment quality issues could result in delays in the recognition of revenue, loss of revenue or future orders, and damage to our reputation and customer relationships. In addition, we may be required to pay damages for failed performance under certain customer contracts, and may receive claims from customers related to the performance of our products.

We are subject to complex and evolving laws and regulations regarding privacy and data protection.

We may collect personal data while providing products, services and solutions to our customers. Our reputation may be damaged due to the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, which will cause us to lose users and other customers and adversely affect our operations. We strive to comply with applicable laws and regulations on data protection, as well as our privacy policies and data protection obligations in accordance with our terms of use and other obligations we may have. However, any non-compliance or perceived non-compliance with these laws, regulations or policies may lead to investigations and other lawsuits against us by government agencies or other individuals. These actions would have a negative impact on our reputation and brand, may cause us to lose users and customers, and have a negative impact on our business. Besides, any systems failure or compromise of our security that results in the unauthorized access to or release of our users' or other customers' data would greatly limit the adoption of our products and services, harm our reputation and brand, as well as affect our business.

Many jurisdictions in which we have operations or sell products to customers have adopted or are adopting new data privacy and data protection laws that may impose further onerous compliance requirements, such as data localization, which prohibits companies from storing data relating to resident individuals in data centers outside the jurisdiction. For example, the PRC deems data security a material national security interest. According to the PRC National Security Law, which became effective in September 2021, institutions and mechanisms for national security review and administration will be established to conduct national security review on key technologies and IT products and services that affect or may affect national security. Furthermore, the PRC National Security Law provides for a security review procedure for the data activities that may affect national security. The PRC National Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. It is not clear how "important data" or "state critical data" is interpreted under the PRC Data Security Law. If we are deemed to collect "important data" or "state critical data," we may need to adopt internal reforms in order to comply with the Data Security Law. In order for us to maintain or become compliant with applicable laws as they come into effect, it may require substantial expenditures on resources to continually evaluate our policies and processes and adapt to new requirements that are or become applicable to us. Complying with any additional or new regulatory requirements on a jurisdiction-by-jurisdiction basis would impose significant burdens and costs on our operations or may require us to alter our business practices. While we strive to protect our users' privacy and data security and to comply with material data protection laws and regulations applicable to us, it is possible that our practices are, and will continue to be, inconsistent with certain regulatory requirements. Our international business operations could be adversely affected if these laws and regulations are interpreted or implemented in a manner that is inconsistent with our current business practices or that requires changes to these practices. If these laws and regulations materially limit our ability to collect and use user data, our ability to continue our current operations without modification, develop new services or features of the products and expand our user base will be impaired. Any failure or perceived failure by us to comply with applicable data privacy laws and regulations, including in relation to the collection of necessary end-user consents and providing end-users with sufficient information with respect to our use of their personal data, may result in fines and penalties imposed by regulators, governmental enforcement actions (including enforcement orders requiring us to cease collecting or processing data in a certain way), litigation and/or adverse publicity. Proceedings against us—regulatory, civil or otherwise—could force us to spend money and devote resources in the defense or settlement of, and remediation related to, such proceedings.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and noncompliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, results of operations, financial condition, and reputation.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct business, including the U.S. Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws and regulations. The FCPA prohibits us and our officers, directors, employees, and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing, or providing anything of value to a "foreign official" for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records, and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, reputation, financial condition, and results of operations.

We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. We also have business collaborations with government agencies and state-owned affiliated entities. These interactions subject us to an increasing level of compliance-related concerns. We have adopted and implemented certain policies and procedures designed to ensure compliance by us and our directors, officers, employees, and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient and our directors, officers, employees, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition, and results of operations.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, external interference with our information technology systems, incidents of terrorism and other events beyond our control that affect us, either directly or indirectly through one or more of our key suppliers. Also, our operations and markets in China, Japan and India are located in areas prone to earthquakes. We do not have a detailed disaster recovery plan, and the occurrence of any events like these that disrupt our business could harm our business and operating results.

We face risks related to outbreaks of health epidemics, natural disasters, and other extraordinary events, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operations.

In recent years, there have been outbreaks of health epidemics in China and globally, including the outbreak of COVID-19 pandemic. Our results of operations have been and may continue to be adversely and materially affected to the extent COVID-19 or any other epidemic harms the Chinese and global economy.

In general, the Company, its employees, and its business partners are vulnerable to epidemics, natural disasters and other calamities, including fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, and any other similar event that may give rise to a loss of personnel, damages to property, server interruptions, breakdowns, technology platform failures or internet failures. In such cases, our operations could be materially and adversely affected. Any such occurrences could cause severe disruption to our daily operations and may even require a temporary closure of our offices. Such closures may disrupt our business operations and adversely affect our results of operations.

Failure to achieve and maintain effective internal control in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and share price.

We are subject to reporting obligations under the United States securities laws. The U.S. Securities and Exchange Commission ("SEC"), as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we establish and maintain an effective internal control structure and procedures for financial reporting and include a report of management on our internal control over financial reporting in our annual report. Our Annual Report on Form 20-F must contain an assessment by management of the effectiveness of our internal control over financial reporting and must include disclosure of any material weaknesses in internal control over financial reporting that we have identified.

Since 2004, we have identified a material weakness in our internal control over financial reporting and have concluded that our internal controls over financial reporting were not effective as of December 31, 2023. The requirements of Section 404 of the Sarbanes-Oxley Act are ongoing and also apply to future years. We expect that our internal control over financial reporting will continue to evolve as we continue in our efforts to transform our business. Although we are committed to continue to improve our internal control processes and we will continue to diligently and vigorously review our internal control over financial reporting in order to ensure compliance with the Section 404 requirements, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. In addition, successful remediation of the control deficiencies identified as of December 31, 2023 is dependent on our ability to hire and retain qualified employees and consultants. Therefore, we cannot be certain that in the future additional material weakness or significant deficiencies will not exist or otherwise be discovered. See "Item 15-Controls and Procedures" contained in UTStarcom Holdings Corp.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2023".

Risks Relating to Conducting Business in China

Uncertainties with respect to China's economic, political and social condition, as well as government policies, could adversely affect our business and results of operations.

A significant portion of our business operations are conducted in China. Our subsidiaries located in China are 100% wholly owned and there are no Variable Interest Entities ("VIE") arrangements regarding those subsidiaries. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various economic and political policies and laws and regulations to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. For example, from time to time, the PRC government may implement monetary, fiscal and other policies or otherwise make efforts to alter the investment-driven growth model of China's economy, which could result in decreased capital expenditures by our end customers in China, reduce their demand for our products, and adversely affect our business and results of operations. While the PRC government's indirect influence on our Company is mainly through policies on the expenditure of our customers in China, the PRC government may intervene or influence our operations at any time, which could result in a material change in our operations and/or the value of your shares.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

A significant portion of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common-law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation since that time has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

The opinions on supervision of illegal securities activities issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirements in the future.

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law (the "Opinions"), which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for data security and cross-border data flows. The aforementioned policies and any related implementation rules to be enacted may subject us to additional compliance requirements in the future. As the official guidance and interpretation of the Opinions still remain unclear in several respects at this time, we cannot assure you that we will remain fully compliant with all new regulatory requirements of the Opinions or any future implementation rules on a timely basis, or at all.

The approval or filing requirement of the China Securities Regulatory Commission (the "CSRC"), may be required in connection with any future offering we may conduct, and, if required, we cannot predict whether we will be able to obtain such approval or complete such filings.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures"), and several supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

However, since the Trial Measures was newly promulgated, its interpretation, application and enforcement remain unclear. If the filing procedure with the CSRC under the Trial Measures is required for any future offerings, listing or any other capital raising activities, it is uncertain whether we could complete the filing procedure in a timely manner, or at all. Any failure to complete such filings may subject us to regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from offering of securities overseas into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of our ordinary shares.

The greater oversight by the Cyberspace Administration of China, or the CAC, over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.

The regulatory framework for data security in the PRC is rapidly evolving. On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law to regulate data processing activities and security supervision in the PRC, which took effect in September 2021.

On November 14, 2021, the CAC published the Draft Regulations on the Network Data Security Administration (Draft for Comments) (the "Security Administration Draft"), which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. According to the Security Administration Draft, data processing operators who possess personal data of at least one million users or collect data that affects or may affect national security must be subject to network data security review by the relevant Cyberspace Administration of the PRC. The Security Administration Draft also stipulates that a data processor listed overseas must conduct an annual data security review by itself or by engaging a data security service provider and submit the annual data security review report for a given year to the municipal cybersecurity department before January 31 of the following year. If the Security Administration Draft is enacted in the current form, we, as an overseas listed company, will be required to carry out an annual data security review and comply with the relevant reporting obligations. The Security Administration Draft has not been enacted as of the date of this annual report.

On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to critical information infrastructure operators (the "CIIOs") that intend to purchase Internet products and services, and online

platform operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. Purchase of network products and services by CIIOs, which affects or may affect national security, shall be subject to cybersecurity review in accordance with the Cybersecurity Review Measures.

On July 7, 2022, CAC promulgated Measures for the Security Assessment of Outbound Data Transfers, which became effective on September 1, 2022, and provide that a data processor is required to apply for security assessment for cross-border data transfer in any of the following circumstances: (i) where a data processor provides critical data to offshore entities and individuals; (ii) where a CIIO or a data processor which processes personal information of more than one million individuals provides personal information to offshore entities and individuals; (iii) where a data processor has provided personal information in the aggregate of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals in total to offshore entities and individuals since January 1 of the previous year; or (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-board transfer of data is required. We may be required to declare security assessment once we fall under any of the aforementioned circumstances and our business operations may be restricted according to the regulations above mentioned. On March 22, 2024, the CAC published the Provisions on Promoting and Regulating Cross-border Data Transfer. These provisions provide certain exemptions from obligations under the circumstances of cross-border data transfer, including, among others, the obligations for declaring data security assessment, concluding a standard contract for provisions of personal information abroad or passing the certification for personal information protection.

As of the date of this annual report, we have not received any notice from any authorities identifying us as a CIIO or requiring us to go through cybersecurity review or network data security review by the CAC. We believe that our operations will not be affected and that we will not be subject to cybersecurity review or network data security review by the CAC under the Cybersecurity Review Measures, given that: (i) as a company that mainly provides telecommunication network products, solutions and services, our PRC subsidiaries are unlikely to be classified as online platform operators by the PRC regulatory agencies; (ii) our customers are enterprises and we do not have individual customers; as a result, we possess personal data of fewer than one million individual clients in our business operations as of the date of this annual report and do not anticipate that we will be collecting over one million users' personal information in the near future; (iii) although the exact scope of CIIO under the Cybersecurity Review Measures and the current PRC regulatory regime remains unclear, what we mainly purchase, as disclosed in this annual report, are raw materials such as components comprising of active and passive electronic parts, mechanical and electrical parts, OEM and third party parts in the open markets from China and overseas, and just differentiate us from "CIIO that intend to purchase Internet products and services" under the Cybersecurity Review Measures.

There remains uncertainty, however, as to how the Cybersecurity Review Measures and the Measures for the Security Assessment of Outbound Data Transfers will be interpreted, how the Security Administration Draft will be implemented and interpreted, and whether the PRC regulatory agencies, including the CAC, may adopt any other new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures, the Measures for the Security Assessment of Outbound Data Transfers and the Security Administration Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review or network data security review in the future. During such reviews, we may be required to suspend our operation or experience other disruptions to our operations. Cybersecurity review and network data security review could also result in negative publicity with respect to our Company and diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

Fluctuations in the value of the RMB relative to the U.S. dollar could affect our operating results and may have a material adverse effect on your investment.

We prepare our financial statements in U.S. dollars, while we conduct a significant portion of our operations in China where the only legitimate currency for use within is RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's monetary or fiscal policies and political and economic conditions and supply and demand in local markets.

Over 2018 and 2019, RMB depreciated almost 5.7% and 1.23% against the U.S. dollar. Over 2020 and 2021, RMB rose almost 6.24% and 2.66% against the U.S. dollar. Over 2022 and 2023, RMB depreciated almost 8.72% and 2.72%. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. It is difficult to predict how market forces or PRC or U.S. government policy may affect the exchange rate between the RMB and the U.S. dollar in the future.

As we have significant operations in China, any significant revaluation of the RMB may materially and adversely affect our cash flows, revenue, earnings and financial position, and the value of, and any dividends payable on, our ordinary shares in U.S. dollars.

We may be deemed a PRC resident enterprise under the Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

The Enterprise Income Tax Law, or the EIT Law, provides that enterprises established outside of China whose “de facto management bodies” are located within China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income (including dividend income received from subsidiaries). Under the Implementing Regulations for the EIT Law, “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. The State Administration of Taxation (“SAT”), issued the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. Since substantially all of our operational management is currently based in the PRC, it is unclear whether PRC tax authorities would require (or permit) us to be treated as a PRC-resident enterprise. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and the results of operations, although dividends distributed from our PRC Subsidiaries to us could be exempted from Chinese dividend withholding tax, since such income is exempted under the EIT Law for PRC-resident recipients.

Dividends payable by us to our foreign investors and profits on the sale of our shares may be subject to tax under PRC tax laws.

Under the Implementing Regulations for the EIT Law, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises,” not having an establishment or place of business in the PRC, or which do have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent that such dividends have their sources within the PRC. Similarly, any profits realized through the transfer of shares by such investors are also subject to 10% PRC income tax if such profits are regarded as income derived from sources within the PRC. It is unclear whether dividends we pay with respect to our share, or the profits you may realize from the transfer of our shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the Implementing Regulations for the EIT Law to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises,” or if you are required to pay PRC income tax on the transfer of our shares, the value of your investment in our shares may be materially and adversely affected.

In addition, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice on the Issues concerning the Application of the Dividend Clauses of Tax Agreements issued by the SAT on February 20, 2009, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. On October 14, 2019, SAT promulgated the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits, or SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that Non-resident taxpayers’ enjoyment of treaty benefits shall be handled in the manner of “self-assessment, claim for and enjoyment of treaty benefits, and retention of relevant materials for review”. If a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent files withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions of SAT Circular 35 and accept the follow-up administration of tax authorities. Accordingly, UTStarcom Hong Kong Ltd. may be able to benefit from the 5% withholding tax rate for the dividends it receives from UTStarcom Telecom Co., Ltd., if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81, and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

There are uncertainties with respect to Value-Added Tax Rates relating to the tax liabilities of our PRC subsidiaries.

On March 20, 2019, the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issuing Relevant Policies for Deepening the Reform of Value-Added Tax were promulgated and became effective on April 1, 2019, together with two other relevant announcements and one circular. These policies indicated that the current Value-Added Tax rate of 16 percent in sale and imported goods was reduced to 13 percent, and the current Value-Added Tax rate of 10 percent in other categories of sale and imported goods was reduced to 9 percent from April 1, 2019. In addition, the scope of business Value-Added Tax deductions was expanded. Furthermore, the refund system of the period-end excess input Value-Added Tax for trial implementation was adopted from April 1, 2019. Given these changes, it may be difficult to predict whether the Value-Added Tax Rates will remain unchanged in the future, which could have a material adverse effect on our financial condition and results of operations.

PRC regulations establish more complex procedures for acquisitions conducted by foreign investors which could make it more difficult for us to pursue growth through acquisitions.

On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of State Council ("SASAC"), the State Administration of Taxation, the State Administration for Industry and Commerce, the CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rule established new procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. On February 3, 2011, the General Office of the State Council promulgated the Notice on Launching the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Security Review Notice, which became effective on March 6, 2011. The M&A Security Review Notice provides for certain circumstances under which foreign investors' acquisition of domestic enterprises shall be subject to the security review of the PRC governments. The security review assesses such acquisition's impact on national security, stable operation of national economy, basic living of the people, and R&D capacity for key technologies related to national security. On August 25, 2011, the Ministry of Commerce of PRC promulgated the Regulation of Ministry of Commerce on Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Security Review Regulation, which became effective on September 1, 2011. The M&A Security Review Regulation stipulates the requirements of application documents and security review procedures of the Ministry of Commerce. In the future, we may grow our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rule, the M&A Security Review Notice and the M&A Security Review Regulation to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce or its provincial affiliates, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our acquisition strategy.

In connection with the EIT Law, the Ministry of Finance and SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. Circular 59 became effective retroactively on January 1, 2008, and was amended on December 25, 2014. Under this circular, non-PRC-resident enterprises may be subject to income tax on capital gains generated from their transfers of equity interests in PRC resident enterprises. The PRC tax authorities have the discretion under Circular 59 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of the investment. In addition, by promulgating and implementing the circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-PRC-resident enterprise.

On February 3, 2015, the SAT issued the Notice on Several Issues regarding Enterprise Income Tax for Indirect Transfer of Assets by Non-resident Enterprises, or SAT Bulletin 7, which specifies that the SAT is entitled to redefine the nature of an equity transfer where offshore vehicles are interposed for tax avoidance purposes and without reasonable commercial purpose, specifically, further specified the criteria for judging reasonable commercial purpose, and the legal requirements for the voluntary reporting procedures and filing materials in the case of indirect transfer of assets. Pursuant to this Bulletin, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to SAT Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes.

SAT Bulletin 7 listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Bulletin 7 may not be subject to PRC tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. On October 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Circular 37, which became effective on December 1, 2017 and was revised on June 15, 2018, to completely repeal the second paragraph of Section 8 of SAT Bulletin 7 and the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

Under SAT Bulletin 7, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Bulletin 7, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Bulletin 7.

Since we pursue acquisitions as one of our growth strategies, and have conducted and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains and impose tax return filing obligations on us or request us to submit additional documentation for their review in connection with any of our acquisitions, thus causing us to incur additional acquisition costs.

Restrictions on direct foreign investments in certain business sectors may require that we enter into contractual arrangements with our PRC business partners, which are subject to potential risks and uncertainties.

We anticipate that providing value-added support services to businesses in the telecom and cable sectors will be a significant component of our future business model. We will provide operators engaging in these businesses with services, including equipment installation, system installation and maintenance, technical services and other value-added services, in return for on-going revenue. We anticipate that these value-added support services will play an important role in the growth of our business.

Direct foreign investments are subject to certain restrictions with respect to the operating of telecom and cable sectors. Under the "Telecommunications Regulations" issued by the State Council on September 25, 2000, firstly amended on July 29, 2014 and secondly amended on February 6, 2016, the "Provisions on Administration of Foreign Invested Telecommunications Enterprises" issued by the State Council on December 11, 2001, firstly amended on September 10, 2008, secondly amended on February 6, 2016, and thirdly amended on March 29, 2022, the "Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business" (Gongxinbutong [2015] No.196) issued by the Ministry of Industry and Information Technology on June 19, 2015, and Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition), issued by National Development and Reform Commission ("NDRC"), together with the PRC Ministry of Commerce the shareholding of foreign investors is limited to up to 49% for basic telecom business and up to 50% for almost all value-added telecom business, only e-commerce business, domestic multi-party, communication, store-and-forward and call center (our business not included) allows foreign equity to reach to 100%.

Because of the regulatory restrictions on direct foreign investments in the telecom and cable sectors, we may conduct business through contractual relationships with PRC business partners that are licensed or qualified to operate such businesses, or the Operating Companies. Our PRC subsidiaries may directly or indirectly provide certain technology services to the Operating Companies through an arrangement of technology service agreements and will receive service fees directly or indirectly from the Operating Companies. To ensure the payment of the service fee by the Operating Companies, the shareholders of the Operating Companies may pledge their equity interests in the Operating Companies to our PRC subsidiaries or affiliates. There may also be a call option arrangement so that our PRC subsidiaries may purchase the equity interests in the Operating Companies if permitted by the laws of the PRC.

The contractual arrangements are subject to potential risks and uncertainties and may not be as effective in providing operational control and economic benefits as direct equity ownership. The Law of Foreign Investment which was issued on March 15, 2019 and became effective on January 1, 2020 and its implementing regulations do not mention concepts including "de facto control" and "controlling through contractual arrangements," nor do they specify the regulation on controlling through contractual arrangements. However, the Law of Foreign Investment stipulates that "foreign investment includes foreign investors invested in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council," which correspondingly means there are possibilities that State Council may promulgate future laws, administrative regulations or provisions to stipulate contractual arrangements as a way of foreign investment and our contractual arrangements would be regarded as foreign investment. If that is the case, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how our contractual arrangements will be handled are subject to uncertainties. The PRC tax authorities may scrutinize the contractual arrangements for whether the technology service fee paid by the Operating Companies to our PRC subsidiaries or affiliates will substantially reduce the income tax and business tax payable by the Operating Companies. Additionally, there is uncertainty with respect to the attitude of judicial authorities on the enforceability of the contractual arrangements in the event the Operating Companies or their shareholders breach the contracts. The inability to participate in the telecom, cable and/or media sectors as presently expected through the contractual arrangements or the inability to enforce our rights under such contractual arrangements could result in a negative impact on our business.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the offshore capital we raise to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds of any offshore fund raising, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, or Circular 59, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from this offering, and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to offshore investment activities by PRC residents and employee stock options granted by overseas-listed companies may increase our administrative burden. If our shareholders who are PRC residents, or our PRC employees who are granted or exercise stock options, fail to make any required registrations or filings, we may be unable to distribute profits and may become subject to fines and other legal or administrative sanctions under PRC laws.

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplify and Improve Administrative Policies Regarding Foreign Direct Investment issued by the SAFE on February 13, 2015, starting from June 1, 2015, all new such registrations (different from make-up registrations) shall be handled by the authorized local banks instead of the local SAFE branches.

SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, we also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law. We cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations.

On March 28, 2007, SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas Listed Company, or the Stock Option Rule, to regulate foreign exchange procedures for PRC individuals participating in employee stock holding and stock option plans of overseas companies. Under the Stock Option Rule, a PRC domestic individual must comply with various foreign exchange procedures through a domestic agent institution when participating in any employee stock holding plan or stock option plan of an overseas listed company. Certain domestic agent institutions, such as the PRC subsidiaries of an overseas listed company, a labor union of such company that is a legal person or a qualified financial institution, among others things, shall file with SAFE and be responsible for completing relevant foreign exchange procedures on behalf of PRC domestic individuals, such as applying to obtain SAFE approval for exchanging foreign currency in connection with owning stock or stock option exercises. Concurrent with the filing of such applications with SAFE, the PRC subsidiary, as a domestic agent, must obtain approval from SAFE to open a special foreign exchange account at a PRC domestic bank to hold the funds in connection with the stock purchase or option exercise, any returns based on stock sales, any stock dividends issued and any other income or expenditures approved by SAFE. The PRC subsidiary also is required to obtain approval from SAFE to open an overseas special foreign exchange account at an overseas trust bank to hold overseas funds used in connection with any stock purchase. The domestic agent institution is required to make a quarterly filing with SAFE to update SAFE with relevant information, including the exercise of options by employees, the holding of shares by employees and the funds in the special foreign exchange account and the overseas special foreign exchange account.

Under the Stock Option Rule, all proceeds obtained by PRC domestic individuals from sales of stock shall be fully remitted back to China after relevant overseas expenses are deducted. The foreign exchange proceeds from these sales can be converted into RMB or transferred to the individual's foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If the stock option is exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to the special foreign exchange account. The Stock Option Rule does not provide for specific forms of penalties for noncompliance but provides that SAFE may impose penalties in accordance with the Foreign Exchange Administration Regulation, Implementing Rules for Individual Foreign Exchange Regulation and other related PRC regulations under which the penalties for noncompliance with foreign exchange administration rules include fines against both our Company and our implicated employees.

On February 15, 2012, SAFE promulgated the Circular on Certain Foreign Exchange Issues Relating to Domestic Individuals' Participation in Stock Incentive Plan of Overseas Listed Company, or the New Stock Option Rule. Upon the effectiveness of the New Stock Option Rule on February 15, 2012, the Stock Option Rule became void, although the basic requirements and procedures provided under the Stock Option Rule are kept unchanged in the New Stock Option Rule, i.e., the domestic employees participating in a stock incentive plan of an overseas listed company shall appoint the PRC subsidiary of the overseas listed company or a domestic qualified agent to make the registration of the stock incentive plan with SAFE and handle all foreign exchange-related matters of the stock incentive plan through the special bank account approved by SAFE. The New Stock Option Rule clarifies that the domestic subsidiary

of an overseas listed company shall include the limited liability company, partnership and the representative office directly or indirectly established by such overseas listed company in China and the domestic employees shall include the directors, supervisors, senior management and other employees of the domestic subsidiary, including the foreign employees of the domestic subsidiary who continuously reside in China for no less than one year.

Similar to the Stock Option Rule, the New Stock Option Rule requires that the annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises shall be subject to the approval of SAFE. The New Stock Option Rule further requires that the material amendments of the stock incentive plan shall be filed with SAFE within three months following the occurrence of the material amendments. The domestic agent shall also make a quarterly update to SAFE to disclose the information with respect to the stock option exercises, the stock holding and foreign exchange matters. If the domestic employees or the domestic agent fails to comply with the requirements of the New Stock Option Rule, SAFE may require a remedy and even impose administrative penalties that SAFE deems appropriate.

We and our PRC employees who have been granted stocks or stock options are subject to the Stock Option Rule and the New Stock Option Rule. In May 2008, UTStarcom (China) Co., Ltd ("UTSC"), our former PRC subsidiary, made a filing with SAFE's Beijing branch as required by the Stock Option Rule for UTSC's PRC employees who participate in our employee stock option plans and UTSC obtained approval to open a special foreign exchange account at a PRC domestic bank. Subject to the Stock Option Rule, UTSC submitted material amendments of the stock incentive plan for its PRC employees in June 2011. Along with this submission, UTSC, as the domestic subsidiary of our overseas listed company, submitted on behalf of UTStarcom Telecom Co., Ltd ("HUTS"), the materials for the necessary filings for their PRC employees who participate in our employee stock option plan, which was officially accepted by SAFE's Beijing branch in December 2011, but the final approval was not issued until March 31, 2012 when the New Stock Option Rule became effective. After the effectiveness of the New Stock Option Rule, we do not need to make a new registration for UTSC, HUTS and UTStarcom (Chongqing) Telecom Co., Ltd ("CUTS"), but as required by SAFE, the application materials will have to be adjusted. Before we submitted the adjusted application material to SAFE, we divested our IPTV equipment business in August 2012, and as a result, UTSC is no longer our subsidiary. In addition, CUTS and UTStarcom (Beijing) Technologies ("UTST") completed the cancellation of business registration. Therefore, we were required to make adjustments to the filings with SAFE for HUTS. On December 4, 2018, HUTS obtained the relevant approval from SAFE Zhejiang Branch and was allowed to set the foreign exchange special account. In the future, we are also required to comply with other requirements applicable to HUTS which have completed the registration, including a quarterly update to SAFE, the registration of material amendments to our stock incentive plan and the registration for the foreign employees of our PRC subsidiaries when they continuously reside in China for no less than one year.

The enforcement of the laws on Employment Contracts and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the National People's Congress of China enacted the laws on Employment Contracts, or the Employment Contract Law, which became effective on January 1, 2008, amended on December 28, 2012. The Employment Contract Law established new restrictions and increased costs for employers to dismiss employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Employment Contract Law, an employer is obliged to sign a labor contract with an unlimited term with an employee if the employer continues to hire the employee after the expiration of two consecutive fixed-term labor contracts subject to certain conditions or after the employee has worked for the employer for ten consecutive years. The employer also has to pay compensation to an employee if the employer terminates an unlimited-term labor contract. Such compensation is also required when the employer refuses to renew a labor contract that has expired, unless it is the employee who refuses to extend the expired contract or resign. In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008 and the Implementation Measures of Ministry of Human Resources and Social Security on Paid Annual Leave for Employees of Enterprises, which became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their accumulative total length of service. Employers who fail to allow for such vacation time must compensate their employees three times their regular salaries for each vacation day disallowed, unless such employers can provide evidence, such as a copy of a written notice provided to their employees, that suggests the employers made arrangements for their employees to take such annual leaves, but such employees voluntarily waived taking their leaves or such employees waived their right to such vacation days in writing.

In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension insurance, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess the auditor's compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the shares were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. Pursuant to the HFCAA, the PCAOB issued determinations on December 16, 2021 notifying the SEC that it was unable to inspect or investigate completely accounting firms headquartered in mainland China or Hong Kong, including our auditor as an independent registered public accounting firm. On August 26, 2022, the PCAOB signed a Statement of Protocol with relevant PRC authorities governing inspections and investigations of audit firms based in China, pursuant to which the PCAOB determined that it has secured complete access to inspect and investigate audit firms based in mainland China or Hong Kong in December 2022 and vacated its December 16, 2021, determinations to the contrary. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our shares would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the shares to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Risks Related to the Performance of Our Ordinary Shares

Our share price is highly volatile. Our shareholders may not be able to resell their ordinary shares at or above the price they initially paid for our shares, or at all.

The trading price of our shares has fluctuated significantly since our initial public offering in March 2000. Our share price could be subject to wide fluctuations in the future in response to many events or factors, including those discussed in the preceding risk factors relating to our operations, as well as:

- actual or anticipated fluctuations in operating results, actual or anticipated gross profit as a percentage of net sales, levels of inventory, our actual or anticipated rate of growth and our actual or anticipated earnings per share;
- changes in expectations as to future financial performance or changes in financial estimates or buy/sell recommendations of securities analysts;
- changes in governmental regulations or policies in Japan, China, India and other countries in which we do business;
- our, or a competitor's, announcement of new products, services or technological innovations;
- changes in our senior management;
- the operating and stock price performance of other comparable companies;
- news and commentary emanating from the media, securities analysts or government bodies in China relating to us and to our industry in general;
- fluctuations in the exchange rates between the Renminbi, the Japanese yen, India Rupee and the U.S. dollar;
- the operating and share price performance of other comparable companies; and
- sales or anticipated sales of additional ordinary shares.

General market conditions and domestic or international macroeconomic factors unrelated to our performance may also affect our share price. For these reasons, investors should not rely on recent trends to predict future share prices or financial results. Furthermore, following periods of volatility in a company's securities, securities class action litigation against a company is sometimes instituted. We have experienced substantial costs and the diversion of management's time and resources on this type of litigation and may do so in the future.

Some of our shareholders have significant influence over our management and affairs, which they could exercise against the best interests of our shareholders.

Entities affiliated with Tonghao (Cayman) Limited, or Tonghao Cayman, and the Smart Soho International Limited, or Smart Soho, and E-Town International Holding (Hong Kong) Co. Limited, or E-Town beneficially owned approximately 34%, 13%, and 10%, respectively, of our outstanding shares as of March 31, 2024. E-Town also has the right to designate a member of our Board of Directors. As a result, Tonghao, Smart Soho and E-Town have the ability to influence all matters submitted to our shareholders for approval, as well as our management and affairs. Matters that could require shareholder approval include:

- election and removal of directors;
- our merger or consolidation with or into another entity; and
- sale of all or substantially all of our assets.

This concentration of ownership may delay or prevent a change of control or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could decrease the market price of our ordinary shares.

We may need additional capital, and the sale of additional ordinary shares or other equity securities could result in additional dilution to our shareholders.

We believe that our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all.

We are a “foreign private issuer,” and our disclosure obligations differ from those of U.S. domestic reporting companies. As a result, we may not provide you the same information as U.S. domestic reporting companies or we may provide information at different times, which may make it more difficult for you to evaluate our performance and prospects.

Under the Exchange Act, we as a foreign private issuer are subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we are not required to issue quarterly reports or proxy statements. We are not required to disclose detailed individual executive compensation information. Furthermore, our directors and executive officers are not required to report equity holdings under Section 16 of the Exchange Act and are not subject to the insider short-selling profit disclosure and recovery regime.

As a foreign private issuer, we are also exempt from the requirements of Regulation FD (“Fair Disclosure”) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. However, we are still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer differ from those imposed on U.S. domestic reporting companies, you should not expect to receive the same information about us and at the same time as the information provided by U.S. domestic reporting companies.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders may be more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Companies Act (2023 Revision) (the “Companies Act”) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our directors to our shareholders are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the latter of which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands have a different body of securities law than the United States. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States. As a result, our public shareholders may encounter more difficulty in protecting their interests against actions taken by the management, the Board of Directors or the controlling shareholders of our Company than they would as shareholders of a public company incorporated in the United States.

You may have difficulty enforcing judgments obtained against us.

We are a Cayman Islands company, and we conduct a significant portion of our operations in the PRC. Substantially all of our assets are located outside of the United States. In addition, all of our directors and officers are residents of countries other than the United States and most, if not all, their assets are located outside of the United States. As a result, it may be difficult for you to bring an action against our directors and officers in the United States. Even if you are successful in bringing an action, it may still be difficult for you to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors.

We have incurred additional costs as a result of being a public company, which could negatively impact our net income and liquidity.

We are a public company listed in the United States and as such, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 and rules and regulations implemented by the SEC and NASDAQ require significantly heightened corporate governance practices for public companies. As a result, we have incurred additional legal, accounting and financial compliance costs and many of our corporate activities have become time-consuming and costly. If we fail to comply with these rules and regulations, we could become the subject of a governmental enforcement action, investors may lose confidence in us and the market price of our ordinary shares could decline.

Our failure to timely file periodic reports with the SEC or satisfy the ongoing NASDAQ listing requirements could result in the delisting of our shares from the NASDAQ, affect the liquidity of our shares and cause us to default on covenants contained in contractual arrangements.

If we are unable to maintain compliance with the conditions for continued listing required by NASDAQ, then our ordinary shares may be subject to delisting from NASDAQ. NASDAQ Listing Rule 5450(a) (1) requires that our shares trade above \$1.00 per share. Our shares traded below \$1.00 for periods in 2012, 2013, 2020, 2021 and 2022. On March 15, 2013 we received formal notice from NASDAQ that we were not in compliance with NASDAQ's Listing Rules. While we returned to full compliance on April 11, 2013, our shares may trade below \$1.00 per share again in the future. In addition, we failed to file our annual report on Form 20-F for 2016 on a timely basis, but regained compliance after filing such report in November 2017. On January 22, 2022 we received formal notice from NASDAQ that we were not in compliance with NASDAQ's Listing Rules of minimum bid price, but regained compliance after effecting a reverse stock-split, which was effective on June 28, 2022. If our ordinary shares are delisted from NASDAQ, our ordinary shares may not be eligible to trade on any national securities exchange or the over-the-counter market. If our ordinary shares are no longer traded through a market system, their liquidity may be greatly reduced, which could negatively affect their price. In addition, we may be unable to obtain future equity financing, or use our ordinary shares as consideration for mergers or other business combinations. A delisting from NASDAQ may also have other negative implications, including the potential loss of confidence by suppliers, customers and employees, the loss of institutional investor interest, and fewer business development opportunities and could lead to a default under certain of our contractual arrangements.

We believe that we will be treated as a U.S. corporation for U.S. federal income tax purposes.

As discussed more fully under "Item 10. Additional Information-E. Taxation-U.S. Federal Income Taxation," we have been treating UTStarcom as a U.S. corporation for all purposes of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). As a result, we will be subject to U.S. federal income tax on our worldwide income. In addition, if UTStarcom pays dividends to a Non-U.S. Holder, as defined in the discussion under the section "Item 10. Additional Information-E. Taxation-U.S. Federal Income Taxation," we will be required to withhold U.S. income tax at the rate of 30%, or such lower rate as may be provided in an applicable income tax treaty. Each investor should consult its own tax advisor regarding the U.S. federal income tax position of UTStarcom and the tax consequences of holding our shares.

ITEM 4-INFORMATION ON THE COMPANY

A. History and Development of the Company

UTStarcom, Inc. was originally incorporated in 1991 as a Delaware corporation. In April 2011, we were incorporated as UTStarcom Holdings Corp. as an exempted company under the laws of the Cayman Islands. On June 24, 2011, we effected the Merger to reorganize the corporate structure of UTStarcom, Inc., and its subsidiaries. The Merger resulted in the shares of common stock of UTStarcom, Inc. being converted into the right to receive an equal number of ordinary shares in our capital, which were issued by us in connection with the Merger. Following the Merger, UTStarcom, Inc. became our wholly-owned subsidiary and we became the parent company of UTStarcom, Inc. and its subsidiaries. The transaction was accounted for as a legal re-organization of entities under common control. See "Item 4. Information on the Company-C. Organizational Structure" for a listing of our subsidiaries. We, together with our subsidiaries, continue to conduct our business in substantially the same manner as was conducted by UTStarcom, Inc. and its subsidiaries.

Our ordinary shares are traded on NASDAQ under the same ticker symbol "UTSI," under which UTStarcom, Inc.'s common stock had previously traded. Our registered office in the Cayman Islands is located at the offices of Maples and Calder (Cayman) LLP, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our telephone number at this address is +1 (345) 949 8066. Our agent for service of process in the United States is The Corporation Trust Company and its address is Corporation Trust Centre, 1209 Orange ST, Wilmington DE 19801, USA. Our principal executive offices are located at 4th Floor, South Wing, 368 Liuhe Road, Binjiang District, Hangzhou, P.R. China. We can be reached by telephone at +86 571 8192 8888 and <https://utstar.com>.

Our website is <https://utstar.com>. The SEC maintains a website, <http://www.sec.gov>, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including UTStarcom. The information contained on our website is not incorporated by reference in this annual report.

B. Business Overview

Our core business is providing telecommunication network products, solutions and services. As a global telecom infrastructure provider, we focus on delivering innovative carrier-class packet optical, network synchronization and broadband access (both wireless and fixed line) products and solutions, coupled with Software Defined Networking ("SDN") platform, optimized for mobile backhaul, metro aggregation, broadband access and value added services.

Our networking technologies enable access, aggregation and transports of high-speed data, voice and video. The product lines include Converged Packet Transport ("CPT"), Disaggregated Router Platform, Packet Transport Network ("PTN"), Packet Aggregation Network ("PAN"), Wireline Broadband Access including Multi-Services Access Network ("MSAN") and Fiber To The X ("FTTx"), Carrier Wi-Fi solution and SDN controller.

UTStarcom is actively involved in new products and solutions developments in several key target areas including 5G mobile transport networks, disaggregated network platforms optimized for telecom market applications and requirements, and network synchronization. The new products and solutions utilize the experience and knowledge that we have accumulated over the years in our key areas of expertise including optical communications, broadband access technologies, as well as hardware and software design.

We support full cycle in-house R&D and manufacturing equipped with advanced design, test and measurement tools. Our manufacturing is focused on production of high quality telecom equipment with comprehensive quality control process certified by LRQA for ISO9001/14001, ISO45001 (ex-OHSAS 18001), which results in very high equipment reliability. As a part of our efforts to support our customers on all stages of network planning, deployment and operation, we provide full range of pre- and post-sale services including turn-key deployments as may be required by our customers.

SkyFlux CPT Platform

The SkyFlux CPT is our next-generation communications platform that enables carriers to effectively manage the network resources and meet complex requirements of 5G mobile systems as well as of various other traditional and emerging applications by ensuring high performance, flexibility and efficiency. The SkyFlux platform combines Segment Routing over MPLS (SR-MPLS) and MPLS-TP tunneling, TDM-like Ethernet based on FlexE/G.mtn, highly accurate time synchronization, and SDN-based network intelligence into an efficient future-proof packet transport network. The platform provides support of high-speed interfaces up to 100GE/200GE/400GE, high port density, wide range of services including L2/L3VPN, and full set of carrier-class features: sub-50ms protection, OAM, QoS, hardware redundancy. On top of high switching capacity and performance, the platform offers such advanced features as hard and soft network slicing, extra-low forwarding latency with FlexE/G.mtn Cross-Connect feature, and very high time synchronization accuracy reaching 5ns TE accuracy – characteristics of a transport networks that are particularly important for efficient 5G mobile network deployments.

The platform was formally launched in 2020, and 2 products have been already released: SkyFlux SPN803S and SkyFlux SPN805S. Both products offer high switching capacity, support of all advanced features of the CPT platform including SR, FlexE, network slicing, highly accurate synchronization. The products are suitable for 300mm depth rack installation common in networks of mobile operators. The SkyFlux SPN805S – a modular 5RU chassis-based platform optimized for high-capacity access and aggregation applications. The product offers 640Gbps switching capacity, 1GE/10GE/25GE/50GE/100GE interfaces, and full hardware redundancy for key components. The SkyFlux SPN803S is a compact modular 2RU chassis with power supply redundancy and 320Gbps switching capacity designed for high-capacity access applications.

The SkyFlux CPT platform successfully passed a complex and comprehensive set of tests and was approved for use on 5G mobile network of one of the major mobile operators in China. The Company was actively working in 2023 on the development of new access products in the SkyFlux CPT portfolio to address the growing demand in Chinese market for this type of products. We expect to see initial orders for these new products in 2024. We are working with our customers on the existing network upgrade to SkyFlux CPT technology. Overall, we continuously keep working with our customers and partners on further promotion of this platform.

SkyFlux UAR Disaggregated Network Solution

Disaggregation of hardware and software in telecommunication networks, and more specifically in 5G transport networks, becomes an increasingly important technology. It has the potential to reduce capital expenses and operating expense of transport networks, while enabling the support of a variety of requirements in a flexible and cost-efficient manner. We leverage our expertise in telecom networks and carrier grade hardware and software design to answer growing market demand for higher openness, flexibility and improved cost-efficiency of telecom network infrastructure through the use of network disaggregation concept. UTStarcom have been actively working in this area in recent years, developing its own disaggregated network platform, and providing disaggregated network products development and integration services to its customers (including major telecom network operators).

In 2022, UTStarcom released its newest SkyFlux UAR Disaggregated Router platform that combines the strengths, flexibility, and low TCO benefits of modular chassis-based hardware platforms with all the advantages of the software-centric network disaggregation paradigm. The SkyFlux UAR Disaggregated Router platform is based on IP-MPLS and Segment Routing technologies with multiple advanced features (such as SR-MPLS, L2VPN/L3VPN/EVPN, OAM, protection, telemetry, IEEE1588v2 PTP, SyncE, QoS/H-QoS, etc.) adopted for the target applications including 5G transport network and others. The initial release of the platform included 3 chassis-based modular disaggregated routers (SkyFlux UAR400A-04X, SkyFlux UAR500A-08X, and SkyFlux UAR500B-12X) and the SkyFlux NOS Network Operating System. The SkyFlux UAR Disaggregated Router platform components can be integrated to work together and provided as a pre-integrated solution, or can be used separately for integration with compatible third party commercial or open-source components. While 5G/4G midhaul and backhaul are the primary targets application for the platform, it has a wider potential and can be efficiently applied to other applications and market segments, including broadband aggregation, metro access and aggregation networks, and others.

In 2022-2023 UTStarcom continued working with China Unicom Research Institute, a wholly owned subsidiary of China Unicom, one of the major mobile network operators ("MNO") in China, on the cooperative development and field testing of an open and disaggregated network platform that is primarily intended to be used as a carrier-grade networking platform for the access segment of 5G transport network of China Unicom, which operates as IP RAN transport based on Segment Routing technology. Initial efforts in 2020-2021 were focused on the development of NOS (Network Operating System), which were concluded with a successful IOP (interoperability) testing with several 3rd party vendors, and a field trial on customer's network in Guangdong Province, China. The NOS was designed to ensure openness and prevent vendor lock-in, supporting a variety of hardware implementations that can be based on certain Broadcom DNX series and Centec switching chips, Intel x86 and ARM CPU, non-redundant pizza-box as well as redundant chassis platforms. Following the completion of NOS v.1.x Phase 2 development announced earlier that covered many new features critical for the intended use case (SR-MPLS, EVPN, extended support of synchronization, OAM, etc.), in 2022 the Company won a new request for proposal ("RFP") from the customer for further NOS platform development: a v.2.x NOS development that covers such advanced features as SRv6 and the related protocol stack, as well as various NOS platform improvements & enhancements. In 2022 we also expanded the scope of cooperation with the customer to hardware platforms: we won the customer's RFP for the disaggregated hardware platform development. Following the successful solution lab testing with China Unicom Research Institute that the Company passed earlier in 2023, UT also successfully completed field trials and interoperability tests by the end of 2023.

The Company also continued its collaboration with Guangdong Research Institute of China Telecom Co., Ltd., the professional technology research institution of China Telecom, one of the major telecom network operators in China, on the development of a disaggregated platform for 5G transport network of China Telecom, including the development of a chassis-based modular redundant disaggregated hardware platform based on the Intel x86 CPU and Broadcom DNX-series switch chip, implementation of hardware drivers and APIs, integration of ONIE (Open Network Install Environment) into the platform, and integration of certain UTStarcom software modules into the customer's NOS. In 2022, as yet another milestone in this collaboration between the companies, UTStarcom won an RFP aimed at expanding the capabilities of the platform, including the development of 3 new line cards for use with the white-box router platform. The Company finalized the development per RFP scope and passed final acceptance. In 2023, UT continued development of hardware platforms to support the vision of China Telecom Research Institute for the next gen 5G transport network. We expect volume orders and field deployment of the related products to start in 2024.

Answering the market requirements for the industry migration from legacy rigid carrier networks towards DC-centric architectures in CSP metro transport networks, the Company in collaboration with Chinese universities engaged into the development project focused on the containerized modular SONiC-based NOS, compatible hardware router platform, along with the related network, service and resource orchestration. The Company finalized the development in 2023, and plans to pass the acceptance in 2024.

As 5G networks rollout gains momentum, carrier-class network solutions optimized for 5G transport applications becomes increasingly important, helping operators to reduce costs, improve control over the telecommunication platforms, and accelerate innovation. We believe we are well-positioned to capitalize on this opportunity, leveraging our expertise in carrier-class solutions design and strong customization design capabilities.

SDN Platform

UTStarcom offers a suite of products based on SDN technology combined in a SOOTM Network (Software-defined Open Packet Optical) solution which answers the needs of telecom operators for the next generation intelligent network, helping them to reduce capital expenditures and operating expenses, while enhancing overall network performance, availability and bandwidth efficiency and improving the customer experience. With SOO network operators gain unprecedented programmability, automation, and network control, which enables them to build highly scalable, flexible networks that readily adapt to changing business needs.

The solution successfully passed Proof of Concept ("PoC") testing with major Tier-1 operators in Tokyo in 2015. We won few commercial contracts for the development of SDN key function modules. Two of them (Middleware Qx driver and service provisioning tool FMS automation) have successfully passed technical evaluation and field trial, and moved to commercial deployment in 2018. Another two key new function modules are Topology Resource Management ("TRM") and Path Calculation Management ("PCM"). Development of both TRM and PCM modules has been completed and modules were provided to the customer for testing.

Along with the release of the new SkyFlux CPT platform in 2020, we released a new version 3.2 of the SOO Station SDN Controller tightly coupled with the SkyFlux CPT platform and enhanced with the support of Segment Routing ("SR"), advanced Path Calculation Engine ("PCE"), Network Slicing and a number of advanced features. Used together with SkyFlux CPT, the solution creates an efficient networking platform optimized for the variety of modern applications including 5G midhaul and backhaul, edge data center / MEC interconnect networks, next generation metro aggregation. The SOO Station SDN Controller was tested together with SkyFlux CPT platform by one of the major mobile operators in China and approved for use on its 5G transport network.

In parallel, we continue the development and optimization of the SOO Station platform for use with our SkyFlux UAR & NOS Disaggregated Router platform and its intended applications.

The Company also actively works on expanding the scope and reach of our network control, management and intelligence solutions, including support of such advanced features as network and service orchestration, operation automation, resource management and control for the network/compute/storage infrastructure including the support of network virtualization, containerized network resource management, etc. Within the scope of these efforts, the Company in collaboration with Chinese universities engaged into the related product development that involved an Orchestrator, SDN Controller, Container Management & Control System applied to the SONiC-based NOS and UT-developed hardware router platform. The Company finalized the development in 2023, and plans to pass the acceptance in 2024.

Packet Optical Products

PTN product line is represented by NetRing Transport Network ("NetRing TN") Series products that are based on the Multi-Protocol Label Switch Transport Profile ("MPLS-TP") and Carrier Ethernet ("CE") technologies. This product line combines packet switch/forwarding, packet optical transport and time/clock synchronization technologies to meet customers' metro networking requirements. Large volumes of NetRing TN products have been deployed worldwide since their launch.

The Next Generation Packet Transport Network ("NG-PTN") portfolio offers some important improvements including highly efficient hardware and software architecture, high port density, high speed interfaces up to 100GE, low power consumption and overall capital and operating expense savings. The growing demand for 100GE interface support from operators has been driving NG-PTN sales in recent years, and we continued shipping our 100GE-enabled NG-PTN products in 2021-2022 to meet the demand. This includes orders that we received for the latest NetRing TN704E as well as expansion orders for TN705E, supplied for the 4G/5G network expansion of our customer in Europe. The Company continued working on certain new product developments to better address the needs of the customer for its network expansion. We expect extension orders of our NG-PTN products from our customers in 2024.

The platforms and networks deployed by our customers are in active use and operation. We continue providing support to them, and expect renewal of annual maintenance contracts in 2024.

Network Synchronization

The SyncRing product family was specifically designed for highly accurate time and frequency synchronization over packet switched network based on PTP (IEEE1588v2) and Synchronous Ethernet technologies. The product family includes XGM Series grand master devices and XBC Series boundary clock switches centrally managed by our proven OMC-O NMS network management platform. The SyncRing solution is designed for the cluster distributed timing architecture, and is mainly aimed at mobile network operators due to its ability to meet the stringent synchronization accuracy requirements of LTE/LTE-A and 5G networks.

The SyncRing product portfolio includes SyncRing XGM Series outdoor Grand Master XGM30 (PRTC-B class T-GM), a new indoor Grand Master XGM30E released in 2023, and SyncRing XBC Series Boundary Clocks XBC510 (T-BC Class A) and XBC340/XBC341 (T-BC Class B, Power over Ethernet "POE" support), and provides an excellent network clock and time synchronization solution for 4G/5G deployments.

The SyncRing solution has been deployed in the LTE mobile network of one of the largest Mobile network operators ("MNO") in Japan since 2017 with multiple expansion orders and volume shipments of SyncRing products to our customer in 2019 and 2020. In 2023 we continued providing technical support services to the customer. Following the global launch of 5G technology and start of 5G networks rollout, we expect further orders of the 5G-ready XGM30/XGM30E Grand Masters and XBC340/ XBC341 Boundary Clocks switches. We also pro-actively exploring China market for new customers and related opportunities presented by fast rollout of 5G networks in this market.

Broadband Access

MSAN offers a wide range of services over copper twisted pair and optical fiber including IPTV, High-Speed Internet Access, POTS, VoIP. UTStarcom's iAN Multimedia Network Edge is a leading MSAN platform with accumulated over 40 million lines installed worldwide. The latest iAN platform-iAN1200 series MSAN portfolio accommodates carrier-grade broadband access, telephony and data service, and supports a range of technologies such as POTS, ADSL/ADSL2/ADSL2+, VDSL2, SHDSL (EFM) which allows service providers to serve highly interactive and bandwidth intensive applications. The MSAN B1200 product line includes several products of different capacity that act as a traditional TDM based DLC, IPDSLAM, Media Gateway platform integrated into a single device and supports seamless migration from V5/AN to VoIP/AG and IMS Access. The MSAN B1200 Series products were widely deployed and expanded since 2015 with shipments accumulating to over 5 Million ports. We see a demand for legacy MSAN platforms upgrade and working with our customers on related opportunities.

Carrier Wi-Fi product line includes a complete carrier-grade solution for a managed wireless access network: Wireless Access Controllers, Network Management System, and Wi-Fi Access Points ("AP") for carrier and MSO markets and various deployment scenarios. We have successfully deployed Carrier Wi-Fi solutions since 2013 in our key target markets.

Another integral part of our Wireline Broadband Access portfolio – GPON FTTx represented by a range of OLT and ONT products, designed for delivery of high-speed voice, data and video services to residential and business subscribers. We saw a growing demand for FTTx in our key broadband market in India recently that resulted in orders received in 2019 and 2020.

Our Broadband Core solutions such as IMS (IP Multimedia Subsystem) and SSTP (Signaling Transfer Point) are deployed as a part of operators' broadband core and enable them to provide a number of services to their end customers, as well as to monetize their broadband network infrastructure. The deployed platforms are in active use by our customers, we received multiple expansion orders for IMS in 2022-2023, and we expect to receive further expansion orders in 2024 to meet operators' needs for increasing broadband customers' demands.

We continue providing support and maintenance services to our customers that use our broadband solutions. We also see continued demand for broadband products and opportunities in our existing and new markets globally.

Enterprise Solutions Sales Initiative

In 2023, the Company established a domestic enterprise sales team to focus on market opportunities related to Smart Cities and Digital Construction in China, such as Smart Street Light, Smart Agriculture, etc.. We are actively exploring the market and related opportunities, we have several projects in process that we expect to result in orders in 2024 and beyond.

MARKETS AND CUSTOMERS

The table below describes net sales by geographic region for the fiscal years ended December 31, 2023, 2022 and 2021.

	Years Ended December 31,					
	2023	% of net Sales	2022		2021	
			% of net Sales		% of net Sales	
(in thousands, except percentages)						
Net Sales by Region						
China	\$ 2,577	16 %	\$ 1,735	12 %	\$ 1,858	11 %
India	8,268	53 %	7,152	51 %	8,221	52 %
Japan	4,908	31 %	5,165	37 %	5,842	37 %
Total	\$ 15,753	100 %	\$ 14,052	100 %	\$ 15,921	100 %

Our products and services are used primarily in Asia. In 2023, 2022 and 2021, India market represents 53%, 51% and 52% of our net sales, respectively. Japan market represents 31%, 37% and 37% of our net sales in 2023, 2022 and 2021, respectively.

Our key target geographical markets for the deployment of our broadband infrastructure products are India, Japan, and China. We believe these geographical markets provide a significant opportunity given their strong consumer demand for new broadband services and ongoing upgrades of telecom infrastructure.

We have observed consistently high interests in our products in the India market. We see potential for growth there for many of our product lines including optical transport and aggregation, fixed and wireless broadband access. Provided geopolitical tensions between China and India, we are exploring options to keep supply of our products to India to meet the demand for project upgrade and expansion.

Japan has been one of our key markets for years, boasting some of our largest network deployments. We continue providing technical support and maintenance services to our existing customers.

China market, with its large population and rapid industry growth, quick development of telecom infrastructure especially rollouts of 5G mobile networks and Information and Communications Technology (ICT) digitalization, represents a strong potential for our sales expansion. We focus our sales efforts on promotion of solutions for 5G + Internet of Thing (IOT) and see growing interests and demands for our latest products and solutions in the territory.

On top of our traditional geographical markets, we are exploring other markets globally to offer and bring our cutting-edge telecommunication solutions to new customers.

A significant portion of our net sales is derived from a Japanese customer, Softbank, which is also one of our former shareholders. In 2023, our net sales to Softbank totaled approximately \$3.7 million, representing approximately 23% of our total net sales. In 2022, our net sales to Softbank totaled approximately \$4.0 million, representing approximately 28% of our total net sales. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-We rely on a Japanese customer and an Indian customer for a significant portion of our net sales. Any deterioration of our relationship or any interruption to our ongoing collaboration with this customer may significantly harm our business, financial condition and results of operations." Another significant portion of our net sales is derived from an India customer, BSNL. In 2023, our net sales to BSNL totaled approximately \$5.6 million, representing approximately 36% of our total net sales. In 2022, our net sales to BSNL totaled approximately \$6.2 million, representing approximately 44% of our total net sales. In the third quarter of 2019, BSNL delayed payment on a large receivable. We have received partial payment at the end of 2019 and every month in 2020, 2021, 2022, 2023 and Q1 2024. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business."

COMPETITION

We compete in the telecommunications equipment market, providing IP-based core infrastructure products, and services for transporting data, voice and television traffic across IP-based networks. The markets in which we compete are characterized by rapid change, converging technologies, and a migration to IP-based networking and communications solutions that offer relative advantages

to our customers and their subscribers. These market factors represent a competitive threat to UTStarcom. We compete with numerous vendors in each product and market category. The overall number of our competitors providing new products and solutions may increase. Also, the composition of competitors may change as we increase our activity in various technology markets. In particular, we have experienced price-focused competition from competitors in Asia, and we anticipate this will continue.

We believe our competitive strengths are derived from three main factors: our ability to introduce and deploy well-developed IP- based technologies and products; our reputation for providing a customer-centric business model; and our ability to solve complex problems. Our competitive disadvantages include our relatively smaller size in terms of revenues, working capital, and financial resources and headcount; our lack of historical sales to many of the largest carriers in well-established markets and our lack of consumer brand recognition in markets.

The broadband infrastructure market is subject to intense competition worldwide from numerous global and regional competitors, including some of the world's largest companies. These companies leverage pricing, payment terms and their pre-existing customer relationships. Specific competitors in this segment include Cisco, Juniper, Nokia, Ciena, Huawei Technologies, and ZTE.

OPERATIONS

Sales, Marketing and Customer Support

We pursue a direct sales and marketing strategy in Japan, India, China and South Asia, targeting sales to telecommunications operators and equipment distributors with closely associated customers. We maintain sales and customer support sites in China, Japan and India. Our customer service operations in Hangzhou and Chengdu China, serve as both a technical resources and liaisons to our product development organization.

Manufacturing, Assembly and Testing

The manufacturing operations consist of circuit board assembly, final system assembly, software installation and testing. We assemble circuit boards primarily using surface mount technology. Assembled boards are individually tested prior to final assembly and tested again at the system level prior to system shipment. We use internally developed functional and parametric tests for quality management and process control and have developed an internal system to track quality statistics at a serial number level. System final testing and packaging are conducted at our own facilities as well as contracted to third parties.

We currently manufacture our products at our Hangzhou, China facility.

RESEARCH AND DEVELOPMENT

We believe it is essential to continue to develop and introduce new and enhanced products if we are to maintain our competitive position. While we use competitive analyses and technology trends as factors in our product development plans, the primary input for new products and product enhancements comes from soliciting and analyzing information about service providers' needs. We have been able to cost-effectively hire highly skilled technical employees from a large pool of qualified candidates in China. Our R&D centers are ISO 9001-2000 certified.

In the past we have made, and expect to continue to make, significant investments in research and development. For the years ended December 31, 2023, 2022 and 2021 our R&D expenses totaled \$5.9 million, \$4.8 million, and \$6.9 million, respectively.

INTELLECTUAL PROPERTY

Our ability to compete depends in part on our proprietary technology. We rely on a combination of patent, copyright trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect our proprietary rights. In addition, we have, from time to time, chosen to abandon previously filed applications. Patents may not be issued and any patents issued may not cover the scope of the claims sought in the applications. Additionally, issued patents may be found to be invalid or unenforceable in the courts of those countries where we hold or have filed for such patents or patent applications. Our U.S. patents do not afford any intellectual property protection in China or other international jurisdictions. Additionally, patents that we hold in countries other than the United States do not afford any intellectual property protection in the United States. Please refer to the discussion of risks associated with our intellectual property in "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-We may be unable to adequately protect against the loss or misappropriation of our intellectual property, which could substantially harm our business."

SEASONALITY

Although we experience some seasonality typical of the telecommunications industry, our revenues and earnings have not demonstrated consistent seasonal characteristics. In contrast, our results of operation are generally impacted more significantly by factors such as customer concentration and the timing of revenue recognition.

RAW MATERIALS

We source and purchase components comprising of active and passive electronic parts, mechanical and electrical parts, OEM and third party parts in the open markets from China and overseas. Prices for these component parts typically vary with the global and local supply and demand dynamics as well as raw material price fluctuations. Component part price volatility is also affected by one-off events such as the earthquake in Japan and flooding in Thailand resulting in short-term electronic component and hard drive shortages respectively. Recent COVID-19 pandemic has impacted the supply chain of our materials that has caused high inflation rates in many countries and has resulted significant price increase of some of the materials we used. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business."

REGULATIONS

Multiple government bodies are involved in regulating and administering affairs in the telecommunications and information technology industries in China, Japan and India, among which the Ministry of Industry and Information Technology ("MIIT"), NDRC, SASAC and State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") play the leading roles. These government agencies have broad discretion and authority over all aspects of the telecommunications and information technology industry in China, including but not limited to, setting the telecommunications tariff structure, granting carrier licenses and frequencies, approving equipment and products, granting product licenses, approving of the form and content of transmitted data, specifying technological standards as well as appointing carrier executives, all of which may impact our ability to do business in China. See "Item 3. Key Information-D. Risk Factors-Risks Relating to Conducting Business in China."

C. Organizational Structure

We are a holding company incorporated in the Cayman Islands.

The following table sets forth our subsidiaries, including their country of incorporation or residence and our ownership interest in such subsidiaries.

Name	Place of Incorporation or Organization	Proportion of Ownership Interest
UTStarcom, Inc.	U.S.A	100 %
UTStarcom International Products, Inc.	U.S.A	100 %
Issanni Communications, Inc.	U.S.A	100 %
UTStarcom Telecom Co., Ltd.	China	100 %
UTStarcom Hong Kong Ltd.	Hong Kong SAR	100 %
UTStarcom Japan KK	Japan	100 %
UTStarcom, S.A. de C.V.	Mexico	100 %
UTStarcom Network Solutions—Redes de Nova Geração Ltda.	Brazil	100 %
UTStarcom India Telecom Pvt	India	100 %
MyTV Corporation	Cayman Island	100 %
UTStarcom Hong Kong Investment Holding Ltd.	Hong Kong SAR	100 %
Virtual Gateway Labs, Inc.	U.S.A	100 %
Hangzhou USTAR Technologies Ltd.	China	100 %
Chengdu Starcom Technologies Co., Ltd.	China	100 %

D. Property, Plant and Equipment

Our principal executive offices, research and development, manufacturing and back office functions are located at our office facilities in Hangzhou, China.

In November 2010, we entered into a lease agreement for our office in Tokyo, Japan. Under the term, we have leased over 500 square meters of gross floor area and we extend the lease period every two years. The current lease agreement has been renewed for another two years in November 2023. In July 2016, we entered into a new lease agreement for our office facilities in Hangzhou, China,

and later we expanded the lease area with the same landlord. Under the term of these lease agreements, we have leased 15,925 square meters (approximately 171,417 square feet) of gross floor area, through July 31, 2021. In August 2021, we renewed lease agreement and leased 14,405 square meters (approximately 154,998 square feet) of gross floor area, which extends 5 years to 2026. In December 2022, we reduced the gross floor area to 11,674 square meters (approximately 125,662 square feet). We believe our facilities are suitable and adequate to meet our current needs.

ITEM 4A-UNRESOLVED STAFF COMMENTS

None.

ITEM 5-OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements for the periods specified and their related notes included in this Annual Report on Form 20-F, as well as "Item 3. Key Information-A. Selected Financial Data." This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this Annual Report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. In evaluating our business, you should carefully consider the information provided under "Item 3. Key Information-D. Risk Factors." Actual results could differ materially from those projected in the forward-looking statements. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

OVERVIEW

We are a global telecom infrastructure provider dedicated to developing technology that will serve the rapidly growing demand for bandwidth from cloud-based services, mobile, streaming and other applications. We work with carriers globally, to meet this demand through a range of innovative broadband packet optical transport and wireless/fixed-line access products and solutions. We focus on delivering innovative carrier-class broadband transport and access products and solutions, optimized for mobile backhaul, metro aggregation, broadband access and Wi-Fi data offloading. Collectively, our range of solutions is designed to expand and modernize telecommunications networks through smooth network system integration, lower operating costs and increased broadband access. We also provide the carriers with increased revenue opportunities by enhancing their subscribers' user experience. The majority of our business is based in Japan, India, China and other Asian markets.

We differentiate ourselves with products designed to reduce network complexity, integrate high performance capabilities and allow a simple transition to next generation networks. We design our products to facilitate cost-effective and efficient deployment, maintenance and upgrades.

Our customers can easily integrate our products, which are IP-based, with other industry standard hardware and software. Additionally, we believe we can introduce new features and enhancements that can be cost-effectively added to our customers' existing networks. IP-based devices can be changed or upgraded in modules, saving our customers the expense of replacing their entire system installation. Our strategic priorities are summarized as follows:

- Focus primarily on providing a suite of IP-based solutions and broadband products and related services;
- Maintain our position in Japan and India while solidifying our presence in selective geographical markets in Asia;
- Leverage our strong reputation with telecom carriers and cable operators and our ability to solve complex network problems; and
- Improve our financial position by executing announced restructuring initiatives and reducing operating expense levels.

Investments

In October 2004, we invested \$3.0 million in Series D preferred convertible stock of GCT Semiconductor, Inc., or GCT, which designs, develops and markets integrated circuit products for the wireless communications industry. This investment represents approximately a 0.2965% interest in GCT. This investment is accounted for using the cost method. We assess the fair value at every year-end. In 2012 and 2016, we recorded \$2.1 million and \$0.8 million investment impairment, respectively. As of December 31, 2016, the book value of the investment was zero. On March 26, 2024, GCT announced that it became a publicly traded company after completing business combination with Concord Acquisition Corp III and commenced trading on NYSE under ticker symbol "GCTS" starting March 27, 2024. As of the date of this report, the Company holds about 0.16% of its outstanding common shares.

On October 16, 2010, we invested \$30.0 million in ITV Media Inc., or ("ITV"), \$10.0 million of which was paid by our common shares that we had the repurchase rights and \$20.0 million of which was paid by cash. We recorded this transaction as an acquisition because we then owned 75% interests in ITV and had effective control. The transactions closed on November 8, 2010. On April 15, 2012, we then exercised our repurchase right, which triggered deconsolidation of ITV from our consolidated financial statements starting from June 21, 2012 because we lost effective control due to our ownership decreasing from 75% to 49% and we lost one seat on the Board of Directors. Thereafter we recorded this investment using the equity method. From December 3, 2012 to December 31, 2015, we purchased \$35.1 million convertible bonds that bear interest at 6.5% per annum with various maturity dates and subsequently all maturity dates were extended to March 31, 2025. In 2013 and 2014, we recorded a total of \$9.6 million and \$5.3 million, respectively, in losses for the preferred stock investment to reflect our 49% interest in ITV losses. After the preferred shares was reduced to zero, we start to record 100% ITV losses against our convertible bond investment balance until the carrying value of the convertible bond investment balance was reduced to zero. Therefore, in 2014 and 2015, we recorded \$3.6 million and \$14.0 million, respectively, in losses to reflect 100% of ITV losses. Additionally, at every year-end, we assess the fair value of the ITV, and recorded impairment charges of \$9.1 million, \$2.4 million and \$6.0 million in 2013, 2014 and 2015, respectively. The convertible bond investments balance was reduced to zero as of December 31, 2015.

On August 31, 2012, we completed the sale of our IPTV business to UTStarcom Hong Kong Holdings Ltd. which is controlled by our former Chief Executive Officer. On the same day, we purchased a \$20.0 million Convertible Bond from UTStarcom Hong Kong Holdings Ltd. which bears interest at 6.5% per annum and matured on August 31, 2017. On April 7, 2015, we entered an agreement with UTStarcom Hong Kong Holdings Ltd. for the conversion of the \$20.0 million Convertible Bond. Pursuant to the agreement, UTStarcom Hong Kong Holdings Ltd. paid \$10.0 million in cash to us as partial repayment of the principal of the Convertible Bond. The remaining principal and interest of the Convertible Bond were converted to 14% of equity interest of UTStarcom Hong Kong Holdings Ltd. We used the cost method to account for this investment. During 2015, we assessed the fair value of UTStarcom Hong Kong Holdings Ltd, and recorded a \$6.5 million impairment charge on this investment. During 2018 and 2019, the Company assessed the fair value of UTStarcom Hong Kong Holdings Ltd. and recorded a \$0.4 million and nil impairment charge. As of December 31, 2019, the recorded value of this investment was \$3.1 million. On December 17, 2020, we signed an agreement with Eagle Field Holding Limited for sale of 14% interest of UTStarcom Hong Kong Holdings Limited for a consideration of \$2.1 million, to be paid on March 31, 2021. As the result, we recorded \$1.0 million impairment loss during 2020 and reclassified this investment as short-term investment at December 31, 2020. On March 31, 2021, we received \$2.1 million from buyer.

RESULTS OF OPERATIONS

Our reporting segments are as follows:

- Equipment-Sales of equipment, including network infrastructure and application products. Network infrastructure products mainly include broadband products. Network application products mainly include wireless infrastructure technologies.
- Services-Providing services and support for our equipment products and also the new operational support segment.

The comparison of 2022 and 2021 financial positions and results of operations and related discussions was in "Item 5—Results of Operations" included in the annual report for the year ended December 31, 2022 on Form 20-F, which was not incorporated in this annual report.

Net Sales

Net Sales by Segment	2023	Years Ended December 31,		2022	% of Net Sales
		% of Net Sales	(in thousands, except percentages)		
Equipment	\$4,594	29 %	\$2,284	16 %	
Services	11,159	71 %	11,768	84 %	
Total	\$15,753	100 %	\$14,052	100 %	
Net Sales by Region					
China	\$2,577	16 %	\$1,735	12 %	
India	8,268	53 %	7,152	51 %	
Japan	4,908	31 %	5,165	37 %	
Total	\$15,753	100 %	\$14,052	100 %	

Fiscal 2023 vs. 2022

Net sales increased by 12.1% to \$15.8 million for 2023 as compared to \$14.1 million for 2022.

Sales from equipment were \$4.6 million for 2023, an increase of \$2.3 million compared to \$2.3 million for 2022. The increase was primarily due to increased revenue from customers in India.

Sales from services were \$11.2 million for 2023, a decrease of \$0.6 million compared to \$11.8 million during 2022. The decrease was mainly due to the completion of current projects and no new major projects in India.

Cost of Sales

Cost of Sales by Segment	2023	Years Ended December 31,		2022	% of Net Sales
		% of Net Sales	(in thousands, except percentages)		
Equipment	\$ 3,666	80 %	\$ 2,902	127 %	
Services	7,697	69 %	8,483	72 %	
Total	\$ 11,363	72 %	\$ 11,385	81 %	

Cost of sales consists primarily of material and labor costs associated with manufacturing, assembly and testing of products, costs associated with installation and customer training, warranty costs, fees to agents, inventory and contract loss provisions and related overhead. Cost of sales also includes import taxes and tariffs on components and assemblies.

Fiscal 2023 vs. 2022

Cost of sales was \$11.4 million, or 72% of net sales for 2023 compared to \$11.4 million, or 81% of net sales, for 2022. The cost of sales percentage in 2023 was decreased due to the lower inventory reserves.

Cost of sales from equipment was \$3.7 million, or 80% of net equipment sales, for 2023, compared to \$2.9 million, or 127% of net equipment sales for 2022.

Cost of sales from services were \$7.7 million, or 69% of net sales from services, for 2023, compared to \$8.5 million, or 72% of net sales from services for 2022.

Gross Profit (Loss)

Gross profit (loss) by Segment	2023	Years Ended December 31,				Gross Profit %
		Gross Profit		2022		
		%				
		(in thousands, except percentages)				
Equipment	\$ 928	20 %	\$ (618)	(27) %		
Services	3,462	31 %	3,285	28 %		
Total	\$ 4,390	28 %	\$ 2,667	19 %		

Our gross profit has been affected by changes in average selling prices, material costs, product mix, the impact of warranty charges and contract loss provisions, as well as inventory reserves. Inventory reserves was \$0.1 million and \$0.6 million for 2023 and 2022, respectively. Our gross profit, as a percentage of net sales, varies among our product families. We expect that our overall gross profit, as a percentage of net sales, will fluctuate in the future as a result of shifts in product mix and stages of the product life cycle.

Fiscal 2023 vs. 2022

Gross profit was \$4.4 million, or 28% of net sales, for 2023, compared to gross profit of \$2.7 million, or 19% of net sales, for 2022.

Sales of equipment had a gross profit of \$0.9 million, with a gross profit margin of 20%, for 2023, as compared to a gross loss of \$0.6 million, with a negative gross profit margin of 27% for 2022. The improved gross profit was attributed to the lower inventory reserves.

Sales of service earned a gross profit of \$3.5 million, or 31% of net sales of services for 2023, compared to a gross profit of \$3.3 million, or 28% of net sales of services, for 2022.

Operating Expenses

The following table summarizes our operating expenses:

		Years Ended December 31,		
	2023	% of Net Sales	2022	% of Net Sales
		(in thousands, except percentages)		
Selling, general and administrative	\$ 5,318	34 %	\$ 2,292	16 %
Research and development	5,881	37 %	4,762	34 %
Total operating expenses	\$ 11,199	71 %	\$ 7,054	50 %

Selling, general and administrative expenses, or SG&A, include employee compensation and benefits, professional fees, sales commissions, allowance of credit losses and travel and entertainment costs. Research and development, or R&D, expenses consist primarily of compensation and benefits of employees engaged in research, design and development activities, cost of parts for prototypes, related equipment depreciation and third-party development expenses. We believe that continued and prudent investment in R&D is critical to our long-term success, and we continue to evaluate appropriate investment levels.

SELLING, GENERAL AND ADMINISTRATIVE

Fiscal 2023 vs. 2022

SG&A expenses were \$5.3 million for 2023, an increase of 132.0%, or \$3.0 million, as compared to \$2.3 million for 2022. The increase was mainly attributable to less reversal of allowance for credit loss associated with aged receivables from our India customers, and the one-off lease exemption recorded in 2022 that did not recur in 2023.

Reversals of credit losses were \$1.3 million for 2023, a decrease of 62.0%, or \$2.2 million, as compared to \$3.5 million for 2022.

RESEARCH AND DEVELOPMENT

Fiscal 2023 vs. 2022

R&D expenses were \$5.9 million in 2023, an increase of 23.5%, or \$1.1 million, compared to \$4.8 million in 2022. The increase reflected the Company's different stages in 5G product development.

STOCK-BASED COMPENSATION EXPENSE

The following table summarizes the stock-based compensation expense in the Company's Consolidated Statements of Comprehensive Loss:

	2023	Years Ended December 31, 2022 (in thousands)	2021
Cost of net sales	\$ 28	\$ 97	\$ 87
Selling, general and administrative	151	258	236
Research and development	114	248	181
Total	<u>\$ 293</u>	<u>\$ 603</u>	<u>\$ 504</u>

As of December 31, 2023, there was approximately \$0.1 million of total unrecognized compensation cost, as measured, related to unvested stock options and restricted stock and restricted stock units. This cost is expected to be recognized over a weighted-average period of 0.07 years.

Fiscal 2023 vs. 2022

Stock-based compensation expense was \$0.3 million in 2023, decreasing 51.4%, or \$0.3 million, compared to \$0.6 million in 2022. The decrease was primarily due to lower employee participation stock-based compensation in 2023.

OTHER INCOME (EXPENSE)

INTEREST INCOME

Fiscal 2023 vs. 2022

Interest income was \$2.2 million and \$2.2 million for 2023 and 2022, respectively.

OTHER INCOME (EXPENSE), NET

Fiscal 2023 vs. 2022

Other income, net was \$2.0 million for 2023 and primarily consisted of a \$1.9 million gain from the appreciation of U.S. dollar against the Japanese Yen.

Other expense, net was \$0.7 million for 2022 and primarily consisted of a \$0.7 million loss from the depreciation of INR against U.S. dollar which partially offset by the depreciation of Japanese Yen against U.S. dollar.

INCOME TAX EXPENSE (BENEFIT)

FASB ASC 740-10 establishes criteria for recognizing or continuing to recognize only more-likely-than-not tax positions, which may result in income tax expense volatility in future periods. While we believe that we have adequately provided for all tax positions, amounts asserted by taxing authorities could be greater than our accrued position. Accordingly, additional provisions on income tax related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

For a full reconciliation of our effective tax rate to the U.S. federal statutory rate of 21% and further explanation of our provision for taxes, see Note 10 to our Consolidated Financial Statements included under Part III, Item 18, which is incorporated herein by reference.

Fiscal 2023 vs. 2022

Income tax expense was \$1.3 million in 2023, compared to \$2.1 million of income tax expense in 2022. The fluctuation was primarily due to the significant change of income before income taxes in India. Our overall effective tax rate was -49% in 2023, compared to -70% in 2022, primarily due to the fluctuations of income before income taxes between the years.

NET LOSS

As a result of the foregoing, net loss was \$3.9 million, \$5.0 million and \$5.8 million in 2023, 2022 and 2021, respectively.

Foreign Currency Risk

See "Item 11. Quantitative and Qualitative Disclosures About Market Risk-Foreign Exchange Rate Risk" for information regarding the impact of foreign currency fluctuations on us.

Government Policies

For information regarding governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, our operations or our shareholders' investments, see "Item 3. Key Information-D. Risk Factors-Risks Relating to Conducting Business in China" and "Item 10. Additional Information-E. Taxation."

B. Liquidity and Capital Resources

Contractual Obligations and Other Commercial Commitments

The following table summarizes our significant contractual obligations as of December 31, 2023:

	Total	Payments Due by Period			
		Less than 1 year	1-3 years (in thousands)	3-5 years	More than 5 years
Outstanding letters of credit	\$ 9,679	\$ 7,117	\$ 576	\$ 1,559	\$ 427
Purchase commitments	—	—	—	—	—
Capital commitments	74	74	—	—	—
Lease liabilities	2,844	1,184	1,660	—	—
Total	\$ 12,597	\$ 8,375	\$ 2,236	\$ 1,559	\$ 427

Letters of credit

We issue standby letters of credit primarily to support international sales activities outside of China and in support of purchase commitments. When we submit a bid for a sale, often the potential customer will require that we issue a bid bond or a standby letter of credit to demonstrate our commitment through the bid process. In addition, we may be required to issue standby letters of credit as guarantees for advance customer payments upon contract signing or performance guarantees. As of December 31, 2023, our outstanding letters of credit approximated \$9.7 million. These balances are included in Short-term restricted cash and Long-term restricted cash.

Purchase commitments

We are obligated to purchase raw materials and work-in-process inventory under various orders from various suppliers. If we fail to fulfill the contracts, it will have adverse consequences materials to our operations or financial condition. On December 31, 2023, the Company had outstanding purchase commitments, including agreement that are non-cancelable approximately nil.

Capital commitments

The Company's capital commitments are related to commitments in connection with its ERP replacement implementation project, total capital commitments contracted but not yet reflected in the financial statements amounted to approximately \$0.1 million as of December 31, 2023. All of the commitments are to be fulfilled within one year.

Intellectual property

Certain sales contracts include provisions under which customers would be indemnified by us in the event of, among other things, a third-party claim against the customer for intellectual property rights infringement related to our products. There are no limitations on the maximum potential future payments under these guarantees. We have not accrued any amounts in relation to these provisions as no such claims have been made and we believe we have valid enforceable rights to the intellectual property embedded in our products.

Uncertain tax positions

As of December 31, 2023, we had \$3.2 million of gross unrecognized tax benefits, of which \$0.5 million related to tax benefits that, if recognized, would affect the annual effective tax rate. The remaining \$2.7 million gross unrecognized tax benefits, if recognized, would affect certain deferred tax assets and federal tax benefit of state income tax.

The following table sets forth a summary of our cash and cash equivalents and restricted cash as of the dates indicated.

	December 31, 2023	December 31, 2022 (in thousands)	Change
Cash and cash equivalents	\$ 49,968	\$ 54,517	\$ (4,549)
Restricted cash	9,679	12,342	(2,663)
Total	<u>\$ 59,647</u>	<u>\$ 66,859</u>	<u>\$ (7,212)</u>

The following table sets forth a summary of our cash flows for the periods indicated:

	Years Ended December 31, 2023	2022 (in thousands)
Cash provided by (used in) operating activities	\$ (4,478)	\$ 7,277
Cash used in investing activities	(255)	(250)
Cash provided by financing activities	4	7
Effect of exchange rate changes on cash and cash equivalents	(2,483)	(6,451)
Net increase (decrease) in cash, restricted cash and cash equivalents	<u>\$ (7,212)</u>	<u>\$ 583</u>

Cash and cash equivalents, consisting primarily of bank deposits and money market funds, are recorded at cost which approximates fair value because of the short-term nature of these instruments. As of December 31, 2023, cash and cash equivalents of approximately \$13.6 million, \$15.3 million, \$4.3 million and \$16.5 million were held by our subsidiaries in India, China, Japan and the U.S., respectively.

The PRC government imposes currency exchange controls on "non-current accounts" in China. The *Foreign Exchange Control Regulations of the People's Republic of China* released on January 29, 1996, amended on January 14, 1997 and August 5, 2008 respectively (the "PRC Foreign Exchange Control Regulations") permits foreign-owned entities to convert the RMB into foreign currency for transactions that fall under the "current account," the items of which shall mean goods, services, gains and transactions items that are frequently transferred, etc. involved in international balance of payments. Our PRC subsidiaries may use RMB to purchase foreign exchange for settlement of such "current account" transactions according to applicable provisions of the State Administration of Foreign Exchange ("SAFE") without pre-approval. However, pursuant to applicable regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In calculating accumulated profits, foreign investment enterprises in China are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises.

Pursuant to the PRC Foreign Exchange Control Regulations, other transactions that involve conversion of RMB into foreign currency are classified as "capital account" transactions, which shall mean transactions items in international balance of payments which cause changes in external assets and liabilities, including capital transfers, direct investments, investments in securities, derivatives and loans, etc.; examples of "capital account" transactions include repatriations of investments by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. "Capital account" transactions will be examined and registered by banks or SAFE in China to convert a remittance into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of China. As a result of these and other restrictions under PRC laws and regulations, our China subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent.

2023 Cash Flows

Net cash used in operating activities during 2023 was \$4.5 million. During the year ended December 31, 2023, our operating activities were significantly affected by the following:

- Net loss of \$3.9 million adjusted by non-cash charges items, mainly including \$0.2 million of depreciation, \$1.2 million of lease amortization, \$0.3 million of share-based compensation, \$0.3 million on deferred income taxes and \$0.1 million of allowance for inventory, partially offset by \$1.3 million of recovery of credit losses.
- Changes in operating assets and liabilities used net cash of \$1.4 million. The cash outflow included \$0.9 million from prepaid and other assets, \$5.0 million from account payable and \$0.9 million from other liabilities, partially offset by \$4.8 million from account receivable, \$0.3 million from inventory and deferred cost, \$0.2 million from income tax payable and \$0.1 million from customer advances.

Net cash used in investing activities during 2023 was \$0.3 million, mainly for cash outflow of \$0.3 million for the purchases of property, plant and equipment.

Net cash provided by financing activities during 2023 was immaterial. See Note 5 to our Consolidated Financial Statements included under Part III, Item 18 of this Annual on Form 20-F for additional discussion.

2022 Cash Flows

Net cash provided by operating activities during 2022 was \$7.3 million. During the year ended December 31, 2022, our operating activities were significantly affected by the following:

- Net loss of \$5.0 million adjusted by non-cash charges items, mainly including \$0.2 million of depreciation, \$1.0 million of lease amortization, \$0.6 million of share-based compensation, \$1.1 million on deferred income taxes, \$0.7 million of provision for inventory reserve, partially offset by \$3.5 million allowance of credit losses.
- Changes in operating assets and liabilities provided net cash of \$12.1 million. The cash inflow included \$19.0 million from account receivable, \$1.7 million from prepaid and other assets offset by cash outflow included \$6.1 million from account payable, \$0.4 million from income tax payable, \$1.6 million from other liabilities, \$0.4 million from inventory and deferred cost and \$0.1 million from customer advances.

Net cash used in investing activities during 2022 was \$0.3 million, mainly for cash outflow of \$0.3 million for the purchases of property, plant and equipment.

Net cash provided by financing activities during 2022 was immaterial. See Note 5 to our Consolidated Financial Statements included under Part III, Item 18 of this Annual on Form 20-F for additional discussion.

Accounts Receivable, Net

Accounts receivable decreased by \$3.5 million to \$8.4 million as of December 31, 2023 from \$11.9 million as of December 31, 2022. As of December 31, 2023, our allowance for credit losses was \$1.3 million on gross receivable of \$9.7 million. The significant decrease in accounts receivable and related allowance for credit losses was due to collections from India in 2023. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business."

Inventories and Deferred Costs

The following table summarizes our inventories and deferred costs:

	December 31, 2023	December 31, 2022 (in thousands)	Increase/ (Decrease)
Inventories:			
Raw materials	\$ 124	\$ 55	\$ 69
Work in process	85	14	71
Finished goods	586	1,200	(614)
Total Inventories	<u>\$ 795</u>	<u>\$ 1,269</u>	<u>\$ (474)</u>
Deferred costs	\$ 91	\$ 53	\$ 38

Inventories consist of product held at our manufacturing facility and warehouses, as well as finished goods at customer sites for which the customer has taken possession, but based on specific contractual terms, title has not yet passed to the customer. Finished goods at customer sites were nil and approximately \$0.1 million as of December 31, 2023 and 2022 respectively.

There were no significant inventory write-offs in 2023, 2022 and 2021.

The deferred cost balance is the unamortized cost of post-contract customer support over a period of time of certain legacy contracts and we amortize the deferred revenue and related costs of goods sold over the post-contract support period.

LIQUIDITY

We recorded net loss of \$3.9 million and an operating loss of \$6.8 million for the year ended December 31, 2023. We recorded net loss of \$5.0 million and operating loss of \$4.4 million for the year ended December 31, 2022. Our accumulated deficit increased from \$1,251.2 million as of December 31, 2022 to \$1,255.1 million as of December 31, 2023.

Net cash used in operating activities were \$4.5 million in 2023 and provided by operating activities were \$7.3 million in 2022 respectively. As of December 31, 2023, we had cash and cash equivalents of \$50.0 million, of which \$15.3 million was held by our subsidiaries in China. The amount of cash available for transfer from the PRC subsidiaries for use by our non-PRC subsidiaries is limited both by the liquidity needs of the subsidiaries in China and by PRC-government mandated limitations including currency exchange controls on transfers of funds outside of China.

We have controlled our operating expenses over years. Our management believes that the continuing efforts to stream-line our operations will enable our fixed cost base to be better aligned with operations, market demand and projected sales level. If projected sales do not materialize, we will need to take further actions to reduce costs and expenses or explore other cost reduction options. Our management believes that both our PRC and non-PRC operations will have enough liquidity to finance working capital and capital expenditure needs for more than of 12 months subsequent to the date our financial statements are issued. However, we have concentrated our business in Asia, particularly Japan, India and China. Any unforeseen prolonged economic downturn, political risk in these markets, or outbreak of the health crisis of COVID-19 could affect our customers in making their respective investment decisions and could have a material impact on the foregoing assessment. There can be no assurance that additional financing, if required, will be available on terms satisfactory to us or at all, and if funds are raised in the future through issuance of preference shares or debt, these securities could have rights, privileges or preference senior to those of our ordinary shares and newly issued debt could contain debt covenants that impose restrictions on our operations. Further, any sale of newly issued debt or equity securities could result in additional dilution to our current shareholders.

C.Research and Development, Patents and Licenses

We believe that an integral part of our future success will depend on our ability to develop and enhance our services. Our product development efforts and strategies consist of incorporating new technologies from third parties as well as continuing to develop our own proprietary technology.

We have utilized and will continue to utilize the products and services of third parties to enhance our platform of technologies and services to provide competitive and diverse IP-based network solutions to our users. In addition, we plan to continue to expand our technologies, products and services through products and services developed internally. We will seek to continually improve and enhance our existing services to respond to rapidly evolving competitive and technological conditions. For the years ended December 31, 2023, 2022 and 2021 we spent \$5.9 million, \$4.8 million, and \$6.9 million, respectively, on R&D activities. R&D expenses are expensed as incurred.

D.Trend Information

Although we experience some seasonality typical of the telecommunications industry, such as seasonally weak first quarters, our revenues and earnings have not demonstrated consistent seasonal characteristics.

For a discussion of significant recent trends in our financial condition and results of operations, please see "Item 5. Operating and Financial Review and Prospects-A. Operating Results" and "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources."

E. Critical Accounting Estimates

The preparation of the Company's Annual Financial Statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see "Notes to Consolidated Financial Statements – Note 2 Summary of Significant Accounting Policies".

Allowances

Allowance for credit losses:

We make estimates of the lifetime expected credit losses for accounts receivable with similar risk characteristics on a pool basis. For each pool, we first estimate its recovery period based on relevant historical accounts receivable collection information, and then we estimate the credit allowances based on the recovery period, the historical distribution of each aging bucket, and the impact of macroeconomic factors. Expected credit losses are recorded as selling, general and administrative expenses in the consolidated statements of comprehensive income (loss). Changes in these estimates and assumptions could materially affect the credit losses. See Item 5 for information regarding Allowance for credit losses.

Valuation of inventory:

Inventories are stated at the lower of cost and net realizable value. We continually monitor inventory valuation for potential losses and obsolete inventory at our manufacturing facilities as well as at customer sites. Adjustments are recorded to write down the cost of inventory to estimated net realizable value, which is dependent upon the factors such as inventory aging, historical and forecasted consumer demand, and market conditions that impact pricing. Write-downs are recorded in cost of revenues in our consolidated statements of comprehensive income (loss). See Item 5 for information regarding Inventory reserve.

Allowance of deferred tax assets:

We recognize deferred income taxes as the difference between the tax bases of assets and liabilities and their financial statement amounts based on enacted tax rates. Management judgment is required in the assessment of the recoverability of our deferred tax assets based on its assessment of projected taxable income. Numerous factors could affect our results of operations in the future. If there is a significant decline in our future operating results, management's assessment of the recoverability of our deferred tax assets would need to be revised, and any such adjustment to our deferred tax assets would be charged to income in that period. If necessary, we record a valuation allowance to reduce deferred tax assets to an amount which management believes is more likely than not to be realized. Changes in estimates of taxable income in the future could result in reversal of the valuation allowances which would be credited to income in the year of reversal. See Note 10 of the Notes to the Consolidated Financial Statements for information regarding Allowance of deferred tax assets.

Off-Balance Sheet Commitments and Arrangements

As of and during the year ended December 31, 2023, we had no off-balance sheet arrangements.

F. Safe Harbor

This Annual Report on Form 20-F contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. Forward-looking statements are based on current expectations, estimates, forecasts and projections about us, our future performance and the industries in which we operate, the potential impact of COVID-19 as well as on our management's assumptions and beliefs. Such statements relate to, among other things:

- our business expectations regarding contract awards and telecom carriers;

- our plan to expand our market position in IP-based and broadband products;
- our expectations regarding the growth rates and telecom capital expenditure budgets of certain geographic regions;
- our anticipation regarding the growth of China's gross domestic product;
- our plan to grow in certain geographic regions; our expectations regarding growth in certain segments, uncertainties in obtaining future contracts in India; our intention to make significant investment in research and development, or R&D;
- our anticipation regarding our new products on the cable market;
- our expected financial results;
- our expectations about our efforts to streamline our operations, new accounting pronouncements, liquidity and access to credit facilities and cash in our China subsidiary; sufficiency of liquidity and our ability to obtain funding or sell additional securities;
- our relationships with suppliers, vendors and clients; our expectation regarding the current economic environment;
- our expectation regarding the impact of our strategy and the PRC government's policies on our financial results;
- changes in our Board of Directors and management;
- our expectations regarding litigation and the impact of legal proceedings and claims;
- our expectations that quarterly operating results will fluctuate from quarter to quarter; our expectations regarding competition and our ability to compete successfully in the markets for our products; our expectations regarding industry trends;
- our expectations that average selling prices of our products will continue to be subject to significant pricing pressures; our expectations regarding future growth based on market acceptance of our products; our expectations regarding revenue and gross margin; our expectations regarding the growth in business and operations;
- our expectations regarding our multinational operations; our ability to attract and retain highly skilled employees;
- our plans regarding the effect of foreign exchange rates; our expectations regarding acquisitions and investments;
- our continued efforts relating to the protections of our intellectual property, including claims of patent infringement;
- our expectations regarding future impairment review of our goodwill, intangible assets, and other long-lived assets;
- our expectations regarding costs of complying with environmental, health and safety laws; our expectations regarding defects in our products;
- our expectations regarding the effectiveness of our internal control over financial reporting;
- our estimations regarding stock-based compensation; and
- our plans regarding cash dividends; and our expectations regarding our facilities and the sufficiency of our facilities.

Statements that contain words like "expects," "anticipates," "may," "will," "targets," "projects," "intends," "plans," "believes," "seeks," "estimates," or variations of such words and similar expressions are also forward-looking statements.

Readers are cautioned that these forward-looking statements are only predictions and are subject to risks and uncertainties related to, among other things, our ability to execute on our business plan and implement certain restructuring actions, China's control of currency exchanges, ongoing litigation, our ability to introduce and deploy IP-based technologies and products, our ability to satisfy certain security and supply chain standards in India, impact of economic and/or political risks in Asia on our customers' investment decisions, the number of competitors and the composition of competitors, additional warranty expense and inventory reserves, availability of future financing, our ability to manage our resources and other items discussed in Part I, "Item 3. Key Information-D. Risk Factors" of this Annual Report on Form 20-F. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We do not guarantee future results, and actual results, developments and business decisions may differ from those contemplated by the forward-looking statements. We undertake no obligation to update these forward-looking statements to reflect events or circumstances occurring after the date of this Form 20-F.

ITEM 6-DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information about our directors and executive officers as of the date of this annual report. The business address of all of our directors and executive officers is 4th Floor, South Wing, 368 Liuhe Road, Binjiang District, Hangzhou, P.R. China.

Name	Age	Position
Hua Li	40	Chief Executive Officer and Board Director
DanJun (Dan) Xie	52	Chief Financial Officer
Lingrong Lu	51	Chief Technology Officer
Yinghua (Ellen) Chen	53	Chief Human Resources Officer
Ning Shan	60	Chairman of Board of Directors
Sean Shao	67	Independent Director
Hao Zheng	38	Independent Director
Yong Wang	55	Independent Director
Jintong Lin	78	Former Independent Director, resigned on March 21, 2024

Biographical Information

Mr. Hua Li joined the Company as Chief Executive Officer on 16th June, 2021, and assumed the role of a Director of the Board of Directors on January 1, 2022. Mr. Li brings nearly eight years of business and management experience. He previously served as the General Manager of Hangzhou Yi Yi Tai Di Information Technology Co., Ltd. Prior to that, Mr. Li served as the Deputy General Manager of Jiangsu Tongding Broadband Co., Ltd. Before that, he served as Beijing office director of Jiangsu Tongding Optoelectronic Co., Ltd. He was awarded the senior engineer qualification by Zhejiang Software Industry Association in 2021. Mr. Li obtained his undergraduate diploma from Nanjing University of Technology through Online education in 2021.

Mr. Dan Xie has served as the Chief Financial Officer of UTStarcom since September 2022, and previously served as Vice President of Global Finance of the Company since December, 2020. Dan has held various management positions in UTStarcom's Department of Finance since joining UTStarcom in April 2012, including Treasury, Tax, Technical Accounting, Internal Audit and Compliance. Dan has over ten years of experience in Corporate Finance and Public Practice, as well as nine years of experience in IT fields. Before joining UTStarcom, Mr.Xie worked as an auditor at Levi, Yetnikoff Chartered Accountants. Earlier in his career Dan worked as IT manager in Guosen Securities Company and Pingan Securities. Mr. Xie is a Chartered Professional Accountant, Chartered Accountant (CPA, CA) of Canada. Mr. Xie received a Graduate Diploma in Public Accountancy from McGill University's Desautels Faculty of Management in 2008, a Master of Engineering degree in System Engineering from Huazhong University of Science and Technology in 1996, and a Bachelor of Engineering degree in Automatic Control from Xi'an Jiaotong University in 1993.

Dr. Lingrong Lu has served as UTStarcom's Chief Technology Officer since September 2022. Lingrong Lu has more than twenty years of telecommunication industry experience. Since joining UTStarcom in 2002, she has held various management roles in R&D and product management in ONS, NGN and IPTV product lines; and she rejoined the Company in September 2016. She is now managing Research & Development Department, Product Management Department and Corporate IT. Prior to her appointment as the Company's CTO, she served as Vice President of R&D since June, 2018. In her earlier experience from 1999 to 2002, she worked for Lucent Technologies (acquired by Nokia) in its Singapore CDMA GTS and Shenzhen ONS R&D Center. Lingrong graduated from Zhejiang University in 1993 with Bachelor of Engineering, major in Electrical Engineering; and received Doctor's Degree from same university in 2014.

Ms. Ellen Chen has served as Chief Human Resources Officer at UTStarcom since September 2022. Previously, she served as Vice President of Global HR and Administration of the Company since January 2015. Ellen has more than twenty years of management experience in HR and Administration. Since joining UTStarcom in 2005, she took various HR and Administration management roles, including the functions of HRBP, Compensation & Benefit, Recruitment and People Development, etc. Before joining UTStarcom, Ellen served as Director of HRA at Zhong Li Telecommunication & Technology Group, and held various management positions at Jiale Software and Swiss Band Automatic System Engineering Co., Ltd., where she managed functions related to HR, Administration, IT, Marketing, and Finance. Ellen received a Bachelor degree in Mechanical Engineering from Shanghai University in 1993, and holds qualification certifications of Human Resources Professional (HRP) and Engineer.

Mr. Ning Shan has served as our chairman of the board since May 2021. Mr. Shan brings more than 30 years of experience in Telecommunication and Engineering Industries. He has held senior management positions in various entities, including Beijing Design Institute of Ministry of Post and Telecommunication, Design Institute of CMCC Group, Datang Telecom Technology Industry Group. Before joining UTStarcom, he served as Vice Chairman of Hangzhou Yi Yi Tai Di Information Technology Co., Ltd. Mr. Shan

received a bachelor's degree in Telecommunications Engineering from Changchun College of Telecommunication (Jilin University) in 1984. He received an MBA degree in Information Communication Management from Norwegian BI and Fudan University in 2004 and received an EMBA degree from HEC Paris in 2007.

Mr. Sean Shao has served as an independent director and chairman of the audit committee of UTStarcom Holdings Corp. since October 2012 and the chairman of the compensation committee of UTStarcom Holdings Corp. since September 2019. He also serves as an independent director and chairman of the audit committee of 21Vianet Group, Inc. since August 2015, and an independent director and chairman of the compensation committee of Luckin Coffee Inc. since September 2020 and as independent director and chairman of the audit committee from May 2019 to July 2020, respectively. He served as the chief financial officer and a Board member of Trina Solar Limited from 2006 to 2008 and from 2015 to 2017, respectively. In addition, Mr. Shao served from 2004 to 2006 as the chief financial officer of ChinaEdu Corporation and of Watchdata Technologies Ltd. Prior to that, Mr. Shao worked at Deloitte Touche Tohmatsu CPA Ltd. for approximately a decade. Mr. Shao received his master's degree in health care administration from the University of California at Los Angeles in 1988 and his bachelor's degree in art from East China Normal University in 1982. Mr. Shao is a member of the American Institute of Certified Public Accountants.

Mr. Hao Zheng has served as an independent director of the Company since November 2021. Mr. Zheng has acquired a Master Degree in Project Management and Double Bachelor Degree in Business Administration & Polymer Materials and Engineering from Beijing Institute of Technology. Since November 2020, he has been the head of the asset management department of Beijing E-town International Investment Development Co., Ltd. ("BEIID"). Before that, he took various positions at the management committee of Beijing Economic-Technological Development Area.

Dr. Yong Wang has served as an independent director of the Company since March 2024. Dr. Wang is currently a professor at the School of Civil, Commercial and Economic Law of China University of Political Science and Law. He is the vice president of the China Commercial Law Research Association and one of the founders of Beijing Hongfan Jiuzhou Consulting Co., Ltd. He has also served as an independent director of Tongding Interconnection Information Co., Ltd. since November 2023, and an independent director of Beijing Capital Eco-Environment Protection Group Co., Ltd. since January 2024. In addition, Dr. Wang has served as the chairman of the board of supervisors of SPD Silicon Valley Bank Co., Ltd. since March 2023, and an independent director of Huaneng Guicheng Trust Co., Ltd. Dr. Wang has been teaching at China University of Political Science and Law since 1999. Mr. Wang earned a bachelor degree in Education from China Youth University of Political Studies in 1990, a master degree in Economic Law from Nanjing University in 1996, and a doctorate degree in Civil and Commercial Law from China University of Political Science and Law in 1999.

Dr. Jintong Lin resigned from UTStarcom Holdings Corp.'s board of Directors on Mar 21, 2024, which he had held since September 2019. He also served as an independent director of Huacan Opto-electronic Co., Ltd. Since 2020. Additionally, Dr. Lin is currently a consulting professor at Beijing University of Posts and Telecommunications (BUPT). From 1993 through 2011, he served in a variety of positions at BUPT, including Professor, Vice-President and President. From 1990 to 1993, Dr. Lin was a researcher at King's College London. Before that, he was a visiting scholar and doctoral student at University of Southampton. Dr. Lin earned a bachelor degree in Physics from Peking University in 1969, a master degree in Optical Communication from BUPT in 1981 as well as a doctorate degree in Optoelectronics from University of Southampton in the United Kingdom.

Relationships among Directors or Executive Officers; Right to Nominate Directors

There are no family relationships among any of our directors or executive officers. There are also no arrangements or understandings with any person pursuant to which any of our directors or executive officers were selected, except with respect to the selection of the director nominee designated by BEIID. See "Item 6. Directors, Senior Management and Employees-C. Board Practices."

B. Compensation

Compensation of Directors and Executive Officers

In 2023, we paid an aggregate of \$485,650 in cash compensation and granted 30,078 restricted shares under our 2017 Plan to our directors and executive officers. In 2022, we paid an aggregate of \$441,116 in cash compensation and granted 28,716 restricted shares under our 2017 Plan to our directors and executive officers.

Equity Incentive Plan

The 2006 Equity Incentive Plan (as amended and restated, the "2006 Plan") expired on December 31, 2016. On November 4, 2016, our Board of Directors approved our 2017 Equity Incentive Plan, or the 2017 Plan. The 2017 Plan provides for the grant of the following types of incentive awards: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance shares and performance units, and (vi) other stock or cash awards. Those who are eligible for awards under the 2017 Plan include employees, directors and consultants who provide services to us and our affiliates.

The maximum aggregate number of ordinary shares that may be awarded and sold under the 2017 Plan is 2,000,000 ordinary shares (500,000 ordinary shares after taking into consideration of the reverse share split effective on June 28, 2022) plus (i) any ordinary shares that, as of December 31, 2016, have been reserved but not issued pursuant to any awards granted under the 2006 Plan, and (ii) any ordinary shares subject to stock options or similar awards granted under the 2006 Plan that expire or otherwise terminate without having been exercised in full and ordinary shares issued pursuant to awards granted under the 2006 Plan that are forfeited to or repurchased by the Company. The ordinary shares may be authorized but unissued, or reacquired ordinary shares.

On August 10, 2021, our Board of Directors approved an extension and share increase of the 2017 Plan. As a result, the term of the 2017 Plan has been extended to December 31, 2024, and a total number of additional 1,000,000 ordinary shares (250,000 ordinary shares taking into consideration of the reverse share split effective on June 28, 2022) have been added to the 2017 Plan. On November 24, 2022, our Board of Directors approved a further extension and share increase of the 2017 Plan. As a result, the term of the 2017 Plan has been extended to December 31, 2026, and a total number of additional 430,000 ordinary shares have been added to the 2017 Plan.

As of December 31, 2023, 356,600 shares underlying options and restricted stock awards and units were outstanding.

The following table summarizes significant ranges of outstanding and exercisable stock options as of December 31, 2023:

Range of Exercise Prices		Number of shares Outstanding as of 12/31/2023	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number of shares Exercisable as of 12/31/2023	Weighted Average Exercise Price
\$ 4.28	\$ 4.28	194,777	4.92	\$ 4.28	194,777	\$ 4.28
\$ 4.56	\$ 4.56	127,019	3.92	\$ 4.56	127,019	\$ 4.56

As of December 31, 2023, we had total unvested restricted stock awards of 34,804 shares, with a weighted average grant date fair value of \$3.28.

C. Board Practices

Our Board of Directors currently consists of five directors. We believe that three of the non-executive members of our Board of Directors are “independent directors” as that term is used in the NASDAQ corporate governance rules.

No shareholder has the contractual right to designate persons to be elected to our Board of Directors except for BEIID. In accordance with the Stockholders Rights Agreement we entered into as of February 1, 2010 with BEIID, Mr. Hao Zheng has been appointed to our Board as the nominee of BEIID and as a Class II Director to serve on each committee of our Board of Directors. Notwithstanding the forgoing, our amended and restated memorandum and articles of association provide that directors will be elected upon a resolution passed at a duly convened shareholders meeting by holders of a majority of our outstanding shares being entitled to vote in person or by proxy at such meeting, to hold office until the expiration of their respective terms. There is no minimum shareholding or age limit requirement for qualification to serve as a member of our Board of Directors.

We have a staggered board that is divided into three classes, designated as Class I, consisting of one director, Class II, consisting of two directors, and Class III, consisting of two directors, with no more than one class eligible for reelection at any annual shareholder meeting, or AGM. The terms of our Class I and Class II directors and Class III will expire on the date of our next AGM. The division of our Board of Directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control. For information regarding when each of our current directors became a member of our Board of Directors, please see “Item 6. Directors, Senior Management and Employees-A. Directors and Senior Management.”

Board Committees and Related Functions

The principal standing committees of the Board of Directors are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. We have adopted a charter for each of these committees. Each committee’s members and functions are described below.

Audit Committee

Our Audit Committee consists of Sean Shao, Yong Wang and Hao Zheng, each of whom meets the independence standards of NASDAQ and the SEC. Sean Shao is the Chairman of our Audit Committee. Members of our Audit Committee meet the criteria for “independence” set forth in rule 10A-3(b) (1) under the Securities Exchange Act of 1934, as amended, and the listing standards of the NASDAQ Stock Market; have not participated in the preparation of the consolidated financial statements of UTStarcom or any of its current subsidiaries at any time during the past three years; and are able to read and understand fundamental financial statements,

including a company's balance sheets, statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flow. Mr. Shao has been determined by the Board of Directors to qualify as an "audit committee financial expert" under applicable SEC and NASDAQ rules. The Audit Committee oversees our accounting and financial reporting processes and the audits of the financial statements of our Company. The Audit Committee, among other duties and responsibilities:

- reviews and approves the annual appointment of our independent registered public accounting firm;
- discusses and reviews in advance the scope and fees of the annual audit;
- reviews the results of the audit with the independent registered public accounting firm and discusses the foregoing with our management;
- reviews and approves non-audit services of the independent registered public accounting firm;
- reviews compliance with our existing major accounting and financial reporting policies;
- review the quality, adequacy and effectiveness of the internal controls and any significant deficiencies or material weaknesses in internal controls;
- reviews and approves all related party transactions that would require disclosure pursuant to the rules of the SEC and the policies and procedures related to such transactions; and
- provides oversight and monitoring of our management and their activities with respect to our financial reporting process.

Compensation Committee

Our Compensation Committee consists of Sean Shao, Hao Zheng and Yong Wang. Sean Shao is the Chairman of our Compensation Committee. The Compensation Committee, among other duties and responsibilities:

- approves and oversees the total compensation package for our executives, including their base salaries, incentives, deferred compensation, equity-based compensation, benefits and perquisites;
- reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer, or the CEO, evaluate CEO performance, and determine CEO compensation based on this evaluation, (iii) review the CEO's performance evaluation of all executive officers and approve pay decisions, (iv) review periodically and make recommendations to the Board of Directors regarding any equity or long-term compensation plans; and
- administers these plans.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Yong Wang, Hao Zheng and Sean Shao, each of whom meets the independence standards of NASDAQ and the SEC. Yong Wang is the Chairman of our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee's responsibilities include the selection of director nominees for the Board and the development and annual review of our governance principles. The Nominating and Corporate Governance Committee, among other duties and responsibilities:

- assists the Board by actively identifying individuals qualified to become Board members;
- recommends director nominees to the Board of Directors for election at the next annual meeting of shareholders;
- recommends chairs and members of each committee to the Board of Directors;
- monitors significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies;
- leads the Board of Directors in its annual performance self-evaluation, including establishing criteria to be used in connection with such evaluation;
- reviews Board compensation and recommends to the Board of Directors any changes in Board compensation;
- oversees compliance with our Code of Business Conduct and Ethics; and
- develops and recommends to the Board and administers our corporate governance guidelines.

Duties of Directors

In summary, our directors and officers owe the following fiduciary duties under Cayman Islands law:

- duty to act in good faith in what the directors believe to be in the best interests of our Company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not properly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to our Company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as "a reasonably diligent person" having both:

- the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to our Company; and
- the general knowledge skill and experience which that director has.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the memorandum and articles of association or alternatively by shareholder approval at general meetings.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers that generally require that we indemnify and hold an indemnitee harmless to the fullest extent permitted by law for liabilities arising out of the indemnitee's current or past association with us, any of our subsidiaries or another entity where he or she is or was serving at our request as a director or officer or in a similar capacity that involves services with respect to any employee benefit plan.

Board Diversity

Board Diversity Matrix

Country of Principal Executive Offices:	People's Republic of China
Foreign Private Issuer	Yes
Disclosure Prohibited Under Home Country Law	No
Total Number of Directors	5

Total number of directors	As of April 28, 2023				As of April 26, 2024			
	Female	Male	Non-Binary	Did Not Disclose Gender	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity								
Directors	N/A	5	N/A	N/A	N/A	5	N/A	N/A
Part II: Demographic Background								
Underrepresented Individual in Home Country Jurisdiction		1				1		
LGBTQ+		0				0		
Did Not Disclose Demographic Background		0				0		

D. Employees

As of December 31, 2023, we had approximately 234 full-time employees worldwide. From time to time, we also employ part-time employees and hire contractors. Our employees are not represented by any collective bargaining agreement and we have never experienced a work stoppage. We believe that we have good employee relationships. We have not experienced significant change in the number of employees in fiscal year 2023.

The following table sets forth information regarding our staff as of December 31, 2023:

Manufacturing and supply chain	74
Research and development	80
Marketing, sales and support	45
Administration and other support	35
Total	234

E. Share Ownership

The following table sets forth certain information with respect to beneficial ownership of our ordinary shares as of March 31, 2024 by:

- Each current director;
- Each current executive officer;
- All of our current directors and executive officers as a group; and
- Each person who is known to us to beneficially own more than 5% of our ordinary shares.

The percentage of shares beneficially owned and votes held by each listed person is based upon 9,435,566 ordinary shares outstanding as of March 31, 2024 together with options that are exercisable within 60 days from March 31, 2024 and shares issuable upon vesting of restricted shares within 60 days from March 31, 2024 for each shareholder. Beneficial ownership is determined in accordance with the rules of the SEC.

Name and Address of Beneficial Owner⁽¹⁾	Shares Beneficially Owned ⁽²⁾⁽⁵⁾	Percent of Total Outstanding ⁽²⁾
Directors and Executive Officers		
Hua Li	*	*
Danjun (Dan) Xie	*	*
Lingrong Lu	*	*
Yinghua (Ellen) Chen	*	*
Ning Shan	*	*
Sean Shao	*	*
Jintong Lin(resigned on March 21, 2024)	*	*
Yong Wang	*	*
Hao Zheng	*	*
All current directors and executive officers as a group	105,818	1.12 %
Principal Shareholders		
Tonghao (Cayman) Limited	3,175,000	33.65 %
The Smart Soho International Limited ⁽³⁾	1,250,000	13.25 %
E-Town International Holding (Hong Kong) Co. Limited ⁽⁴⁾	946,970	10.04 %
Talent Transmission, Ltd. ⁽³⁾	679,690	7.20 %

* Less than 1%

⁽¹⁾Unless otherwise indicated, the address for all beneficial owners is c/o 4th Floor, South Wing, 368 Liuhe Road, Binjiang District, Hangzhou, P.R. China.

⁽²⁾The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of March 31, 2024. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting power or

investment power with respect to securities. Shares subject to options which are exercisable within 60 days of March 31, 2024 and shares underlying restricted share units that will vest within 60 days of March 31, 2024 are deemed to be outstanding and to be beneficially owned by the person holding such options or restricted share units for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person.

(3) Shares information was from the latest available 13D on SEC website.

(4) Information based on Schedule 13D, Amendment No. 1, jointly filed with the SEC on October 1, 2010 by E-Town and BEIID. As the parent company of E-Town (Hong Kong), BEIID has the power to direct the vote of the 3,787,878 (or 946,970 after reverse share split) shares and the disposition of the shares of 3,787,878 (or 946,970 after reverse share split) held by E-Town. The address of the principal business office of BEIID and E-Town is 23th-25th Floor, Tower A, Yicheng Fortune Center No. 22, Ronghua Middle Road, Beijing Economic-Technological Development Area, Beijing, PRC.

(5) On June 28, 2022, we effected a one-for-four reverse share split of our ordinary shares. As a result, our authorized share capital was amended by the consolidation of 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value.

None of the shareholders known by us to beneficially own 5% or more of our outstanding shares as of March 31, 2024 have voting rights that are different from the voting rights of our other shareholders.

To our knowledge, except as disclosed above, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal person or persons, severally or jointly.

To our knowledge, there are no arrangements the operation of which may at a subsequent date result in us undergoing a change in control.

As of March 31, 2024, our directors and executive officers held options to purchase an aggregate of 30,999 ordinary shares under our existing equity incentive plans. The per share exercise prices of these options held by our directors and executive officers were \$4.28, \$4.56, respectively. And the expiration dates of such options are on November 30, 2027 and November 30, 2028, respectively. In addition, as of March 31, 2024, our directors and executive officers held 71,144 restricted shares, and 3,675 restricted share units issuable upon vesting.

F. Disclosure of A Registrant's Action to Recover Erroneously Awarded Compensation

Not Applicable.

ITEM 7-MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees-E. Share Ownership."

B. Related Party Transactions

The Company had no related party transactions during the years ended December 31, 2023, 2022 and 2021.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8-FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements" for our audited consolidated financial statements filed as part of this Annual Report on Form 20-F.

Legal Proceedings

Other than described below, we are currently not a party to any material legal or administrative proceedings, and we are not aware of threatened material legal or administrative proceedings against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

On August 25, 2021, Triumph IP LLC (the "Plaintiff") filed a complaint for patent infringement against UTStarcom Inc. We did not serve an answer to such complaint. On November 16, 2021, the Clerk of the District Court for the District of Delaware entered a default judgment against us. The Plaintiff has not claimed the damages amount, which is required for enforcement of the judgment. The case has been officially closed on August 3, 2022.

Dividend Policy

To date, we have not paid any cash dividends on our ordinary shares. We currently anticipate that we will retain any available funds to finance the growth and operation of our business and we do not anticipate paying any cash dividends in the foreseeable future. Certain present or future agreements may limit or prevent the payment of dividends on our ordinary shares. Additionally, our cash held in countries outside the United States may be subject to certain control limitations or repatriation requirements, limiting our ability to use this cash to pay dividends. Please refer to the discussion in "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources."

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9-THE OFFER AND LISTING

A. Offer and Listing Details

Our ordinary shares are traded on NASDAQ under the ticker symbol “UTSI,” under which UTStarcom, Inc.’s common stock has traded since its initial public offering on March 2, 2000. On June 28, 2022, we effected a one-for-four reverse share split of our ordinary shares. Unless otherwise specified, all share and per share information has been retroactively adjusted to reflect this reverse share split.

	High	Low
Annual highs and lows		
2019	\$ 16.44	\$ 9.72
2020	\$ 11.80	\$ 3.28
2021	\$ 9.36	\$ 3.00
2022	\$ 5.00	\$ 2.44
2023	\$ 5.03	\$ 3.10
Quarterly highs and lows		
Second Quarter 2022	\$ 3.90	\$ 2.44
Third Quarter 2022	\$ 4.16	\$ 3.05
Fourth Quarter 2022	\$ 5.00	\$ 3.46
First Quarter 2023	\$ 5.03	\$ 3.48
Second Quarter 2023	\$ 4.40	\$ 3.25
Third Quarter 2023	\$ 4.15	\$ 3.10
Fourth Quarter 2023	\$ 3.79	\$ 3.12
First Quarter 2024	\$ 3.43	\$ 2.50
Monthly highs and lows		
September 2023	\$ 3.76	\$ 3.27
October 2023	\$ 3.79	\$ 3.12
November 2023	\$ 3.74	\$ 3.19
December 2023	\$ 3.62	\$ 3.22
January 2024	\$ 3.43	\$ 2.54
February 2024	\$ 3.30	\$ 2.50
March 2024	\$ 3.00	\$ 2.58

B. Plan of Distribution

Not Applicable.

C. Markets

Our ordinary shares are traded on the Nasdaq Capital Market under the ticker symbol “UTSI.”

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10-ADDITIONAL INFORMATION

A.Share Capital

Not Applicable.

B.Memorandum and Articles of Association

The following description of the material terms of UTStarcom's shares includes a summary of specified provisions of the memorandum of association and articles of association of UTStarcom. This description is qualified by reference to the memorandum of association and articles of association of UTStarcom.

Authorized Share Capital

UTStarcom is authorized to issue 250,000,000 (or 62,500,000 after reverse share split) ordinary shares of a nominal or par value of \$0.00375 (or US\$0.015 after reverse share split) each and 5,000,000 preference shares of a nominal or par value of US\$0.00125 each. The ordinary shares and preference shares may be issued from time to time at the discretion of its Board of Directors without shareholder approval. The Board of Directors of UTStarcom is authorized to issue these shares in different classes and series and, with respect to each class or series, to determine the designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the ordinary shares, at such times and on such other terms as they think proper.

As of the close of business on March 31, 2024, UTStarcom had 9,113,770 ordinary shares issued and outstanding and no preference shares outstanding.

The rights, privileges, restrictions or conditions attaching to a class of shares may not be modified other than with the approval of the holders of such class, voting separately as a class.

Register of Members

Under Cayman Islands law, a share in a Cayman Islands company is duly issued only when the name of the shareholder is entered in the register of members of a company, and the register of members is by statute regarded as prima facie evidence of the shareholders of a company. A person becomes a shareholder of a Cayman Islands company, and is therefore able to benefit from the rights attaching to such shares, only on the date that such person is entered on the register of members. No consents or approvals are required by Cayman Islands law from any governmental authorities or agencies or other official bodies in the Cayman Islands in connection with updating the register of members of UTStarcom.

Voting

Holders of UTStarcom ordinary shares are entitled to receive notice of any meeting of shareholders and to one vote for each share held of record on all matters at all meetings of shareholders, except at a meeting where holders of a particular class or series of shares are entitled to vote separately. UTStarcom's ordinary shareholders have no cumulative voting rights. UTStarcom's Board of Directors consists of three classes of directors, with each class of directors elected for three-year terms and one class coming up for election by the shareholders each year. UTStarcom's shareholders take action by a majority of votes cast, unless otherwise provided by the Companies Act or UTStarcom's memorandum of association or articles of association.

Under the Companies Act, some matters, such as changing UTStarcom's name, altering or adding to UTStarcom's memorandum of association or articles of association or reducing UTStarcom's share capital and any capital redemption reserve require the approval of shareholders by a special resolution. A special resolution is a resolution that is either (a) passed by a majority of not less than two-thirds of shareholders as, being entitled to do so, vote in person or by proxy at a general meeting or (b) that is signed by all the shareholders entitled to vote on that resolution.

Changes to Rights of a Class or Series

Under UTStarcom's articles of association, if at any time UTStarcom's share capital is divided into different classes of shares, unless otherwise provided by the terms of issue of the shares of that class, the rights attaching to any class may only be changed by a consent in writing of the holders of a majority of the issued shares of that class or with the sanction of a resolution passed by the holders of at least a majority of the shares of the class present in person or by proxy at a separate general meeting of the holders of the shares of the class. At such a separate general meeting, the quorum shall be at least one person holding or representing by proxy a majority of the issued shares of the class. Any holder of shares of the class present in person or by proxy at such meeting may demand a poll.

Quorum for General Meetings

No business of UTStarcom can be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. A quorum of shareholders is present at a meeting of UTStarcom shareholders regardless of the number of persons actually present at the meeting if the holders of a majority of all voting share capital of UTStarcom in issue and entitled to vote at the meeting are present in person or represented by proxy.

Special Meetings of Stockholders/Shareholders

An extraordinary general meeting of UTStarcom may be called only by the board of directors, the chairperson of the board, the president, or one or more shareholders in the aggregate entitled to cast not less than 50% the votes at the meeting.

Dividend Rights

Subject to the preferences, limitations and relative rights of holders of UTStarcom's preference shares, UTStarcom's Board of Directors may, from time to time, declare dividends on the shares issued and authorize payment of the dividends out of UTStarcom's lawfully available funds.

Rights Upon Liquidation

Upon the winding up of UTStarcom, after creditors of the corporation have been paid in full, the assets shall be distributed to, or the losses shall be borne by the shareholders of UTStarcom in proportion to the par value of the shares held by them at the commencement of the winding up (up to the amount paid in shares by each shareholder, respectively).

No Liability for Further Calls or Assessments

The UTStarcom ordinary shares are duly and validly issued, fully paid and non-assessable.

No Preemptive Rights

UTStarcom shareholders have no preemptive rights to subscribe for or purchase any additional securities issued by UTStarcom.

Redemption of Ordinary Shares

UTStarcom may (i) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of UTStarcom or the shareholder on such terms and in such manner as the Board of Directors of UTStarcom may, before the issue of the shares, determine and Cayman Islands law; (ii) purchase its own shares, including any redeemable shares, in accordance with the articles of association; or (iii) make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares.

Restrictions on Transfer

UTStarcom's share register is determinative of membership in UTStarcom. A written instrument of transfer is required under the Companies Act in order to register on UTStarcom's register of members any transfer of shares. The articles of association of UTStarcom further provide that such written instrument of transfer shall be executed by both the transferee and the transferor of the shares. The articles of association of UTStarcom also provide that the Board of Directors of UTStarcom may also decline to register any transfer of shares unless: (a) a fee of such amount the Board of Directors of UTStarcom may determine to be payable is paid to UTStarcom; (b) the instrument of transfer is in the instrument of transfer is in respect of only one class of share; (c) the instrument of transfer is lodged with UTStarcom along with the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and (d) the instrument of transfer is properly signed.

Transfer Agent

The transfer agent and registrar for UTStarcom's ordinary shares is Computershare Trust Company, N.A.

Anti-Takeover Provisions

UTStarcom does not have a shareholder rights plan.

Special Vote Required for Combinations with Interested Stockholders/Shareholders

The Companies Act provides that when an offer is made for shares of any class or series of a Cayman Islands company and, within four months of the offer, the holders of not less than 90% of those such class or series accept the offer, the offeror may, for two months after that four-month period, require the remaining shareholders of the relevant class or series to transfer their shares on the same terms as the original offer. In those circumstances, nontendering shareholders will be compelled to sell their shares, unless within one month from the date on which the notice to compulsorily acquire was given to the nontendering shareholder, the nontendering shareholder is able to convince a Cayman Islands court to order otherwise.

Authorization of a merger or consolidation requires: (a) adoption of a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in each such company's constitutive documents. In addition, the consent of each holder of a fixed or floating security of a constituent company must be obtained, unless the court waives such requirement.

Under UTStarcom's articles of association and the Companies Act, there is no requirement for shareholder approval for a sale of all or substantially all of UTStarcom's assets.

Stockholder/Shareholder Consent to Action Without Meeting

UTStarcom's articles of association provide that, other than a special resolution effected by a unanimous written resolution, written resolutions of the shareholders are not permitted. A special resolution is a resolution that is either (a) passed by a majority of not less than two-thirds of shareholders as, being entitled to do so, vote in person or by proxy at a general meeting, or (b) signed by all the shareholders entitled to vote on that resolution.

Distributions and Dividends; Repurchases and Redemptions

Under the Companies Act, the board of directors may declare the payment of dividends to holders of ordinary shares out of UTStarcom's (1) profits available for distribution, or (2) "share premium account," which represents the excess of the price paid to UTStarcom on the issue of its shares over the par or "nominal" value of those shares and is similar to the U.S. law concept of additional paid in capital.

However, no dividends may be paid if, after payment, UTStarcom would not be able to pay its debts as they come due in the ordinary course of business.

Dividends on ordinary shares, if any, are at the discretion of the directors and depend on, among other things, UTStarcom's results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the directors deem relevant, as well as UTStarcom's ability to pay dividends in compliance with the Companies Act. Under the Companies Act, UTStarcom is not required to present proposed dividends or distributions to its shareholders for approval or adoption. UTStarcom may pay dividends in any currency.

The directors are also entitled to issue shares with preferred rights to participate in dividends declared by UTStarcom. The holders of such preference shares may, depending on their terms, rank senior to the ordinary shares with respect to dividends.

Under the Companies Act, shares of a Cayman Islands company may be redeemed or repurchased out of profits of the company, out of the proceeds of a fresh issue of shares made for that purpose or out of capital, provided the company's articles authorize this and it has the ability to pay its debts as they come due in the ordinary course of business.

UTStarcom's articles of association provide that the Company may make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares.

Removal of Directors; Terms of Directors

UTStarcom's articles of association provide that the board of directors consists of three classes of directors, with each class of directors elected for three-year terms and one class coming up for election by the shareholders each year.

Under UTStarcom's articles of association, a director may be removed from office by special resolution for negligence or other reasonable cause at any time before the expiration of his term.

A vacancy on the board of directors created by the removal of a director (other than a vacancy caused by the removal of a director appointed by the holders of any series of preference shares, if any) may be filled by the election or appointment by ordinary resolution at the meeting at which such director is removed.

Inspection of Books and Records

Shareholders of a Cayman Islands company do not have any general rights to inspect or obtain copies of the list of shareholders or corporate records of a company (other than the register of mortgages and charges). UTStarcom's articles of association provide that, other than the right to examine a list of shareholders entitled to vote at a general meeting of shareholders for any purpose germane to the meeting during ordinary business hours for a period of at least ten (10) days prior to the meeting or during such meeting, no member

(not being a director) shall have any right of inspecting any account or book or document of the company. Under UTStarcom's articles of association, the directors have the discretion as to whether, to what extent, when, where and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of members who are not directors.

The Companies Act requires that the register of mortgages and charges of a corporation be open to inspection by any shareholder or creditor of the company at all reasonable times.

Amendment of Governing Documents

The Companies Act and UTStarcom's articles of association provide that UTStarcom's memorandum of association and articles of association may only be amended by passing a special resolution of its shareholders to effect such amendment.

Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company may indemnify its directors, officers, employees and agents except to the extent that such provision may be held by the Cayman Islands courts to be contrary to the public policy.

UTStarcom's articles of association provide that UTStarcom shall indemnify every current or former director and officer of the Company or predecessor to the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful default. No person shall be found to have committed actual fraud or willful default under this provision unless or until a court of competent jurisdiction shall have made a finding to that effect.

Under UTStarcom's articles of association, the Company shall advance to each current or former director of the Company or predecessor to the Company reasonable attorneys' fees and other costs and expenses incurred in connection with the defense of any action, suit, proceeding or investigation involving such person for which indemnity will or could be sought provided that such person executes an undertaking to repay the advanced amount to the Company if it is determined ultimately that those individuals are not entitled to be indemnified. If such person was not entitled to indemnification with respect to such judgment, costs or expenses, then such person shall not be indemnified with respect to such judgment, costs or expenses and any advancement shall be returned to the Company (without interest) by such person.

Limited Liability of Directors

Cayman Islands law, in certain circumstances, permits a company to limit the liability of a director to the company. A Cayman Islands court will enforce such a limitation except to the extent that enforcement of the relevant provision may be held to be contrary to public policy.

UTStarcom's articles of association provide that no current or former director and officer of the Company shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or willful default of such person. No person shall be found to have committed actual fraud or willful default under this provision unless or until a court of competent jurisdiction shall have made a finding to that effect.

Stockholder/Shareholder Lawsuits

In the Cayman Islands, the decision to institute proceedings on behalf of a company is generally taken by the company's board of directors. In certain limited circumstances, a shareholder may be entitled to bring a derivative action on behalf of UTStarcom. However, the consideration of such suits has been limited. In this regard, the Cayman Islands courts ordinarily would permit a claim to be brought by a minority shareholder, in respect of a cause of action vested in a Cayman Islands company, in the name of and seeking relief on behalf of the company only (1) in respect of a cause of action arising from an actual or proposed act or omission involving negligence, default, breach of duty or breach of trust by a director of a company; (2) where the act complained of is illegal or alleged to constitute a fraud against the company or against any minority shareholder; or (3) where the act is beyond the corporate power of the company or otherwise requires approval by a greater percentage of the company's shareholders than actually approved it; and, in each case, where the act complained of is not capable of subsequent ratification by any majority of the company's shareholders at a general meeting. The cause of action may be against the director, another person or both.

A shareholder may also be permitted to bring an action in his or her own name against a Cayman Islands company, a director or any other person in respect of any direct loss suffered by such shareholder as a result of any negligence, default, breach of duty or breach of trust. In any such action, however, a loss suffered by the company will not be regarded as a direct loss suffered by the individual shareholder. A shareholder may also be permitted to bring an action on the basis that the company's affairs are being, or have been, conducted in a manner that is unfairly prejudicial to the interests of shareholders generally or to some shareholders in particular.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this Annual Report on 20-F.

D. Exchange Controls

Currency exchange control and government restrictions on dividends may impact our ability to transfer funds outside of the China and India

A significant portion of our business is conducted in China where the currency is the RMB and in India where the currency is the INR. Regulations in China and India permit foreign-owned entities to freely convert the RMB or INR into foreign currency for transactions that fall under the "current account," which include trade-related receipts and payments and dividend payments. Accordingly, our PRC or Indian subsidiaries may use RMB or INR to purchase foreign exchange for settlement of such "current account" transactions without pre-approval. However, pursuant to applicable regulations in China, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In calculating accumulated profits, foreign investment enterprises in China are required to allocate at least 10% of their realized profits each year, if any, to fund certain reserves, until these reserves have reached 50% of the registered capital of the enterprises.

Transactions other than those that fall under the "current account" and that involve conversion of RMB or INR into foreign currency are classified as "capital account" transactions; examples of "capital account" transaction include repatriations of investment by or loans to foreign owners, or direct equity investments in a foreign entity by a China domiciled entity. In China, "capital account" transactions will be examined and registered by banks or SAFE in China to convert a remittance into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of China. In India, "capital account" transactions will be examined and approved by the Reserve Bank of India ("RBI") to convert INR into a foreign currency, such as U.S. dollars, and transmit the foreign currency outside of India.

The foreign exchange control system in China or India could be changed at any time and any such change may affect the ability of us or our subsidiaries in China or India to repatriate capital or profits, if any, outside China or India. Furthermore, SAFE or its regional branches, RBI or other governmental authorities have a significant degree of administrative discretion in implementing the laws and regulations and has used this discretion to limit convertibility of "current account" payments out of China or India. Whether as a result of a deterioration in the PRC or India balance of payments, a shift in the PRC or Indian macroeconomic prospects or any number of other reasons, China or India could impose additional restrictions on capital remittances abroad. As a result of these and other restrictions under the laws and regulations of the PRC or India, our PRC or India subsidiaries are restricted in their ability to transfer a portion of their net assets to the parent. We have no assurance that the relevant PRC or Indian governmental authorities in the future will not limit further or eliminate the ability of our PRC or Indian subsidiaries to purchase foreign currencies and transfer such funds to us to meet our liquidity or other business needs. Any inability to access funds in China or India, if and when needed for use by us outside of China or India, could have a material and adverse effect on our liquidity and our business.

E. Taxation

The following summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences of an investment in our ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report on Form 20-F, all of which are subject to change. This summary does not address all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands Government (or any other taxing authority in the Cayman Islands) currently does not levy taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the Cayman Islands in the nature of inheritance tax or estate duty. There are no other taxes that are likely to have a material impact on us that may be levied by the Government of the Cayman Islands except for stamp duty which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

The China Corporate Income Tax Law ("EIT Law") became effective as of January 1, 2008 and revised in 2007, 2017 and 2018, respectively, and its implementation regulations (Implementing Regulations for the EIT Law) become effective as of January 1, 2008 and revised in 2019. The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income. Under the Implementation Regulations for the EIT Law issued by the PRC State Council, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. In April 2009, the SAT released Circular 82. Under Circular 82, a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" will be considered as a resident enterprise if all of the following conditions are satisfied: (i) the senior management personnel responsible for its daily operations and the place where the senior management departments discharge their responsibilities are located primarily in the PRC; (ii) its finance and human resources related decisions are made by or are subject to the approval of institutions or personnel located in the PRC; (iii) its major assets, books and records, company seals and minutes of its Board of Directors and shareholder meetings are located or kept in the PRC; and (iv) senior management personnel or 50% or more of the members of its Board of Directors with voting power of the enterprise reside in the PRC.

On September 1, 2011, the SAT issued Circular 45, to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Currently we are not recognized as a PRC resident enterprise, but there is a risk that we may be recognized by the PRC tax authorities as a PRC resident enterprise. Pursuant to Circular 45, if we are recognized as a PRC resident enterprise, our worldwide income may be subject to enterprise income tax in China at a rate of 25%, and we would be required to file provisional enterprise income tax returns quarterly and complete an annual settlement before May 31 of each year for the preceding year at the in-charge tax bureau. Further, we would be obliged to withhold the enterprise income tax when we distribute dividends to non-resident enterprise holders of our ordinary shares, and the individual income tax when we distribute dividends to non-resident individual holders of our ordinary shares. Under the EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, and PRC income tax at the rate of 20% is applicable to dividends payable to the investors that are "non-resident individuals," subject to the provision of any applicable agreement for the avoidance of double taxation and to the extent such dividends have their sources within the PRC.

Circular 45 further clarifies that the capital gains derived by the non-resident enterprises from the alienation of shares of the foreign-incorporated resident enterprise are considered as China-sourced income. Under the EIT Law and implementation regulations issued by the PRC State Council, non-resident enterprise holders of our ordinary shares may be subject to enterprise income tax in China at a rate of 10% on the capital gains derived from the transfer of our ordinary shares. Non-resident individual holders of our ordinary shares may be subject to PRC income tax at a rate of 20% on the capital gains derived from the transfer of our ordinary shares to the extent such capital gains are considered as China-sourced income.

For a discussion of the PRC tax consequences of an investment in our ordinary shares, see "Item 3. Key Information-D. Risk Factors-Risks Relating to Conducting Business in China-Under the Enterprise Income Tax Law, or the EIT Law", we may be classified as a "resident enterprise" of the PRC, which could result in unfavorable tax consequences to us and to non-PRC shareholders.

U.S. Federal Income Taxation

The following discussion describes material U.S. federal income tax consequences to U.S. Holders and Non-U.S. Holders (each as defined below) of an investment in our ordinary shares. This discussion applies only to investors that hold the ordinary shares as capital assets and, in the case of U.S. Holders, that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States, including the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury regulations in effect, or, in some cases, proposed, as of the date of this Annual Report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations, including, without limitation:

- banks and certain other financial institutions;
- dealers in securities or currencies;
- insurance companies, regulated investment companies and real estate investment trusts;
- brokers and/or dealers;
- traders that elect the mark-to-market method of accounting;
- tax-exempt entities;
- expatriates or entities subject to the U.S. anti-inversion rules;
- persons liable for alternative minimum tax;
- persons holding ordinary shares as part of a straddle, hedging, constructive sale, conversion transaction or integrated transaction;
- persons holding ordinary shares through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;
- persons who acquired ordinary shares through the exercise of an employee stock option or otherwise as compensation;
- persons that actually or constructively own 10% or more of our voting stock; or
- persons holding ordinary shares through partnerships or other pass-through entities.

(YOU SHOULD CONSULT YOUR OWN TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL INCOME TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS ANY TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-U.S. JURISDICTION AND UNDER ANY APPLICABLE TAX TREATY.)

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds ordinary shares, the tax treatment of a partner in such partnership will depend on the status of the partner and the activities of the partner and the partnership. If you are a partnership holding ordinary shares, or a partner in such a partnership, you should consult your own tax advisors.

Treatment of the UTStarcom as a U.S. Corporation for U.S. Federal Income Tax Purposes

Although UTStarcom is organized as a Cayman Islands corporation, we have been treating UTStarcom as a U.S. corporation for U.S. federal income tax purposes pursuant to Section 7874 of the Code as a result of the Merger. As such, UTStarcom generally is treated as subject to U.S. federal income tax as if it were organized under the laws of the United States or a state thereof. Because we generally treat UTStarcom as a U.S. corporation for all purposes under the Code, we do not intend to treat UTStarcom as a "passive foreign investment company," as such rules apply only to non-U.S. corporations for U.S. federal income tax purposes.

The remainder of this discussion assumes that UTStarcom is treated as a U.S. corporation for all U.S. federal income tax purposes.

Tax Consequences of the Ownership and Disposition of Ordinary Shares to U.S. Holders

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to you if you are the beneficial owner of ordinary shares and you are, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia or otherwise treated as such under applicable U.S. tax law;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Distributions. UTStarcom does not currently anticipate paying distributions on its ordinary shares. In the event that distributions are paid, however, the gross amount of such distributions will be included in the gross income of a U.S. Holder as dividend income on the date of receipt to the extent that the distribution is paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such dividends will be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. Dividends received by non-corporate U.S. holders, including individuals, may be subject to reduced rates of taxation under current law. A U.S. holder may be eligible to claim a foreign tax credit with respect to any PRC withholding tax imposed on dividends paid by us. However, the foreign tax credit rules are complex, and their application in connection with Section 7874 of the Code in the presence of the Agreement Between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the U.S.-PRC Tax Treaty, are not entirely clear at this time. U.S. Holders should consult their own tax advisors with respect to any benefits they may be entitled to under the foreign tax credit rules and the U.S.-PRC Tax Treaty.

To the extent that dividends paid on our ordinary shares exceed current and accumulated earnings and profits, the distributions will be treated first as a tax-free return of tax basis on our ordinary shares, and to the extent that the amount of the distribution exceeds tax basis, the excess will be treated as capital gain.

Sale or Other Disposition. U.S. Holders of our ordinary shares will recognize taxable gain or loss on any sale, exchange, or other taxable disposition of ordinary shares equal to the difference between the amount realized for the ordinary shares and the U.S. Holder's tax basis in those ordinary shares. This gain or loss generally will be capital gain or loss. Non-corporate U.S. Holders, including individuals, may be eligible for reduced tax rates if the ordinary shares have been held for more than one year. The deductibility of capital losses is subject to limitations. A U.S. Holder may be eligible to claim a foreign tax credit with respect to any PRC withholding tax imposed on gain from the sale or other disposition of our ordinary shares. However, the foreign tax credit rules are complex, and their application in connection with Section 7874 of the Code in the presence of the U.S.-PRC Tax Treaty are not entirely clear at this time. U.S. Holders should consult their own tax advisors with respect to any benefits they may be entitled to under the foreign tax credit rules and the U.S.-PRC Tax Treaty.

Medicare Surtax. Certain U.S. Holders who are individuals, trusts or estates are required to pay a 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of shares of stock. U.S. holders should consult their own advisors regarding the effect, if any, of this legislation on their ownership and disposition of our ordinary shares.

Tax Consequences of the Ownership and Disposition of Ordinary Shares to Non-U.S. Holders

The discussion below of the U.S. federal income tax consequences to "Non-U.S. Holders" will apply to you if you are the beneficial owner of ordinary shares and you are, for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation; or
- a foreign trust.

Special rules, not discussed here, may apply to certain Non-U.S. Holders, such as:

- certain former citizens or residents of the United States;

- controlled foreign corporations;
- passive foreign investment companies;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- investors in pass-through entities that are subject to special treatment under the Code.

Further, this discussion assumes that no item of income or gain recognized by any Non-U.S. Holder with respect to the ordinary shares is effectively connected with the conduct of a trade or business within the United States.

Distributions. UTStarcom does not currently anticipate paying distributions on its ordinary shares. In the event that distributions are paid, however, such distributions will constitute dividends for U.S. tax purposes to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that dividends paid on UTStarcom ordinary shares exceed current and accumulated earnings and profits, the distributions will be treated first as a tax-free return of tax basis on the ordinary shares, and to the extent that the amount of the distribution exceeds tax basis, the excess will be treated as capital gain. Any dividends paid to a Non-U.S. Holder by UTStarcom are treated as income derived from sources within the United States and generally will be subject to U.S. federal income tax withholding at a rate of 30% of the gross amount of the dividends, or at a lower rate provided by an applicable income tax treaty if Non-U.S. Holders provide proper certification of eligibility for the lower rate (usually on IRS Form W-8BEN or W-8BEN-E).

If Non-U.S. Holders are eligible for a reduced rate of U.S. withholding tax pursuant to an applicable income tax treaty, such Non-U.S. Holders may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Sale or Other Disposition. Any gain realized upon the sale or other disposition of UTStarcom ordinary shares generally will not be subject to U.S. federal income tax unless:

- the holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are met; or
- UTStarcom is or has been a "U.S. real property holding corporation," or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period during which such Non-U.S. Holder has held the ordinary shares.

Non-U.S. Holders whose gain is described in the first bullet point above will be subject to a flat 30% U.S. federal income tax rate on the gain derived from the sale, which may be offset by U.S.-source capital losses, even though such Non-U.S. Holders are not considered to be residents of the United States. A corporation will be a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the aggregate value of its real property interests (U.S. and non-U.S.) and its assets used or held for use in a trade or business. Because we do not currently own significant U.S. real property, we believe, but our special United States counsel has not independently verified, that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our ordinary shares are regularly traded on an established securities market, such ordinary shares will be treated as U.S. real property interests only if you actually or constructively hold more than five percent of such regularly traded ordinary shares at any time during the applicable period that is specified in the Code.

Backup Withholding and Information Reporting

Payments of dividends or of proceeds on the disposition of stock made to a holder of UTStarcom ordinary shares may be subject to information reporting and backup withholding at a current rate of 24% for taxable years beginning after December 31, 2017, and before January 1, 2026 unless such holder provides a correct taxpayer identification number on IRS Form W-9 (or other appropriate withholding form) or otherwise establishes an exemption from backup withholding, for example by properly certifying your non-U.S. status on a Form W-8BEN, W-8BEN-E or another appropriate version of IRS Form W-8. Payments of dividends to holders generally must be reported annually to the IRS, along with the name and address of the holder and the amount of tax withheld, if any. A similar report is sent to the holder. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in the holder's country of residence.

Backup withholding is not an additional tax; rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code, commonly known as "FATCA," generally impose a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our ordinary shares paid to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). FACTA also generally imposes a U.S. federal withholding tax of 30% on dividends and the gross proceeds of a disposition of our ordinary shares paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. This legislation generally will apply to payments of gross proceeds only if made on or after January 1, 2017. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our ordinary shares.

F.Dividends and Paying Agents

Not Applicable.

G.Statement by Experts

Not Applicable.

H.Documents on Display

The documents concerning our Company referred to in this document and required to be made available to the public are available at the offices of UTStarcom Holdings Corp. at 4th Floor, South Wing, 368 Liuhe Road, Binjiang District, Hangzhou, P.R. China.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

I.Subsidiary Information

See "Item 4. Information on the Company- C. Organizational Structure" for information about our subsidiaries.

J.Annual Report to Security Holders

Not applicable.

ITEM 11-QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the impact of interest rate changes, changes in foreign currency exchange rates and changes in the stock market.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. The fair value of our investment portfolio would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short term nature of most of our investment portfolio. However, our interest income can be sensitive to changes in the general level of U.S. and China interest rates since the majority of our funds are invested in instruments with maturities of less than one year. In a declining interest rate environment, as short term investments mature, reinvestment occurs at less favorable market rates. Given the short term nature of certain investments, anticipated declining interest rates will negatively impact our investment income.

We maintain an investment portfolio of various holdings, types and maturities. We do not use derivative financial instruments. We place our cash investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines. Our policy is to limit the risk of principal loss and to ensure the safety of invested funds by generally attempting to limit market risk. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2023, the carrying value of our cash and cash equivalents approximated fair value. As of December 31, 2023 approximately \$13.6 million, \$15.3 million, \$4.3 million and \$16.4 million were held by subsidiaries in India, China, Japan and US.

The table below represents carrying amounts and related weighted-average interest rates of our investment portfolio at December 31, 2023 and 2022:

	2023	December 31, (in thousands)	2022
Cash and cash equivalents	\$	49,968	\$ 54,517
Average interest rate		3.75 %	3.16 %
Restricted cash short-term	\$	7,117	\$ 9,862
Average interest rate		2.17 %	3.40 %
Short-term investments	\$	490	\$ 138
Average interest rate		— %	— %
Restricted cash long-term	\$	2,562	\$ 2,480
Average interest rate		4.00 %	4.00 %
Total investment securities	\$	60,137	\$ 66,997
Average interest rate		3.54 %	3.22 %

Foreign Exchange Rate Risk

As a multinational company, we conduct our business in a wide variety of currencies and are therefore subject to market risk for changes in foreign exchange rates. We expect to continue to expand our business globally and, as such, expect that an increasing proportion of our business may be denominated in currencies other than U.S. dollars. As a result, fluctuations in foreign currencies may have a material impact on our business, results of operations and financial condition.

In 2023, the majority of our foreign-currency denominated sales have been made in Japan, denominated in Japanese yen. The balance of our cash and cash equivalents held in Japanese Yen was \$3.7 million at December 31, 2023. Historically, the exchange rate between Japanese Yen and U.S. dollar has been volatile. Additionally, the majority of our expenses are denominated in RMB. Due to China's currency exchange control regulations, we are limited in our ability to convert and repatriate RMB, as well as in our ability to engage in foreign currency hedging activities in China. The balance of our cash and cash equivalents held in RMB was \$1.4 million at December 31, 2023. We also made significant sales in Indian rupees in 2023, 2022 and 2021.

We may manage foreign currency exposures using forward and option contracts to hedge and thus minimize exposure to the risk of the eventual net cash inflows and outflows resulting from foreign currency denominated transactions with customers, suppliers, and non-U.S. subsidiaries; however, we are not currently hedging any such transactions. As our foreign currency balances are not currently hedged, any significant revaluation of our foreign currency exposures may materially and adversely affect our business, results of operation and financial condition. We do not enter into foreign exchange forward or option contracts for trading purposes.

ITEM 12-DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not Applicable.

B. Warrants and Rights

Not Applicable.

C. Other Securities

Not Applicable.

D. American Depositary Shares

Not Applicable.

PART II

ITEM 13-DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable.

ITEM 14-MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

ITEM 15-CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has performed an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our management has concluded that, as of December 31, 2023, our disclosure controls and procedures were ineffective because of the material weakness described below under "Management's Annual Report on Internal Control over Financial Reporting." We continue to undertake remedial steps to address the material weaknesses in our disclosure controls and procedures as set forth below under "Management's Plan for Remediation of Material Weaknesses."

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, for our Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As required by Section 404 of the Sarbanes Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, our management, including our CEO and CFO, assessed the effectiveness of internal control over financial reporting as of December 31, 2023 using the criteria set forth in the report "Internal Control-Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of management's evaluation of our internal control over financial reporting, the following material weakness in our internal control over financial reporting was identified as of December 31, 2023.

(i) The Company did not have sufficient resources with an appropriate level of knowledge and experience in U.S. GAAP to properly account for complex accounting issues under U.S. GAAP. Complex issues such as investment accounting, impairment assessment and loss contract reserve may not be accounted for properly in the future.

The material weakness described above may result in misstatement of the Company's consolidated financial statements that would result in a material misstatement to the Company's quarterly or annual consolidated financial statements that would not be prevented or detected. As a result of the material weakness, management has concluded that our internal control over financial reporting was ineffective as of December 31, 2023.

Management's Plan for Remediation of Material Weaknesses

Our management has been engaged in, and continues to be engaged in making necessary changes and improvements to the overall design of its control environment to address the material weaknesses in internal control over financial reporting and the ineffectiveness of the Company's disclosure controls and procedures described above.

(i) To remediate the material weakness described above with respect to controls over complex transactions, we have and plan to continue to (1) retain additional accounting personnel with appropriate knowledge and experience; (2) provide more comprehensive training on U.S. GAAP to our accounting team and other relevant personnel; (3) conduct peer financial statements review and validation within finance team for items that are complex in nature; and (4) continue to engage an external consultant to review the accounting of our complex transactions. We plan to continue to assess our standardized processes to further enhance the effectiveness of our financial review, including the analysis and monitoring of financial information in a consistent and thorough manner.

Changes in Internal Control over Financial Reporting

Management has evaluated, with the participation of our CEO and CFO whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has concluded that, other than controls implemented for the remediation of the material weakness in internal control over financial reporting identified in 2016 as disclosed above, no such changes occurred during the period covered by this annual report on Form 20-F.

Attestation Report of the Independent Public Accounting Firm

This Annual Report on Form 20-F does not include an attestation report of our independent public accounting firm because we are neither an accelerated filer nor a large accelerated filer, as such terms are defined in Rule 12b-2 under the Exchange Act.

ITEM 16A-AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Sean Shao qualifies as an Audit Committee Financial Expert as defined by the applicable rules of the SEC and that Mr. Shao is "independent" as that term is defined in NASDAQ Marketplace Rule 5605(c)(2)(A). Please refer to "Item 6. Directors, Senior Management and Employees-A. Directors and Senior Management-Biographical Information" for a brief biographical listing of Mr. Shao's relevant experience.

ITEM 16B-CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all employees including our principal executive officers. The Code of Ethics is designed to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we are required to file to the SEC and in other public communications, (iii) compliance with applicable laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or entity, and (v) accountability for adherence to the Code of Ethics.

As a supplement to the Code of Business Conduct and Ethics, we have also adopted a Code of Ethics for Chief Executive Officer and Senior Financial Officers, which is designed to highlight the legal and ethical obligations of the Chief Executive Officer and financial officers. The Code of Ethics for Financial Officers imposes upon applicable officers certain additional internal reporting requirements for acts committed in violation of the Code of Business Conduct and Ethics and/or the securities laws.

Copies of the Code of Business Conduct and Ethics and the Code of Ethics for Chief Executive Officer and Senior Financial Officers are available on our website at <https://www.utstarcom.com/?q=code-business-conduct-and-ethics> and <https://www.utstarcom.com/?q=code-ethics-chief-executive-officer-and-senior-financial-officers>. Any amendment or waiver of the Code of Ethics or Code of Ethics for Financial Officers pertaining to a member of our Board or one of our executive officers will be disclosed on our website at <http://www.utstar.com>. Information contained in our website is not incorporated by reference into this Form 20-F and you should not consider information on our website to be part of this Form 20-F.

ITEM 16C-PRINCIPAL ACCOUNTANT FEES AND SERVICES

Disclosure of Fees Charged by Independent Accountants

The aggregate fees billed for professional accounting services by Grant Thornton Zhitong Certified Public Accountants LLP and its affiliates for the fiscal year ended December 31, 2023 and 2022 are as follows:

	Years Ended December 31,	
	2023	2022
	(in thousands)	
Audit fees ⁽¹⁾	\$ 462	\$ 450
Audit-related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	2	4
Total	<u>\$ 464</u>	<u>\$ 454</u>

(1) Audit fees are fees for professional services rendered for the audit of our consolidated financial statements, for review of interim consolidated financial information included in quarterly reports or earnings releases, and for services that are normally provided by Grant Thornton Zhitong Certified Public Accountants LLP and its affiliates in connection with statutory and regulatory filings or engagements in 2023 and 2022.

(2) Audit-related fees represent aggregate fees paid or accrued for professional services rendered for accounting consultations and other procedures performed with respect to certain UTStarcom acquisition and divestiture efforts.

(3) Tax fees are fees for tax services related to tax compliance, tax planning and tax advice.

The Audit Committee has determined that the provision to us by independent registered public accounting firms of non-audit services as listed above is compatible with independent registered public accounting firms maintaining its independence.

Audit Committee Pre-approval Policies and Procedures

Our Audit Committee has adopted procedures which set forth the manner in which the committee will review and approve all audit and non-audit services to be provided by an independent registered public accounting firm before that firm is retained for such services. The pre-approval procedures are as follows:

- Any audit or non-audit service to be provided to us by the independent accountant must be submitted to the Audit Committee for review and approval, with a description of the services to be performed and the fees to be charged.
- The Audit Committee in its sole discretion then approves or disapproves the proposed services and documents such approval, if given, through written resolutions or in the minutes of meetings, as the case may be.

ITEM 16D-EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

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

On November 12, 2014, our Board of Directors approved a share repurchase program of up to \$40 million of our outstanding shares over the next 24 months, and subsequently extended to November 2018 approved by our Board of Directors. On November 4, 2018, our Board of Directors approved for extension of the repurchase plan to November 2019. In September 2019, the Board has approved to extend two additional years. In September 2021, the Company's Board of Directors approved to extend this program to March 2022. In March 2022, the Board approved an extension for this program to the end of March 2023. In March 2023, the Board has approved to extend one additional year. In March 2024, the Board of Directors approved a one-year extension for this program. During the repurchase program period, we will maintain flexibility to turn the program to an accelerated repurchase program and/or a cash tender offer, and we are not obligated to make repurchases at any specific time or situation. Our Board of Directors will review the share repurchase program periodically and may authorize adjustment of its terms and size accordingly. We plan to fund any share repurchases made under this program from our available cash balance. Purchases under the program are as follows:

Period	Total Number of shares (or Units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum approximate dollar value that may yet be purchased under the Plans
December 2014	41,605	\$ 10.52	41,605	\$ 39,561,613
January 2015	51,818	\$ 11.60	93,423	\$ 38,960,627
February 2015	47,921	\$ 11.00	141,345	\$ 38,434,451
March 2015	37,510	\$ 10.72	178,854	\$ 38,032,006
April 2015	35,674	\$ 10.60	214,528	\$ 37,654,473
May 2015	6,861	\$ 8.68	221,389	\$ 37,594,886
June 2015	82,176	\$ 8.04	303,565	\$ 36,935,426
July 2015	39,080	\$ 7.64	342,645	\$ 36,636,344
August 2015	36,494	\$ 7.80	379,138	\$ 36,352,399
September 2015	25,825	\$ 8.08	404,963	\$ 36,143,984
October 2015	13,875	\$ 8.88	418,838	\$ 36,020,775
November 2015	5,343	\$ 8.80	424,181	\$ 35,973,850
December 2015	8,250	\$ 8.80	432,431	\$ 35,901,220
January 2016	41,348	\$ 8.80	473,779	\$ 35,538,178
February 2016	20,165	\$ 8.48	493,944	\$ 35,367,443
March 2016	44,097	\$ 8.04	538,040	\$ 35,012,890
April 2016	126,398	\$ 7.20	664,439	\$ 34,102,109
May 2016	97,662	\$ 8.08	762,101	\$ 33,313,145
June 2016	36,636	\$ 7.96	798,986	\$ 33,021,480
July 2016	19,053	\$ 7.72	817,789	\$ 32,874,525
August 2016	59,776	\$ 8.20	877,565	\$ 32,384,860
September 2016	9,125	\$ 8.64	886,690	\$ 32,306,056
October 2016	—	—	886,690	\$ 32,306,056
November 2016	28,050	\$ 7.92	914,740	\$ 32,083,499
December 2016	31,355	\$ 7.92	946,095	\$ 31,835,274
January 2017	3,095	\$ 7.96	949,190	\$ 31,810,649
February 2017	—	—	949,190	\$ 31,810,649
March 2017	15,090	\$ 7.56	964,279	\$ 31,696,485
April 2017	—	—	964,279	\$ 31,696,485
May 2017	—	—	964,279	\$ 31,696,485
June 2017	—	—	964,279	\$ 31,696,485
July 2017	—	—	964,279	\$ 31,696,485
August 2017	—	—	964,279	\$ 31,696,485
September 2017	—	—	964,279	\$ 31,696,485
October 2017	—	—	964,279	\$ 31,696,485
November 2017	—	—	964,279	\$ 31,696,485
December 2017	—	—	964,279	\$ 31,696,485
January 2018	—	—	964,279	\$ 31,696,485
February 2018	—	—	964,279	\$ 31,696,485
March 2018	—	—	964,279	\$ 31,696,485
April 2018	19,235	\$ 19.64	983,514	\$ 31,318,604
May 2018	16,665	\$ 19.60	1,000,179	\$ 30,992,244
June 2018	24,936	\$ 17.24	1,025,115	\$ 30,561,925
July 2018	19,415	\$ 15.92	1,044,530	\$ 30,252,886
August 2018	22,941	\$ 14.92	1,067,471	\$ 29,910,383
September 2018	15,201	\$ 15.32	1,082,671	\$ 29,677,303
October 2018	18,598	\$ 15.60	1,101,269	\$ 29,387,290
November 2018	—	—	1,101,269	\$ 29,387,290
December 2018	18,952	\$ 11.40	1,120,221	\$ 29,171,485
January 2019	15,236	\$ 12.56	1,135,456	\$ 28,980,292
February 2019	1,219	\$ 13.84	1,136,675	\$ 28,963,424
March 2019	—	—	1,136,675	\$ 28,963,424
April 2019	14,193	\$ 13.58	1,150,868	\$ 28,770,717
May 2019	19,355	\$ 13.13	1,170,223	\$ 28,516,626
June 2019	15,615	\$ 12.52	1,185,838	\$ 28,321,171
July 2019	7,140	\$ 12.39	1,192,978	\$ 28,232,705
August 2019	9,457	\$ 11.68	1,202,435	\$ 28,232,702
September 2019	—	—	1,202,435	\$ 28,232,702
October 2019	—	—	1,202,435	\$ 28,232,702
November 2019	—	—	1,202,435	\$ 28,232,702
December 2019	—	—	1,202,435	\$ 28,232,702
January 2020	175	\$ 11.12	1,202,610	\$ 28,230,756
February 2020	4,457	\$ 10.59	1,207,066	\$ 28,183,547
March 2020	6,292	\$ 9.50	1,213,358	\$ 28,123,762
April 2020	1,725	\$ 6.82	1,215,083	\$ 28,111,993
May 2020	504	\$ 7.10	1,215,587	\$ 28,108,414
June 2020	4,708	\$ 7.04	1,220,295	\$ 28,075,271
July 2020	20,202	\$ 6.85	1,240,497	\$ 27,936,878
August 2020	11,770	\$ 6.64	1,252,267	\$ 27,858,745

September 2020	—	—	1,252,267	\$	27,858,745
October 2020	—	—	1,252,267	\$	27,858,745
November 2020	—	—	1,252,267	\$	27,858,745
December 2020	—	—	1,252,267	\$	27,858,745
January 2021	—	—	1,252,267	\$	27,858,745
February 2021	—	—	1,252,267	\$	27,858,745
March 2021	—	—	1,252,267	\$	27,858,745
April 2021	—	—	1,252,267	\$	27,858,745
May 2021	—	—	1,252,267	\$	27,858,745
June 2021	—	—	1,252,267	\$	27,858,745
July 2021	—	—	1,252,267	\$	27,858,745
August 2021	—	—	1,252,267	\$	27,858,745
September 2021	—	—	1,252,267	\$	27,858,745
October 2021	—	—	1,252,267	\$	27,858,745
November 2021	—	—	1,252,267	\$	27,858,745
December 2021	—	—	1,252,267	\$	27,858,745
January 2022	3,925	\$ 3.20	1,256,192	\$	27,846,200
February 2022	—	—	1,256,192	\$	27,846,200
March 2022	—	—	1,256,192	\$	27,846,200
April 2022	—	—	1,256,192	\$	27,846,200
May 2022	—	—	1,256,192	\$	27,846,200
June 2022	—	—	1,256,192	\$	27,846,200
July 2022	—	—	1,256,192	\$	27,846,200
August 2022	—	—	1,256,192	\$	27,846,200
September 2022	—	—	1,256,192	\$	27,846,200
October 2022	—	—	1,256,192	\$	27,846,200
November 2022	—	—	1,256,192	\$	27,846,200
December 2022	—	—	1,256,192	\$	27,846,200
January 2023	—	—	1,256,192	\$	27,846,200
February 2023	—	—	1,256,192	\$	27,846,200
March 2023	—	—	1,256,192	\$	27,846,200
April 2023	—	—	1,256,192	\$	27,846,200
May 2023	—	—	1,256,192	\$	27,846,200
June 2023	—	—	1,256,192	\$	27,846,200
July 2023	—	—	1,256,192	\$	27,846,200
August 2023	—	—	1,256,192	\$	27,846,200
September 2023	—	—	1,256,192	\$	27,846,200
October 2023	—	—	1,256,192	\$	27,846,200
November 2023	—	—	1,256,192	\$	27,846,200
December 2023	—	—	1,256,192	\$	27,846,200
January 2024	—	—	1,256,192	\$	27,846,200
February 2024	—	—	1,256,192	\$	27,846,200
March 2024	—	—	1,256,192	\$	27,846,200

*On June 28, 2022, we effected a one-for-four reverse share split of our ordinary shares. Unless otherwise specified, all share and per share information has been retroactively adjusted to reflect this reverse share split.

ITEM 16F-CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G-CORPORATE GOVERNANCE

We are incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law as well as our memorandum and articles of association. In addition, because our ordinary shares are listed on NASDAQ, we are subject to NASDAQ's corporate governance requirements.

NASDAQ Marketplace Rule 5620(a) requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year end. However, NASDAQ Marketplace Rule 5615(a)(3) permits a foreign private issuer like us to follow home country practices in lieu of certain requirements of Rule 5600, provided that such foreign private issuer discloses in its annual report filed with the SEC each requirement of Rule 5600 that it does not follow and describes the home country practice followed in lieu of such requirement. We follow home country practice with respect to annual meetings and did not hold an annual shareholder meeting in 2023. Our Cayman Islands counsel has provided a letter to NASDAQ certifying that under Cayman Islands law, we are not required to hold annual shareholder meetings. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders' approvals.

ITEM 16H-MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 16I-DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

ITEM 16J-INSIDER TRADING POLICIES

We have an Insider Trading Policy. The version currently in effect was amended and adopted on April 25, 2014.

ITEM 16K-CYBERSECURITY

Risk Management and Strategy

We have implemented cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have adopted a proactive approach to risk management by implementing robust cybersecurity measures. With the deployment of an information security system, including network, host, and application security, and incorporating systematic security capabilities for threat defense, monitoring, analysis, response, deception, and countermeasures, we aim to mitigate potential cyber threats and unauthorized access to our systems and networks. However, it's essential to acknowledge that despite these efforts, risks may persist. To address this, we continually evaluate our cybersecurity strategy, identifying gaps and implementing additional controls where necessary. Our risk management framework emphasizes regular assessments, incident response planning, and employee training to enhance our resilience against evolving cyber threats. By maintaining a vigilant stance and investing in cybersecurity best practices, we strive to safeguard our operations and protect the interests of our stakeholders.

We do not currently engage any assessors, consultants, auditors or other third parties in connection with the processes for assessing, identifying, and managing material risks from cybersecurity threats. As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our board of directors is responsible for overseeing the Company's cybersecurity risk management and being informed on risks from cybersecurity threats. The board shall review, approve and maintain oversight of the disclosure (i) on Form 6-K for material cybersecurity incidents (if any) and (ii) related to cybersecurity matters in the periodic reports (including annual report on Form 20-F) of the Company.

In addition, our management, in consulting with our IT experts, oversees and manages cybersecurity related matters and formulates policies as necessary. Our management reports to our board regarding its assessment, identification and management on material risks from cybersecurity threats happened in the ordinary course of our business operations. If a cybersecurity incident occurs, our management will promptly organize relevant personnel for internal assessment and seek the opinions of external experts and legal advisors if necessary. If it is determined that the incident could potentially be a material cybersecurity event, our management will promptly report the investigation and assessment results to our board and our board will decide on the relevant response measures and whether any disclosure is necessary. If such disclosure is determined to be necessary, our management shall promptly prepare disclosure material for review and approval by our board before it is disseminated to the public.

PART III

ITEM 17-FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18-FINANCIAL STATEMENTS

The audited consolidated financial statements of UTStarcom Holdings Corp. and its subsidiaries are included at the end of this Annual Report.

ITEM 19-EXHIBITS

Exhibit Number	Description	Form	Incorporated by Reference From Exhibit Number	Date Filed
1.1	Third Amended and Restated Memorandum and Articles of Association (incorporated herein by reference to the Third Amended and Restated Memorandum and Articles of Association of UTStarcom Holdings Corp. in Exhibit 99.1 to the Registrant's Current Report filed on May 27, 2022 (File No. 001-35216))	6-K	99.1	5/27/2022
2.1	Description of share capital of the Registrant (incorporated herein by reference to the section titled "Share Capital" in Exhibit 99.1 to the Registrant's Current Report filed on May 27, 2022 (File No. 001-35216))	6-K	99.1	5/27/2022
4.1	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of Form F-4 (File No. 333-173828) filed with the SEC on May 2, 2011.	F-4	10.1	5/02/2011
4.2	Stockholder Rights Agreement, made as of February 1, 2010, by and between UTStarcom, Inc. and Beijing E-town International Investment and Development Co., Ltd.	8-K	4.1	2/4/2010
4.3	2006 Equity Incentive Plan, as adopted on July 21, 2006.	S-8/A	4.1	3/10/2020
4.4	2017 Equity Incentive Plan, as adopted on January 1, 2017.	S-8/A	4.1	3/10/2020
4.5	Form of Stock Option Award Agreement for use under 2017 Equity Incentive Plan.	20-F	4.5	4/17/2019
4.6	Form of Stock Option Agreement for Directors and Officers for use under the 2017 Equity Incentive Plan.	20-F	4.6	4/17/2019
4.7	Form of Notice of Grant of Restricted Stock for use under the 2017 Equity Incentive Plan.	20-F	4.7	4/17/2019
4.8	Form of Notice of Grant of Restricted Stock Units for use under the 2017 Equity Incentive Plan.	20-F	4.8	4/17/2019
4.9	Form of Notice of Grant of Performance Shares for use under the 2017 Equity Incentive Plan.	20-F	4.9	4/17/2019
4.10	Form of Notice of Grant of Performance Units for use under the 2017 Equity Incentive Plan.	20-F	4.10	4/17/2019
4.11	UTStarcom, Inc. Amended and Restated Executive Involuntary Termination Severance Pay Plan.	10-Q	10.2	5/8/2009
4.12	Letter dated November 13, 2017 from GHP Horwath, P.C.	20-F	4.14	11/14/2017
4.13	Letter dated November 14, 2017 from Crowe Horwath LLP	20-F	4.15	11/14/2017
8.1	Subsidiaries of UTStarcom Holdings Corp.	Filed herewith	—	—
11.1	Insider Trading Policy	Filed herewith	—	—
12.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith	—	—
12.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith	—	—
13.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith	—	—
13.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith	—	—
15.1	Consent of Grant Thornton Zhitong Certified Public Accountants LLP	Filed herewith	—	—
97.1	Policy of the Recovery of Erroneously Awarded Compensation	Filed herewith	—	—
101.INS	Inline XBRL Instance Document	Filed herewith		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith		
104	The cover page for the Company's Annual Report on Form 20-F for the year ended December 31, 2023, has been formatted in Inline XBRL and contained in Exhibit 101	Filed herewith		

SIGNATURES

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.

UTSTARCOM HOLDINGS CORP.

Date: April 29, 2024

By: /s/ Hua Li

Name: Hua Li

Title: *Chief Executive Officer*

UTSTARCOM HOLDINGS CORP.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of UTStarcom Holdings Corp.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of UTStarcom Holdings Corp. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results 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 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 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 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 supporting the amounts and disclosures in the 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 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 financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the 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.

Valuation of accounts receivable

As further described in Note 2 to the consolidated financial statements, management estimates the allowance for accounts receivable using a current expected credit losses methodology. We identified the valuation of accounts receivable as a critical audit matter.

The principal considerations for our determination that the valuation of accounts receivable is a critical audit matter are the involvement of significant subjective judgment and estimate by management related to portfolio composition and expected loss rates. These considerations require a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management's estimate.

Our audit procedures in relation to the valuation of accounts receivable included the following, among others:

- confirming accounts receivable balances with customers on a sample basis;
- obtaining an understanding of management's process and methodology used to develop the allowance estimate;
- testing the completeness and accuracy of key data used in the model;
- evaluating the reasonableness of management's significant assumptions related to portfolio composition and expected loss rates; and
- performing a retrospective review by comparing subsequent actual credit losses with historical estimates to evaluate management's ability to reasonably estimate the allowance.

/s/ GRANT THORNTON ZHITONG CERTIFIED PUBLIC ACCOUNTANTS LLP

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

Shanghai, China
April 29, 2024

UTSTARCOM HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,968	\$ 54,517
Notes receivable	490	138
Accounts receivable, net of allowances for credit losses of \$1,353 and \$2,682 in 2023 and 2022, respectively	8,380	11,867
Inventories	795	1,269
Deferred costs	91	53
Prepaid and other current assets	3,755	4,095
Short-term restricted cash	7,117	9,862
Total current assets	70,596	81,801
Property, plant and equipment, net	610	604
Operating lease right-of-use assets, net	2,649	2,969
Deferred tax assets	551	837
Long-term restricted cash	2,562	2,480
Other long-term assets	512	539
Total assets	<u>77,480</u>	<u>89,230</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	7,959	12,974
Income taxes payable	8,509	8,349
Customer advances	226	123
Deferred revenue	72	79
Operating lease liabilities, current	1,184	1,228
Employee payroll and compensation	2,500	2,205
Other current liabilities	2,938	3,893
Total current liabilities	23,388	28,851
Long-term deferred revenue	28	21
Operating lease liabilities, non-current	1,660	1,894
Other long-term liabilities	1,021	1,000
Total liabilities	26,097	31,766
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Ordinary shares: \$0.015 par value; 62,500 authorized shares; 10,370 and 10,329 shares issued at December 31, 2023 and December 31, 2022, respectively; 9,114 and 9,073 shares outstanding at December 31, 2023 and December 31, 2022, respectively (Note 1)(1)	123	123
Additional paid-in capital	1,267,742	1,267,445
Treasury stock, at cost: 1,256 and 1,256 shares at December 31, 2023 and December 31, 2022, respectively (1)	(12,335)	(12,335)
Accumulated deficit	(1,255,060)	(1,251,209)
Accumulated other comprehensive income	50,913	53,440
Total shareholders' equity	51,383	57,464
Total liabilities and shareholders' equity	<u>\$ 77,480</u>	<u>\$ 89,230</u>

(1)Authorized share capital of the Company was amended by the consolidation of the existing 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value each effective from June 28, 2022.

See accompanying notes to consolidated financial statements

UTSTARCOM HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, except per share data)

	Years ended December 31,		
	2023	2022	2021
Net sales (1)			
Products	\$ 4,594	\$ 2,284	\$ 2,323
Services	11,159	11,768	13,598
	15,753	14,052	15,921
Cost of net sales			
Products	3,666	2,902	6,681
Services	7,697	8,483	10,315
	11,363	11,385	16,996
Gross profit (loss)	4,390	2,667	(1,075)
Operating expenses:			
Selling, general and administrative (2)	5,318	2,292	(2,642)
Research and development	5,881	4,762	6,886
Total operating expenses	11,199	7,054	4,244
Operating loss	(6,809)	(4,387)	(5,319)
Interest income	2,208	2,154	1,136
Other income (expense), net	2,024	(706)	1,649
Loss before income taxes	(2,577)	(2,939)	(2,534)
Income tax expense	(1,274)	(2,063)	(3,294)
Net loss	\$ (3,851)	\$ (5,002)	\$ (5,828)
Net loss per share Basic (3)	\$ (0.42)	\$ (0.55)	\$ (0.65)
Net loss per share Diluted (3)	\$ (0.42)	\$ (0.55)	\$ (0.65)
Weighted average shares outstanding-Basic (3)	9,113	9,056	9,007
Weighted average shares outstanding-Diluted (3)	9,113	9,056	9,007
Net loss	(3,851)	(5,002)	(5,828)
Other comprehensive loss, net of tax			
Net change in cumulative translation adjustment	(2,527)	(6,495)	(3,726)
Comprehensive loss	\$ (6,378)	\$ (11,497)	\$ (9,554)

(1) Revenue recognized for the years ended December 31, 2023, 2022 and 2021 that was included in deferred revenue (including current and non-current) and customer advances as of the beginning of each year was \$0.1 million, \$0.3 million and \$0.4 million, respectively.

(2) Reversals of credit losses of \$1.3 million, \$3.5 million and \$9.2 million were recognized as selling expenses in 2023, 2022 and 2021, respectively.

(3) Authorized share capital of the Company was amended by the consolidation of the existing 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value each effective from June 28, 2022. Net loss per share attributable to UTStarcom Holding Corp. (basic and diluted) for 2021 have been recomputed to reflect retroactively the one-for-four reverse share split.

See accompanying notes to consolidated financial statements

UTSTARCOM HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Ordinary Shares		Additional		(Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares outstanding(1)	Amount	Paid-in Capital	Treasury Stock			
	(In thousands, except number of shares)						
Balance at December 31, 2020	8,974,568	\$ 123	\$ 1,266,318	\$ (12,322)	\$ (1,240,379)	\$ 63,661	\$ 77,401
Restricted shares issued and restricted share units released	53,917	—	504	—	—	—	504
Net loss	—	—	—	—	(5,828)	—	(5,828)
Other comprehensive loss:							
Foreign currency translation	—	—	—	—	—	(3,720)	(3,720)
CTA recognition on liquidation of subsidiaries	—	—	—	—	—	(6)	(6)
Balance at December 31, 2021	9,028,485	\$ 123	\$ 1,266,822	\$ (12,322)	\$ (1,246,207)	\$ 59,935	\$ 68,351
Option exercise	4,430	—	20	—	—	—	20
Cancellation of restricted shares issued	(4,702)	—	—	—	—	—	—
Share buyback	(3,925)	—	—	(13)	—	—	(13)
Restricted shares issued and restricted share units released	48,795	—	603	—	—	—	603
Net loss	—	—	—	—	(5,002)	—	(5,002)
Other comprehensive loss:							
Foreign currency translation	—	—	—	—	—	(6,495)	(6,495)
Balance at December 31, 2022	9,073,083	\$ 123	\$ 1,267,445	\$ (12,335)	\$ (1,251,209)	\$ 53,440	\$ 57,464
Option exercise	843	—	4	—	—	—	4
Restricted shares issued and restricted share units released	39,844	—	293	—	—	—	293
Net loss	—	—	—	—	(3,851)	—	(3,851)
Other comprehensive loss:							
Foreign currency translation	—	—	—	—	—	(2,527)	(2,527)
Balance at December 31, 2023	9,113,770	\$ 123	\$ 1,267,742	\$ (12,335)	\$ (1,255,060)	\$ 50,913	\$ 51,383

(1) Authorized share capital of the Company was amended by the consolidation of the existing 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value each effective from June 28, 2022. The outstanding shares and treasury stock shares for 2021 have been adjusted retroactively to reflect the one-for-four reverse share split.

See accompanying notes to consolidated financial statements

UTSTARCOM HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years ended December 31,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (3,851)	\$ (5,002)	\$ (5,828)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	230	206	372
Lease amortization	1,200	994	1,429
Net gain on disposal of assets	(25)	(2)	(33)
Gain on liquidation of a subsidiary	—	—	(6)
Reversal of guarantee obligations (ASC 460) reserve upon expiration of statute of limitations	(21)	(21)	(42)
Stock-based compensation expense	293	603	504
Recovery of credit losses	(1,315)	(3,465)	(9,158)
Allowance for inventory	133	682	4,573
Deferred income taxes	275	1,135	2,052
Changes in operating assets and liabilities			
Accounts receivable	4,802	19,043	31,336
Inventories and deferred costs	303	(448)	578
Prepaid and other assets	(854)	1,693	(4,595)
Accounts payable	(5,015)	(6,057)	(6,089)
Income taxes payable	181	(417)	2,832
Customer advances	103	(108)	(160)
Deferred revenue	—	(6)	(329)
Other liabilities	(917)	(1,553)	2,393
Net cash provided by (used in) operating activities	(4,478)	7,277	19,829
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(255)	(250)	(348)
Proceeds from sale of short-term investments	—	—	2,100
Net cash provided by (used in) investing activities	(255)	(250)	1,752
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	4	20	—
Repurchase of ordinary shares	—	(13)	—
Net cash provided by financing activities	4	7	—
Effect of exchange rate changes on cash and cash equivalents	(2,483)	(6,451)	(3,693)
Net increase (decrease) in cash and cash equivalents	(7,212)	583	17,888
Cash, cash equivalents and restricted cash at beginning of year	66,859	66,276	48,388
Cash, cash equivalents and restricted cash at end of year	<u>\$ 59,647</u>	<u>\$ 66,859</u>	<u>\$ 66,276</u>
Supplemental disclosure of cash flow information:			
Cash paid:			
Income taxes paid	\$ 963	\$ 1,342	\$ 800

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1-BASIS OF PRESENTATION, LIQUIDITY

UTStarcom Holdings Corp., a Cayman Islands corporation incorporated in 2011 and its wholly owned subsidiaries (collectively, the "Company"), is a global telecom infrastructure provider dedicated to developing technology that will serve the rapidly growing demand for bandwidth from mobile, streaming and other applications. The Company works with carriers in different countries, to meet this demand through a range of innovative broadband packet optical transport and wireless/fixed-line access products and solutions.

UTStarcom, Inc. was founded in 1991 and started trading on NASDAQ in 2000. On June 24, 2011, the shareholders of UTStarcom, Inc. approved the proposed merger (the "Merger"), to reorganize UTStarcom, Inc. as a Cayman Islands company. Pursuant to the approval of the shareholders, UTSI Mergeco Inc., a Delaware corporation and a wholly-owned subsidiary of UTStarcom Holdings Corp., merged with and into the existing public company, UTStarcom, Inc., which is incorporated under the laws of the State of Delaware. As a result of the reorganization, UTStarcom Holdings Corp. became the parent company of UTStarcom, Inc. and its subsidiaries.

Also pursuant to the Merger, the Company issued an equal number of ordinary shares in exchange for the common stock of UTStarcom, Inc. The Company's business is conducted in substantially the same manner as was conducted by UTStarcom, Inc. The transaction was accounted for as a legal re-organization of entities under common control. The accompanying consolidated financial statements include the accounts of the Company and its wholly- and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the preparation of the consolidated financial statements.

The accompanying Consolidated Balance Sheets as of December 31, 2023 and 2022 and the Consolidated Statements of Comprehensive Loss for each of the three years ended December 31, 2023, 2022 and 2021 have been prepared by the Company in conformity with generally accepted accounting principles in the United States of America ("US GAAP").

The accompanying consolidated financial statements are presented on the basis that the Company is a going concern. The going concern assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and considers the Company's current financial status, business operation, market strategy, and products development in the twelve months following the issuance date of these financial statements. The Company has concluded there was no substantial doubt about the Company's ability to continue as a going concern.

The Company incurred net losses of \$3.9 million, \$5.0 million and \$5.8 million for the years ended December 31, 2023, 2022 and 2021, respectively. As of December 31, 2023 and 2022, the Company had an accumulated deficit of \$1,255.1 million and \$1,251.2 million, respectively. The Company's operations used net cash of \$4.5 million, provided net cash of \$7.3 million and provided net cash of \$19.8 million for the years ended December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 2022, the Company had cash and cash equivalents of \$50.0 million and \$54.5 million, of which \$15.3 million and \$13.5 million, respectively, were held by subsidiaries in China. China imposes currency exchange controls on certain transfers of cash to and from China. The Company's China subsidiaries are subject to pre-approval from the State Administration of Foreign Exchange ("SAFE") for non-domestic financing. Additionally, the amount of cash available for transfer from the China subsidiaries for use by the Company's non-China subsidiaries is also limited both by the liquidity needs of the subsidiaries in China and restrictions on foreign currency exchange by Chinese-government mandated limitations including currency exchange controls on certain transfers of cash outside of China. As of December 31, 2023, the Company's China subsidiaries have no accumulated profit, as determined in accordance with Chinese accounting standards, that can be paid as dividends. In 2023, 2022 and 2021, the Company's China subsidiaries did not pay dividends.

On June 28, 2022, the Company effected a one-for-four reverse share split of its ordinary shares. Unless otherwise specified, all share and per share information in this annual report has been retroactively adjusted to reflect this reverse share split.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant judgment and estimates are used for revenue recognition, allowances for credit losses on accounts receivable and sales returns, tax valuation allowances, inventory write-down, impairment of property, plant and equipment, deferred costs, accrued product warranty costs, provisions for contract losses, investment impairments, going concern assessment, stock-based compensation expense, and loss contingencies among others. Actual results could differ materially from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents consist of highly liquid instruments with maturities of three months or less when acquired. Approximately 33.0%, or \$16.5 million and 20.6%, or \$11.3 million of cash and cash equivalents were held by the Company's subsidiaries in the United States as of December 31, 2023 and 2022, respectively. The remainder was held by the other UTStarcom entities throughout the world. As of December 31, 2023 and 2022, approximately 30.7%, or \$15.3 million and 24.7%, or \$13.5 million, of the Company's cash and cash equivalents were held by its subsidiaries in China, respectively. China imposes currency exchange controls on transfers of cash outside of China.

Restricted Cash:

As of December 31, 2023, the Company had short-term restricted cash of \$7.1 million, and long-term restricted cash of \$2.6 million. As of December 31, 2022, the Company had short-term restricted cash of \$9.9 million, and long-term restricted cash of \$2.5 million. These amounts primarily collateralize the Company's issuances of performance guarantee, warranty, and standby and commercial letters of credit.

Investments:

The Company's investments consist principally of debt and equity securities classified as "available for sale", and cost and equity method investments in privately held companies. The investments in equity securities of privately held companies in which the Company does not have the ability to exercise significant influence are accounted for under ASC 321, "*Investments—Equity Securities*" using the measurement alternative. For those investments without readily determinable fair values, the Company elects to record these investments at cost, less impairment, plus or minus subsequent adjustments for observable price changes. Before ASC 321 took effective, the Company's investments, such as GCT Semiconductor, were recorded under cost method. The investments in equity securities of privately held companies in which the Company has the ability to exercise significant influence, but does not own a majority equity interest or otherwise control are accounted for under ASC 323, "*Investments-Equity Method and Joint Ventures*" using the equity method. Investments in debt securities classified as available for sale are measured at fair value on the balance sheets under ASC 320, "*Investments-Debt and Equity Securities*." Unrealized holding gains and losses for available-for-sale securities (including those classified as current assets) are excluded from earnings and reported in other comprehensive income until realized, except as indicated in the following paragraph.

The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. The Company reviews several factors to determine whether the losses are other-than-temporary, including but not limited to: (i) the length of time the investment was in an unrealized loss position, (ii) the extent to which fair value was less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the companies including current earnings trends and forecasted cash flows, and other company and industry specific information. Investment impairments recorded as other-than-temporary were nil, nil and nil, for the years ended December 31, 2023, 2022 and 2021, respectively.

Revenue Recognition:

The Company recognizes revenue in accordance with ASC 606. The core principle of ASC 606 is that revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of ASC 606, for each customer contract, the Company performed the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company accounts for a contract with a customer that is within the scope of ASC 606 when all of the following criteria are met: (i) the arrangement has been approved by the parties and the parties are committed to perform their respective obligations, (ii) each party's rights regarding the goods or services to be transferred can be identified, (iii) the payment terms for the goods or services to be transferred can be identified, (iv) the arrangement has commercial substance and (v) collection of substantially all of the consideration to which the Company will be entitled in exchange for the goods or services that will be transferred to the customer is probable.

Performance obligations promised in a contract are identified based on the services and the products that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the services and the products either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. The Company's performance obligations consist of (i) sales of communication equipment with embedded software, (ii) provision of installation and commission service, and (iii) provision of annual maintenance service. The software component is not considered distinct as the software component is integral to the functionality of the communication equipment.

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services and products to the customer. Some sales agreements have performance guarantees covering a certain timeframe. If there is an underperformance event, the Company may incur liquidation damages as a percentage of the total purchase price. Such performance guarantees represent a form of variable consideration and are estimated at the contract inception at the best estimate and updated at the end of each reporting period as additional performance data becomes available and only to the extent that it is probable that a significant reversal of any revenue will not occur. Variable consideration includes estimates for sales credits, which are based on historical level and specific criteria outlined in the sales contracts, and other factors known at the time. The Company generally invoices customers for equipment and services upon meeting certain milestones. Customer invoices are generally due within 30 to 90 days after issuance. The Company's contracts with customers typically do not include significant financing components as the period between the transfer of performance obligations and timing of payment are generally within one year.

The Company allocates the transaction price based on the estimated standalone selling price. The Company develops assumptions that require judgment to determine the standalone selling price for each performance obligation identified in the contract. The Company utilizes key assumptions to determine the standalone selling price, which may include other comparable transactions, pricing considered in negotiating the transaction and the estimated costs. Certain variable consideration is allocated specifically to one or more performance obligations in a contract when the terms of the variable consideration relate to the satisfaction of the performance obligation and the resulting amounts allocated to each performance obligation are consistent with the amounts the Company would expect to receive for satisfying each performance obligation.

Revenue is recognized when a customer obtains control of promised goods or services at an amount that reflects the consideration that is expected to be received in exchange for those goods or services. The Company utilizes judgment to assess the nature of the each identified performance obligation to determine whether a performance obligation is satisfied over time or at a point in time.

Revenue from sales of communication equipment is recognized at a point in time, which is generally upon delivery. Shipping and handling costs are not considered performance obligations and are included in cost of sales as incurred. Revenue from provision of installation and commission service is recognized at a point in time when the service is completed. Revenue from provision of annual maintenance services is recognized over time on a ratable basis over the contract term.

Product Warranty:

The Company provides a warranty on its equipment and terminal sales for periods generally ranging from one to two years from the time of final acceptance. At times, the Company has entered into arrangements to provide limited warranty services for periods longer than two years. The Company provides for the expected cost of product warranties at the time that revenue is recognized based on an assessment of past warranty experience and when specific circumstances dictate. The Company assesses the adequacy of its recorded warranty liability every quarter and makes adjustments to the liabilities if necessary. From time to time, the Company may be subject to additional costs related to non-standard warranty claims from its customers. If and when this occurs, the Company estimates additional accruals based on historical experience, communication with its customers and various assumptions that the Company believes to be reasonable under the circumstances. Such additional warranty accruals are recorded in the period in which the additional costs are identified. Upon expiration of the warranty period, any remaining specific warranty accrual is reversed and recorded as a reduction of cost of sales.

Receivables:

Although the Company evaluates customer credit worthiness prior to a sale, the Company provides an allowance for credit losses on trade and notes receivable when collection may no longer be reasonably assured. The Company assesses collectability of receivables based on a number of factors including analysis of customer creditworthiness, historical payment history, the Company's ability to collect payment, length of time an individual receivable balance is outstanding and current and future economic conditions.

Allowance for credit losses:

The Company accounts for accounts receivable in accordance with ASC 326: Measurement of Credit Losses on Financial Instruments", which introduces an expected loss approach using macroeconomic data, referred to as a current expected credit losses ("CECL") methodology.

The Company makes estimates of the lifetime expected credit losses for accounts receivable with similar risk characteristics on a pool basis. For each pool, the Company first estimates its recovery period based on relevant historical accounts receivable collection information, and then estimates the credit allowances based on the recovery period, the historical distribution of each aging bucket, and the impact of macroeconomic factors. Expected credit losses are recorded as selling, general and administrative expenses in the consolidated statements of comprehensive income (loss). Changes in these estimates and assumptions could materially affect the credit losses.

Inventories:

Inventories consist of product held at the Company's manufacturing facility and warehouses, as well as finished goods at customer sites for which the customer has taken possession but, based on specific contractual terms, title has not yet passed to the customer. The Company may ship inventory to existing customers that require additional equipment to expand their existing networks prior to the signing of an expansion contract. Inventories are stated at the lower of cost and net realizable value. The Company continually monitors inventory valuation for potential losses and obsolete inventory at its manufacturing facilities as well as at customer sites. Adjustments are recorded to write down the cost of inventory to estimated net realizable value, which is dependent upon the factors such as inventory aging, historical and forecasted consumer demand, and market conditions that impact pricing. Write-downs are recorded in cost of revenues in the consolidated statements of comprehensive income (loss).

Deferred Costs:

Deferred cost balances are the unamortized cost of post-contract customer support over a period of time of certain legacy contracts. The Company amortizes the deferred revenue and related costs of goods sold over the post-contract support period.

Property, Plant and Equipment:

Property, plant and equipment are recorded at cost and are stated net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives or the term of the lease. When assets are disposed of, the cost and related accumulated depreciation are removed and the resulting gains or losses are included in results of operations. The Company generally depreciates its property, plant and equipment over the following periods:

	Years
Equipment and furniture	5
Computers and software	2 - 3
Automobiles	5
Leasehold improvements	Lesser of the lease term or estimated useful life

Depreciation expense was \$0.2 million, \$0.2 million, and \$0.4 million, for the years ended December 31, 2023, 2022 and 2021, respectively.

Impairment of Long-Lived Assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If undiscounted expected future cash flows are less than the carrying value of the assets, an impairment loss is recognized based on the excess of the carrying amount over the fair value of the assets. Long-lived assets that are to be sold are measured at the lower of book value or fair value less cost to sell.

Advances:

Advances from customers represent cash received from customers before revenue recognition for the purchase of the Company's products.

Advertising Costs:

The Company expenses all advertising costs as incurred. Payment to customers for marketing development costs are accounted for as incurred as a reduction of the revenue associated with customers. For the years ended December 31, 2023, 2022 and 2021, advertising costs totaled approximately \$0.02 million, \$0.1 million, and \$0.1 million, respectively.

Operating Leases:

At the inception of each arrangement, the Company determine if the arrangement is a lease or contains an embedded lease and review the facts and circumstances of the arrangement to classify lease assets as operating or finance leases under Topic 842.

The Company leases office space under operating lease agreements with initial lease terms up to five years. The Company has entered into various non-cancelable operating lease agreements for its office space. These leases have lease periods that expire no later than 2021 to 2026. Some of these lease agreements have options to extend the lease terms for an additional period subject to mutual negotiations and agreements with the lessor. The Company considered all renewal options that were reasonably certain to be exercised and are considered in determining the lease term at the inception of the lease.

The Company measures lease liabilities based on the present value of the total remaining lease payments. To determine the present value of future minimum lease payments, the Company used the implicit rate when readily determinable. When the implicit rate is not available, the Company applies its incremental borrowing rate, which is the estimated rate the Company would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. The Company estimates its incremental borrowing rate based on an analysis of interest rates published by banks.

Treasury Stock:

Treasury stock is recorded at cost and represents shares repurchased by the Company.

Stock-Based Compensation:

Stock-based compensation expense for all share-based payment awards granted to employees is determined based on the grant-date fair value. Stock-based compensation expense for restricted stock awards is measured based on the closing fair market value of the Company's ordinary shares on the date of grant. Stock-based compensation expense for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes model. Stock-based compensation is expensed ratably on a straight-line basis over the requisite service period, which is generally the vesting term of the share-based payment awards. The performance-based restricted stock units are subject to the attainment of goals determined by the Compensation Committee of the Company's Board of Directors. The Company records the relevant stock-based compensation for the performance-based restricted stock units based on the probability of meeting the performance conditions.

Accumulated Other Comprehensive Income ("AOCI"):

AOCI consisted of foreign currency translation adjustments. The changes in AOCI, including the amounts reclassified to income, were as follows:

	Foreign currency translation and unrealized gains (losses), net of tax (in thousands)
Balance at December 31, 2021	\$ 59,935
Unrecognized loss on foreign currency translation	(6,495)
Balance at December 31, 2022	\$ 53,440
Unrecognized loss on foreign currency translation	(2,527)
Balance at December 31, 2023	\$ 50,913

Income Taxes:

The Company is subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining the provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes

the tax benefit (expense) from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes interest expense and penalties related to income tax matters as part of the provision for income taxes.

The Company recognizes deferred income taxes as the difference between the tax basis of assets and liabilities and their financial statement amounts based on enacted tax rates. Management judgment is required in the assessment of the recoverability of our deferred tax assets based on its assessment of projected taxable income. Numerous factors could affect the Company's results of operations in the future. If there is a significant decline in the Company's future operating results, management's assessment of the recoverability of the Company's deferred tax assets would need to be revised, and any such adjustment to the Company's deferred tax assets would be charged to income in that period. If necessary, the Company records a valuation allowance to reduce deferred tax assets to an amount which management believes is more likely than not to be realized. Changes in estimates of taxable income in the future could result in reversal of the valuation allowances which would be credited to income in the year of reversal.

Financial Instruments:

Financial instruments consist of cash and cash equivalents, short and long-term investments, notes receivable, accounts receivable and payable and accrued liabilities. The carrying amounts of cash and cash equivalents, accounts receivable and payable, notes receivable, and accrued liabilities approximate their fair values because of the short-term nature of those instruments. The fair value of long-term investments in debt and equity securities is determined based on quoted market prices or available information about investees.

Foreign Currency Translation:

The Company's operations are conducted through international subsidiaries where the local currency is the functional currency and the financial statements of those subsidiaries are translated from their respective functional currencies into U.S. Dollars which is the functional and reporting currency of the Company. All foreign currency assets and liabilities are translated at the period-end exchange rate and all revenues and expenses are translated at the average exchange rate for the period. The effects of translating the financial statements of foreign subsidiaries into U.S. Dollars are reported as a cumulative translation adjustment, a separate component of accumulated other comprehensive income in shareholders' equity.

The foreign currency translation gain (loss) related to the remeasurement of transactions denominated in other than the functional currency is included in other income (expense), net in the consolidated statements of comprehensive income (loss). In connection with this remeasurement process, the Company recorded gains of \$1.9 million, losses of \$0.7 million, and gains of \$1.3 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Earnings per Share:

Basic earnings per share is computed by dividing the net income (loss) available to shareholders by the weighted average number of the Company's ordinary shares outstanding, as applicable, during the period, which excludes unvested restricted stock. Diluted earnings per share reflects the amount of net income (loss) available to each ordinary share outstanding during the period plus number of additional shares that would have been outstanding if potentially dilutive securities had been issued. The Company's potentially dilutive ordinary shares include outstanding stock options, unvested restricted stock, restricted stock units and performance-based units. The following table summarizes the total potential ordinary shares that were excluded from the diluted per share calculation, because their effect was anti-dilutive.

	2023	Years ended December 31, 2022 (in thousands)	2021
Anti-dilutive stock options and awards/units outstanding	357	390	424
Total(1)	<u>357</u>	<u>390</u>	<u>424</u>

(1) Calculated using the treasury stock method, which assumes proceeds are used to reduce the dilutive effect of outstanding stock awards. Assumed proceeds include the unrecognized deferred compensation of share awards, and assumed tax proceeds from excess stock-based compensation deductions. For the years ended December 31, 2023, 2022 and 2021, no potential ordinary shares were dilutive because of the net loss incurred in those years, therefore basic and dilutive earnings per share were the same.

(2) Authorized share capital of the Company was amended by the consolidation of the existing 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value each effective from June 28, 2022. The shares used in computation of basic earnings per share and diluted earnings per share for 2021 have been adjusted retroactively to reflect the one-for-four reverse share split.

Recently Adopted Accounting Standards:

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting: Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which focuses on improving reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. A public entity shall disclose for each reportable segment the significant expense categories and amounts that are regularly provided to the CODM and included in reported segment profit or loss. ASU 2023-07 also requires public entities to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Public entities with a single reportable segment have to provide all the disclosures required by ASC topic 280, including the significant segment expense disclosures. Entities are permitted to disclose more than one measure of a segment's profit or loss if such measures are used by the CODM to allocate resources and assess performance, as long as at least one of those measures is determined in a way that is most consistent with the measurement principles used to measure the corresponding amounts in the consolidated financial statements.

ASU 2023-07 is applied retrospectively to all periods presented in financial statements, unless it is impracticable. This update will be effective for the Company's fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently in the process of evaluating the disclosure impact of adopting ASU 2023-07.

NOTE 3-COMPREHENSIVE LOSS

Total Comprehensive Loss for the years ended December 31, 2023, 2022 and 2021 consisted of the following:

	Years ended December 31,		
	2023	2022	2021
	(in thousands)		
Net loss	\$ (3,851)	\$ (5,002)	\$ (5,828)
Other comprehensive loss			
Net Change in Foreign currency translation	(2,527)	(6,495)	(3,726)
Total comprehensive loss	<u>\$ (6,378)</u>	<u>\$ (11,497)</u>	<u>\$ (9,554)</u>

NOTE 4-BALANCE SHEET DETAILS

The following tables provide details of selected balance sheet items:

	December 31, 2023	December 31, 2022
	(in thousands)	
Inventories:		
Raw materials	\$ 124	\$ 55
Work in process	85	14
Finished goods ⁽¹⁾	586	1,200
Total Inventories	<u>\$ 795</u>	<u>\$ 1,269</u>

(1) Includes finished goods at customer sites were nil and approximately \$0.1 million at December 31, 2023 and 2022, respectively, for which the customer has taken possession, but based on specific contractual terms, title has not yet passed to the customer and for which revenue has not yet been recognized.

	December 31, 2023	December 31, 2022
	(in thousands)	
Prepaid and other current assets		
Prepaid tax ⁽¹⁾	\$ 212	\$ 553
Advance to suppliers	19	50
Other receivables	276	446
Prepaid and others ⁽²⁾	3,248	3,046
Total Prepaid and other current assets	<u>\$ 3,755</u>	<u>\$ 4,095</u>

(1) 2023 balance includes approximately \$0.2 million prepaid value added tax. 2022 balance includes \$0.1 million prepaid consumption tax, \$0.2 million prepaid value added tax and \$0.3 million prepaid goods and service tax.

(2) 2023 balance includes \$2.3 million interest receivable. 2022 balance includes \$2.1 million interest receivable.

	December 31, 2023	December 31, 2022
	(in thousands)	
Property, plant and equipment, net:		
Leasehold improvements	\$ 1,576	\$ 1,637
Automobiles	246	256
Computers and software	2,841	3,132
Equipment and furniture	16,775	19,668
Total	21,438	24,693
Less: accumulated depreciation	(20,828)	(24,089)
Total Property, plant and equipment, net	<u>\$ 610</u>	<u>\$ 604</u>

During the years ended December 31, 2023, 2022 and 2021, the Company wrote-off fully depreciated property, plant and equipment of \$2.7 million with accumulated depreciation of \$2.7 million, \$1.4 million with accumulated depreciation of \$1.4 million, and \$2.4 million with accumulated depreciation of \$2.4 million, respectively.

	December 31, 2023	December 31, 2022
	(in thousands)	
Other current liabilities:		
Warranty costs	\$ 66	\$ 67
Accrued professional fees	715	702
Accrued other taxes	671	878
Provision for liquidation damages	251	1,031
Contract deposits	592	604
Others	643	611
Total other current liabilities	<u>\$ 2,938</u>	<u>\$ 3,893</u>

	December 31, 2023	December 31, 2022
	(in thousands)	
Other long-term liabilities		
Non-current income tax payable	\$ 1,021	\$ 1,000
Total other long-term liabilities	<u>\$ 1,021</u>	<u>\$ 1,000</u>

NOTE 5-CASH, CASH EQUIVALENTS AND SHORT AND LONG TERM INVESTMENTS

Cash and cash equivalents, consisting primarily of bank deposits and money market funds, are recorded at cost which approximates fair value because of the short-term nature of these instruments.

Short-term investments consist of available-for-sale securities. Long-term investments consist of cost and equity method investments in privately held companies.

The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. In making this determination, the Company reviews several factors to determine whether the losses are other-than-temporary, including but not limited to: (i) the length of time the investment was in an unrealized loss position, (ii) the extent to which fair value was less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

GCT Semiconductor

In October 2004, the Company invested \$3.0 million in Series D preferred convertible stock of GCT Semiconductor, Inc., or GCT, which designs, develops and markets integrated circuit products for the wireless communications industry. This investment represents approximately a 0.2965% interest in GCT. The Company assesses the fair value every year-end. In 2012 and 2016, the Company recorded \$2.1 million and \$0.8 million investment impairment, respectively. As of December 31, 2016, the book value of the investment was zero. On March 26, 2024, GCT announced that it became a publicly traded company after completing business combination with Concord Acquisition Corp III and commenced trading on NYSE under ticker symbol "GCTS" starting March 27, 2024. As of the date of this report, the Company holds about 0.16% of its outstanding common shares.

ITV Media Inc. or ITV

On October 16, 2010, the Company invested \$30.0 million in ITV Media Inc., or ("ITV"), \$10.0 million of which was paid by the Company's common shares that it had the repurchase rights and \$20.0 million of which was paid by cash. The Company recorded this transaction as an acquisition because the Company owned 75% interest of ITV and had effective control. The transactions closed on November 8, 2010. On April 15, 2012, the Company exercised its repurchase right, and this triggered deconsolidation of ITV from the Company's consolidated financial statements starting from June 21, 2012 as the Company lost the effective control due to reduced ownership from 75% to 49% and loss of a Board of Directors seat. As the result, the Company accounted for this investment using the equity method. From December 3, 2012 to December 31, 2015, the Company purchased \$35.1 million convertible bonds that bear interest at 6.5% per annum with various maturity dates, and subsequently all maturity dates were extended to March 31, 2025. In 2013 and 2014, the Company recorded a total of \$9.6 million and \$5.3 million, respectively, in losses for the preferred stock investment to reflect 49% interest in ITV losses. After the value of the preferred shares was reduced to zero, the Company started to record 100% of ITV losses against the Company's convertible bond investment balance until the carrying value of the convertible bond investment balance was reduced to zero. Therefore, in 2014 and 2015, the Company recorded \$3.6 million and \$14.0 million in losses to reflect 100% of ITV losses. At every year-end, the Company assessed the fair value of the ITV, and recorded impairment charges of \$9.1 million, \$2.4 million and \$6.0 million in 2013, 2014 and 2015, respectively. The convertible bond investments balance was reduced to zero as of December 31, 2015.

UTStarcom Hong Kong Holdings Ltd.,

On August 31, 2012, the Company completed the sale of its IPTV business to UTStarcom Hong Kong Holdings Ltd. to its former Chief Executive Officer. On the same day, the Company purchased a \$20.0 million Convertible Bond from UTStarcom Hong Kong Holdings Ltd. which bears interest at 6.5% per annum and matured on August 31, 2017. On April 7, 2015, the Company entered an agreement with UTStarcom Hong Kong Holdings Ltd. for the conversion of the \$20.0 million Convertible Bond. Pursuant to the agreement, UTStarcom Hong Kong Holdings Ltd. paid \$10.0 million in cash as partial repayment of the principal of the Convertible Bond. The remaining principal and interest of the Convertible Bond were converted to 14% of equity interest of UTStarcom Hong Kong Holdings Ltd. The Company used the cost method to account for this investment. The Company assesses the fair value impairment every year-end. In 2015, the Company recorded \$6.5 million investment impairment. During 2018 and 2019, the Company assessed the fair value of UTStarcom Hong Kong Holdings Ltd. and recorded a \$0.4 million and nil impairment charge. As of December 31, 2019, the recorded value of this investment was \$3.1 million. On December 17, 2020, the Company signed an agreement with Eagle Field Holding Limited for sale of 14% interest ("equity interest") of UTStarcom Hong Kong Holdings Limited for a consideration of \$2.1 million which will be paid on March 31, 2021. As the result, the Company recorded \$1.0 million impairment loss during 2020 and reclassified this investment as short-term investment as at December 31, 2020. On March 31, 2021, the Company received \$2.1 million from buyer.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The accounting guidance also establishes a three-tier fair value hierarchy which requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The fair value hierarchy prioritizes the inputs into three levels that may be used in measuring fair value as follows:

Level 1-observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2-inputs other than the quoted prices in active markets for identical assets or liabilities that are observable either directly or indirectly.

Level 3-unobservable inputs based on the Company's assumptions.

The Company's financial instruments consist principally of cash and cash equivalents, short-term investments, restricted cash, notes receivable, accounts receivable, long-term investments, accounts payable and certain accrued liabilities. Short-term investments consist of available-for-sale securities. As of December 31, 2023, the respective carrying values of financial instruments except for long-term investments approximated their fair values based on their short-term maturities.

NOTE 6- OPERATING LEASES

The Company's leases consist of operating leases for office space in PRC, India, Japan and the United States. The Company determines if an arrangement is a lease at inception. As of December 31, 2023, the Company had no long-term leases that were classified as a financing lease. As of December 31, 2023, the Company did not have additional operating leases that have not yet commenced.

Total operating lease expenses for the year ended December 31, 2023 were \$1.2 million, including \$0.6 million in cost of net sales and \$0.6 million in operating expense in the consolidated statement of comprehensive loss.

As of December 31, 2023, the Company recognized operating lease ROU assets of \$2.6 million and total lease liabilities \$2.8 million, including a current portion of \$1.2 million for operating leases.

	For the year ended December 31, 2023	For the year ended December 31, 2022
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used in operating leases	\$ 1,148	\$ 964
Right-of-use assets obtained in exchange of new lease obligations:		
Operating leases	\$ 852	\$ 132
Weighted average remaining lease term		
Operating leases	2.4 years	3.2 years
Weighted average discount rate		
Operating leases	4.85 %	4.58 %

Maturities of lease liabilities as of December 31, 2023 are as follows:

	Amount (in thousands)
2024	\$ 1,285
2025	1,250
2026	470
Total future lease payments	3,005
Less: Imputed interest	(161)
Total lease liability balance	<u>\$ 2,844</u>

NOTE 7-COMMITMENTS AND CONTINGENCIES

Contractual obligations and commercial commitments

Letters of credit:

The Company issues bid bond, commercial letters of credit or standby letters of credit primarily to support international sales activities outside of China and in support of purchase commitments. When the Company submits a bid for a sale, often the potential customer will require that the Company issue a bid bond or a standby letter of credit to demonstrate its commitment through the bid process. In addition, the Company may be required to issue standby letters of credit as guarantees for advance customer payments upon contract signing or performance guarantees. The standby letters of credit usually expire without being drawn by the beneficiary thereof. Finally, the Company may issue commercial letters of credit in support of purchase commitments. As of December 31, 2023, the Company's outstanding letters of credit approximated \$9.7 million. These balances are included in Short-term restricted cash and Long-term restricted cash.

Purchase commitments:

The Company is obligated to purchase raw materials and work-in-process inventory under various orders from various suppliers. If the Company fails to fulfill the contracts, it will have adverse consequences materials to the Company's operations or financial condition. On December 31, 2023, the Company had outstanding purchase commitments, including agreements that are non-cancelable, approximating nil.

Capital commitments

The Company's capital commitments are related to commitments in connection with its ERP replacement implementation project, total capital commitments contracted but not yet reflected in the financial statements amounted to approximating \$0.1 million as of December 31, 2023. All of the commitments are to be fulfilled within one year.

Intellectual property:

Certain sales contracts include provisions under which customers are indemnified by the Company in the event of, among other things, a third party claim against the customer for intellectual property rights infringement related to the Company's products. There are no limitations on the maximum potential future payments under these guarantees. The Company has not accrued any amounts in relation to these contractual provisions as no such claims have been made and the Company believes it has valid enforceable rights to the intellectual property embedded in its products.

Uncertain tax positions:

As of December 31, 2023, the Company had \$3.2 million of gross unrecognized tax benefits, of which \$0.5 million related to tax benefits that, if recognized, would affect the annual effective tax rate. The remaining \$2.7 million gross unrecognized tax benefits, if recognized, would affect certain deferred tax assets and federal tax benefit of state income tax.

Litigation:

The Company is a party to other litigation matters and claims that are normal in the course of operations and, while the results of such litigation matters and claims cannot be predicted with certainty, management of the Company believes it is not reasonably possible the final outcome of such matters will have a material adverse impact on the Company's financial position, results of operations or cash flows.

NOTE 8-ORDINARY SHARE REPURCHASE AND ISSUANCE

On November 12, 2014, the Company's Board of Directors approved a share repurchase program of up to \$40.0 million of its ordinary shares outstanding over the 24 months through 2016. On November 4, 2016, the Company's Board of Directors approved an extension for this program to November 2018. On November 4, 2018, the Company's Board of Directors approved an extension for this program to November 2019. In September 2019, the Board had approved to extend two additional years. In September 2021, the Company's Board of Directors approved to extend this program to March 2022. In March 2022, the Board of Directors approved an extension for this program to the end of March 2023. In March 2023, the Board of Directors had approved to extend one additional year. In March 2024, the Board of Directors approved a one-year extension for this program. For the years ended December 31, 2023, 2022 and 2021, the Company repurchased nil, 15,699 (or 3,925 after reverse share split) shares and nil at the cost of nil, approximately \$0.01 million and nil, respectively. All the repurchased shares under the repurchase program are classified as treasury shares of the Company until they are retired or reissued.

NOTE 9-ORDINARY SHARE AND SHARE INCENTIVE PLANS

Stock Incentive Plans

On June 28, 2022, shareholders of the Company approved the amendment of authorized share capital of the Company by the consolidation of the existing 250,000,000 ordinary shares of \$0.00375 par value each into 62,500,000 ordinary shares of \$0.015 par value each. As a result, the one-for-four reverse split of the Company's ordinary shares became effective on June 28 2022, as of 4:30 p.m. Eastern Time with trading commenced on the post-reverse split-adjusted basis on the NASDAQ Global Select Market as of the opening of trading on Wednesday, June 29, 2022. All shares/per share related data in this note have been adjusted retroactively to reflect the one-for-four reverse share split.

As of December 31, 2023, the Company has the stock incentive plans described below. Substantially all outstanding awards are subject to potential accelerated vesting in the event of a change in control of the Company. The Company repurchases and cancels its ordinary shares forfeited with respect to the tax liability associated with certain vesting of restricted stock and restricted stock unit grants under these plans.

2017 Equity Incentive Plan:

The 2017 Equity Incentive Plan, or (the "2017 Plan"), was approved by the Board of Director on November 4, 2016, and expired on December 31, 2021. The 2017 Plan provides for the grant of the following types of incentive awards: (i) stock options, (ii) stock

appreciation rights, (iii) restricted stock, (iv) restricted stock units, (v) performance shares and performance units, and (vi) other stock or cash awards ("Award," and collectively, "Awards"). Those who are eligible for Awards under the 2017 Plan include employees, directors and consultants who provide services to the Company and its affiliates.

The maximum aggregate number of shares that may be awarded and sold under the Plan is 2,000,000 Shares (500,000 ordinary shares after taking into consideration of the reverse share split effective on June 28, 2022) plus (i) any shares that, as of December 31, 2016, have been reserved but not issued pursuant to any awards granted under UTStarcom Holdings Corp.'s Amended and Restated 2006 Equity Incentive Plan (the "2006 Plan"), and (ii) any shares subject to stock options or similar awards granted under the 2006 Plan that expire or otherwise terminate without having been exercised in full and Shares issued pursuant to awards granted under the 2006 Plan that are forfeited to or repurchased by the Company. The shares may be authorized but unissued, or reacquired common stock.

On August 10, 2021, the Board of Directors approved an extension and share increase of the 2017 Plan. As a result, the term of the 2017 Plan has been extended to December 31, 2024, and a total number of additional 1,000,000 ordinary shares (250,000 ordinary shares taking into consideration of the reverse share split effective on June 28, 2022) have been added to the 2017 Plan. On November 24, 2022, the Board of Directors approved a further extension and share increase of the 2017 Plan. As a result, the term of the 2017 Plan has been extended to December 31, 2026, and a total number of additional 430,000 ordinary shares have been added to the 2017 Plan.

As of December 31, 2023, 356,600 shares underlying options and restricted stock awards and units were outstanding under the 2017 Plan.

Stock Award and Stock Option Activity

During 2023, the Company granted equity awards primarily consisting of stock option and restricted stock. Such awards generally vest over a period of four years or two years from the vesting start date. Restricted stock has the voting rights of ordinary shares and the shares underlying restricted stock are issued and outstanding. As of December 31, 2023, the number of ordinary shares available for issuance pursuant to future grants under the 2017 plan, including remaining unissued shares under Prior Plans that have been transferred into the 2017 plan were 203,342. The 2006 Plan expired on December 31, 2016, and as of December 31, 2023, 446,200 shares were transferred to the 2017 Plan that was approved by the Board of Director on November 4, 2016. The following table summarizes the Company's stock option activities:

	Number of shares outstanding (in thousands)	Weighted average exercise price
Options Outstanding, December 31, 2021	364	\$ 4.47
Options granted	—	—
Options exercised	(4)	4.52
Options forfeited or expired	(13)	6.59
Options Outstanding, December 31, 2022	347	\$ 4.39
Options granted	—	—
Options exercised	(1)	4.28
Options cancelled	(8)	4.45
Options forfeited or expired	(16)	4.44
Options Outstanding, December 31, 2023	322	\$ 4.39

Under the Plans, the Company granted restricted stock awards. Restricted stock awards are unvested stock awards that may include grants of restricted stock or grants of restricted stock units. Such awards generally vest over a period of four years from the date of grant. Restricted stock has the voting rights of ordinary share and the shares underlying restricted stock are considered to be currently issued and outstanding. Restricted stock units do not have the voting rights of ordinary shares, and the shares underlying the restricted stock units are not considered issued and outstanding. The expense for such awards is based on the fair market value of the shares at the date of grant and is recognized on a straight-line basis over the requisite service period. The grant of restricted stock awards is deducted from

the shares available on a one to one basis for grant under the Company's stock plan. Unvested restricted awards as of December 31, 2023 and changes during the year ended December 31, 2023 are summarized below:

	Shares (in thousands)	Weighted average grant date fair value
Total nonvested restricted stock at December 31, 2021	59	\$ 9.56
Granted	29	3.97
Vested	(44)	9.66
Forfeited	(1)	14.82
Total nonvested restricted stock at December 31, 2022	43	\$ 5.65
Granted	30	3.79
Vested	(38)	5.32
Forfeited	—	—
Total nonvested restricted stock at December 31, 2023	35	\$ 3.28

During 2023, approximately 0.04 million shares of restricted stock awards vested. The total fair value of restricted stock awards vested, as measured on the date of vesting, during 2023 was \$0.2 million. During 2023, the Company also granted approximately 0.03 million restricted stock awards.

During 2022, approximately 0.04 million shares of restricted stock awards vested. The total fair value of restricted stock awards vested, as measured on the date of vesting, during 2022 was \$0.4 million. During 2022, the Company also granted approximately 0.03 million restricted stock awards.

The following table summarizes significant ranges of outstanding and exercisable stock options as of December 31, 2023:

Range of Exercise Prices		Number of shares Outstanding as of 12/31/2023	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number of shares Exercisable as of 12/31/2023	Weighted Average Exercise Price
\$ 4.28	\$ 4.28	194,777	4.92	\$ 4.28	194,777	\$ 4.28
\$ 4.56	\$ 4.56	127,019	3.92	\$ 4.56	127,019	\$ 4.56

	Number of shares	Weighted average exercise price
Options exercisable as of December 31, 2023	321,796	\$ 4.39
Options vested and expected to vest as of December 31, 2023	321,796	\$ 4.39

The intrinsic value represents the total pre-tax intrinsic value and is calculated as the difference between the market value as reported by NASDAQ on December 31, 2023 of \$3.44 and the exercise price of the in-the-money shares. During 2023, the total pre-tax intrinsic value of options exercised was negligible. The weighted average remaining contractual life of options exercisable was 4.53 years, and the weighted average remaining contractual life of options expected to vest was 4.53 years as of December 31, 2023.

Stock-Based Compensation

Stock-based compensation expense for stock options is estimated at the grant date based on each option's fair value as calculated by the Black-Scholes model. The Black-Scholes model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferable. In addition, option pricing models require the input of highly subjective assumptions, including the expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

The Company uses historical volatility as management believes it is more representative of future stock price trends than implied volatility due to the relatively small number of actively traded options on the Company's ordinary shares available to determine implied volatility. The Company estimates an expected term of options granted based upon the Company's historical exercise and cancellation data for vested options. In addition, separate groups of employees that have similar exercise behavior are considered separately. The expected term of employee stock purchase plan shares is the average of the remaining purchase periods under each offering period. The Company bases the risk free interest rate used in the option valuation model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest.

The fair values of stock-based payment awards were estimated using the Black-Scholes option pricing model with the following assumptions:

Stock Options:	Years ended December 31,	
	2023	2016
Expected term in years	4.25	4.75
Weighted average risk-free interest rate	1.02 %	1.30 %
Expected dividend rate	— %	— %
Volatility	55.21 %	51.6 %

At December 31, 2023, there was approximately \$0.1 million of total unrecognized compensation cost, as measured, related to unvested stock options and restricted stock and restricted stock units, which is expected to be recognized over a weighted-average period of 0.07 years.

At December 31, 2022, there was approximately \$0.3 million of total unrecognized compensation cost, as measured, related to unvested stock options and restricted stock and restricted stock units, which is expected to be recognized over a weighted-average period of 0.88 years.

The following table summarizes the stock-based compensation expense recognized in the Company's Consolidated Statements of Comprehensive Loss:

	2023	Years Ended December 31,	
		2022	2021
		(in thousands)	
Cost of net sales	\$ 28	\$ 97	\$ 87
Selling, general and administrative	151	258	236
Research and development	114	248	181
Total	<u>\$ 293</u>	<u>\$ 603</u>	<u>\$ 504</u>

NOTE 10—INCOME TAXES

Cayman Islands

Under the current tax laws of Cayman Islands, the Company and its subsidiaries are not subject to tax on their income or capital gains. In addition, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

United States and Foreign Income Taxes

United States and foreign income (loss) before income taxes were as follows:

	2023	Years Ended December 31,	
		2022	2021
		(in thousands)	
United States	\$ 16,378	\$ (3,454)	\$ (961)
Foreign	(3,533)	515	(1,573)
Elimination of Intercompany Dividend Income	(15,422)	—	—
	<u>\$ (2,577)</u>	<u>\$ (2,939)</u>	<u>\$ (2,534)</u>

For the year 2023, the sum of income before income taxes of all US and foreign subsidiaries is different from the consolidated loss before income taxes. The difference is resulted from the dividend income of \$15.4 million distributed from the Japan subsidiary to its direct parent company of United States.

The components of the income tax expense are summarized as follows:

	2023	Years Ended December 31, 2022		2021
		(in thousands)		
Current				
Federal	\$	—	\$	—
State		—		—
Foreign		999	928	1,284
Total current income tax expense	\$	999	\$	928
Deferred				
Federal		—	—	—
State		—	—	—
Foreign		275	1,135	2,052
Total deferred tax expense	\$	275	\$	1,135
Total income tax expense	\$	1,274	\$	2,063
			\$	3,294

The Company did not recognize a deferred tax liability related to un-remitted foreign earnings because such earnings were expected to be reinvested indefinitely.

As of December 31, 2023, the Company had gross unrecognized tax benefits of approximately \$3.2 million and had certain deferred tax assets and the federal tax benefit of state income tax items totaling \$2.7 million. Of the total \$3.2 million gross unrecognized tax benefits, \$0.5 million related to tax benefits that, if recognized, would impact the annual effective tax rate.

The Company's policy is to recognize interest expense and penalties related to the above unrecognized tax benefits as a component of income tax expense. The Company had accrued interest and penalties of approximately \$0.5 million as of December 31, 2023 and approximately \$0.5 million as of December 31, 2022.

The Company is subject to taxation in the U.S. federal jurisdiction and various U.S. state and foreign jurisdictions. The Company is also under audit by the taxing authorities in China on a recurring basis. The material jurisdictions that the Company is subject to examination are in the United States and China. The Company's tax years for 2013 through 2023 are still open for examination in China and in the United States.

ASC 740-10 establishes criteria for recognizing or continuing to recognize only more-likely-than-not tax positions, which may result in income tax expense volatility in future periods. While the Company believes that it has adequately provided for all tax positions, amounts asserted by taxing authorities could be greater than the Company's accrued position. Accordingly, additional provisions on income tax related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

A summary of the Company's unrecognized tax benefits is as follows:

	2023	Years Ended December 31, 2022		2021
		(in thousands)		
Beginning balance-gross unrecognized tax benefits (UTB's)	\$	3,244	\$	3,244
Tax credit expiration		—		—
Ending balance—UTB		3,244	3,244	3,244
UTB's as a credit in deferred taxes		(2,347)	(2,347)	(2,347)
Federal benefit of state taxes		(356)	(356)	(356)
UTB's that would impact the effective tax rate	\$	541	\$	541

In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance applicable to its operations. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change

in the Company's expected realization of these assets is dependent on future taxable income and its ability to use foreign tax credit carryforwards and carrybacks.

A summary of the components of net deferred tax assets is as follows:

	December 31, 2023	December 31, 2022
	(in thousands)	
Deferred Tax Assets		
Allowance and reserves	\$ 2,064	\$ 2,432
Net operating loss carryforward	167,030	168,691
Tax credit carryforwards	5,541	6,093
Property, plant and equipment	261	310
Accrued warranties	13	13
Other	13,059	13,624
Total deferred tax assets	187,968	191,163
Deferred Tax Liabilities		
Deferred revenue and customer advances, net	(83)	(87)
Prepaid expense	(43)	(41)
Total deferred tax liabilities	(126)	(128)
Total net deferred tax assets	187,842	191,035
Less: Valuation allowance	(187,291)	(190,198)
Total net deferred tax assets	\$ 551	\$ 837

As of December 31, 2023, the Company's U.S. federal net operating loss carryforwards were \$552 million, among which \$550 million will expire in varying amounts between 2026 and 2037 and \$2 million will be carried forward indefinitely. As of December 31, 2023, state net operating loss carryforwards were \$228 million and will expire in varying amounts between 2028 and 2033. The Company has concluded that these federal and state net operating losses did not meet the more likely than not standard contained in FASB ASC 740-10 and has therefore provided a \$129.7 million valuation allowance against the related deferred tax assets. As of December 31, 2023, the Company also had net operating loss carryforwards ("NOLs") in China of approximately \$142.7 million. The China net operating loss carryforwards will expire in varying amounts between 2024 and 2033. The Company has also concluded that these China net operating losses did not meet the more likely than not standard and has therefore provided a \$21.6 million valuation allowance against the related deferred tax assets. As of December 31, 2023, the Company had NOLs of approximately \$94.0 million in countries other than the U.S. and China. These NOLs do not expire and can be carried forward indefinitely. However, the Company concluded that these losses did not meet the more likely than not standard and has therefore provided a full valuation allowance of \$15.7 million against the related deferred tax assets.

As of December 31, 2023, the Company has federal and California research and development credit carryforwards of \$1.2 million and \$6.4 million, \$6.4 million of the credits have an indefinite life and \$1.2 million of the credits will expire in varying amounts between 2026 and 2028. The Company has U.S. foreign tax credits of \$2.4 million which expire in varying amounts between 2024 and 2028. The Company has concluded that these U.S. tax credit carryforwards did not meet the more likely than not standard contained in FASB ASC 740-10 and has therefore provided a \$5.5 million valuation allowance against the related deferred tax assets.

The difference between the Company's effective income tax amount and the federal statutory amount are reconciled below:

	2023	Years Ended December 31, 2022	2021
	(in thousands)		
Federal tax (benefit) at statutory rate	\$ (541)	\$ (617)	\$ (532)
Stock compensation expense	62	127	68
Effect of differences in foreign tax rates	925	1,117	1,715
Effect of elimination of dividend distribution	3,239	—	—
ASC 740-10 reserve	21	21	(21)
Change in deferred tax valuation allowance	(2,369)	1,394	1,273
Other	(63)	21	791
Total Tax Expense	<u>\$ 1,274</u>	<u>\$ 2,063</u>	<u>\$ 3,294</u>

On June 24, 2011, the Company effected the Merger to reorganize the corporate structure of UTStarcom, Inc., a Delaware corporation incorporated in 1991, and its subsidiaries. The Merger resulted in shares of the common stock of UTStarcom, Inc. being converted into the right to receive an equal number of ordinary shares in our capital, which were issued by the Company in connection with the Merger. Following the Merger, UTStarcom, Inc. became the Company's wholly-owned subsidiary and the Company became the parent company of UTStarcom, Inc. and its subsidiaries. The Company, together with its subsidiaries, continues to conduct its business in substantially the same manner as was conducted by UTStarcom, Inc. and its subsidiaries. The transaction was accounted for as a legal re-organization of entities under common control.

The Enterprise Income Tax Law, or the EIT Law, became effective on January 1, 2008. Under the EIT Law, China's dual tax system for domestic enterprises and foreign investment enterprises ("FIEs") was effectively replaced by a unified system. The new law establishes a tax rate of 25% for most enterprises and a reduced tax rate of 15% for certain qualified high and new technology enterprises.

The EIT Law provides the reduced 15% enterprise income tax rate for qualified high and new technology enterprises. One of the Company's China subsidiaries, UTStarcom Telecom Co., Ltd ("HUTS"), through which the majority of the Company's business in China is conducted, obtained the High and New Technology Enterprise Certificate, or ("High-tech Certificate"), from the relevant approval authorities on September 19, 2008, and thereafter were approved to pay EIT at the reduced tax rate of 15%. The approval for the reduced 15% tax rate is valid for three years and applies retroactively from January 1, 2008, subject to possible re-assessment by the approval authorities. During the re-assessment, the tax authority may suspend the implementation of the reduced 15% rate. HUTS's High-tech Certificate renewal was completed in 2023, thus the approval extended the reduced 15% tax rate terms for three years from 2023. However, since HUTS is currently in significant loss position, the reduced tax rate will not have a material adverse impact on the business or liquidity until HUTS begin to generate profit and deplete all the net operating loss carry forwards.

As of September 30, 2005, the Company did not believe it was more likely than not that it would generate a sufficient level and proper mix of taxable income within the appropriate period to utilize all the deferred tax assets in China and the United States. As a result of the review undertaken at September 30, 2005, the Company has concluded that it was appropriate to establish a full valuation allowance for the net deferred tax assets in China and the United States wherein the cumulative losses weigh heavily in the overall assessment. The Company has continued to provide full valuation allowances since 2005 as it did not believe it was more likely than not that it would generate sufficient taxable income within the appropriate period to utilize those deferred tax assets.

In 2023, the change in deferred tax valuation allowance of \$2.4 million is primarily attributable to the reversal of valuation allowance in relation to the utilization of the tax losses in the United States and the tax expense related to continuing to provide full valuation allowance on the Company's deferred tax assets at December 31, 2023 in the United States and China. In 2022, the change in deferred tax valuation allowance of \$1.4 million is primarily attributable to the tax expense related to continuing to provide full valuation allowance on the Company's deferred tax assets at December 31, 2022 in the United States and China. In 2021, the change in deferred tax valuation allowance of \$1.3 million is primarily attributable to the tax expense related to continuing to provide full valuation allowance on the Company's deferred tax assets at December 31, 2021 in the United States and China.

In 2023, 2022, and 2021, there was no net income tax benefit related to tax credits due to full valuation allowance applied.

NOTE 11-OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following:

	2023	Years Ended December 31,		2021
		2022	(in thousands)	
Foreign exchange gain (loss)	\$ 1,912	\$ (732)	\$	1,315
Gain on liquidation of subsidiary	—	—		6
Other	112	26		328
Total	<u>\$ 2,024</u>	<u>\$ (706)</u>	<u>\$</u>	<u>1,649</u>

NOTE 12-NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31, 2023, 2022 and 2021:

	Years Ended December 31,		
	2023	2022	2021
	(in thousands)		
Numerator:			
Net loss	\$ (3,851)	\$ (5,002)	\$ (5,828)
Denominator:			
Weighted average shares outstanding-Basic	9,113	9,056	9,007
Potentially dilutive ordinary share equivalents-stock options and restricted stock	—	—	—
Weighted average shares outstanding-Diluted	9,113	9,056	9,007
Net loss per share-Basic	\$ (0.42)	\$ (0.55)	\$ (0.65)
Net loss per share-Diluted	\$ (0.42)	\$ (0.55)	\$ (0.65)

The dilutive effect of share-based awards is reflected in diluted net loss per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense and the dilutive effect of in-the-money options and unvested restricted stock units. Under the treasury stock method, the amount the employee must pay for exercising stock options and unamortized share-based compensation expense are assumed proceeds to be used to repurchase hypothetical shares. An increase in the fair market value of the Company's ordinary share can result in a greater dilutive effect from potentially dilutive awards.

For the years ended December 31, 2023, 2022 and 2021, there was nil ordinary shares that were dilutive.

On June 28, 2022, the Company effected a one-for-four reverse share split of its ordinary shares. As a result, the Company's authorized share capital was amended by the consolidation of 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value. Net loss per share attributable to UTStarcom Holding Corp. (basic and diluted) for 2021 have been recomputed to reflect retroactively the one-for-four reverse share split.

NOTE 13-SEGMENT REPORTING

The Company's reporting segments are as follows:

- Equipment- Sales of equipment, including network infrastructure and application products. Network infrastructure products mainly include broadband products. Network application products mainly include wireless infrastructure technologies.
- Services-Providing services and support for equipment products and also the new operational support segment.

The Company's Chief Operating Decision Maker, who is also the Company's Chief Executive Officer, makes financial decisions and resource allocations based on information they receive from their internal management system and currently evaluate the operating performance and allocates resources to the reporting segments based on segment revenue, gross profit and income before income taxes. Cost of sales and direct expenses in relation to production are assigned to the reporting segments. The accounting policies used in measuring segment assets and operating performance are the same as those used at the consolidated level.

Summarized below are the Company's segment net sales, gross profit and income before income taxes for the years ended December 31, 2023, 2022 and 2021 based on the current reporting segment structure.

	Years Ended December 31,					
	2023	% of	2022	% of	2021	% of
Net Sales by Segment		Net Sales		Net Sales		Net Sales
	(in thousands, except percentages)					
Equipment	\$ 4,594	29 %	\$ 2,284	16 %	\$ 2,323	15 %
Services	11,159	71 %	11,768	84 %	13,598	85 %
Total	\$ 15,753	100 %	\$ 14,052	100 %	\$ 15,921	100 %

Gross profit (loss) by Segment	Years Ended December 31,							
	2023	Gross Profit		Gross Profit		2021	Gross Profit	
		%		%			%	
		(in thousands, except percentages)						
Equipment	\$ 928	20 %	\$ (618)	(27) %	\$ (4,358)	(188) %		
Services	3,462	31 %	3,285	28 %	3,283	24 %		
Total	\$ 4,390	28 %	\$ 2,667	19 %	\$ (1,075)	(7) %		

Segment income (loss) and Loss before income taxes	Years ended December 31,		
	2023	2022	
		(in thousands)	
Equipment	\$ (4,666)	\$ (6,452)	\$ (12,868)
Services	3,462	3,285	3,283
Total segment loss	(1,204)	(3,167)	(9,585)
General and corporate	(1,373)	228	7,051
Loss before income taxes	<u>\$ (2,577)</u>	<u>\$ (2,939)</u>	<u>\$ (2,534)</u>

General and corporate expenses include all un-allocated expenses such as sales and marketing, general and administration and common R&D expenses, and investment impairment.

Sales are attributed to a geographical area based upon the location of the customer. Sales data by geographical area are as follows:

	Years Ended December 31,							
	2023	% of net Sales	2022		% of net Sales	2021		% of net Sales
			(in thousands, except percentages)					
Net Sales by Region								
China	\$ 2,577	16 %	\$ 1,735	12 %	\$ 1,858	11 %		
India	8,268	53 %	7,152	51 %	8,221	52 %		
Japan	4,908	31 %	5,165	37 %	5,842	37 %		
Total	\$ 15,753	100 %	\$ 14,052	100 %	\$ 15,921	100 %		

Long-lived assets, consisting of property, plant and equipment, by geographical area are as follows:

	December 31,	
	2023	2022
	(in thousands)	
China	\$ 603	\$ 578
Other	7	26
Total long-lived assets	<u>\$ 610</u>	<u>\$ 604</u>

NOTE 14-CREDIT RISK AND CONCENTRATION

Financial Risks:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents, short-term investments and accounts and notes receivable. The Company places its idle cash with several commercial banks. Approximately \$33.5 million and \$43.2 million of the Company's cash and cash equivalents were on deposit in accounts outside the U.S. at December 31, 2023 and 2022, respectively, of which approximately \$15.3 million and \$13.5 million were held by subsidiaries in China. China imposes currency exchange controls on certain transfers of funds to and from China. The Company's China subsidiaries are subject to pre-approval from the State Administration of Foreign Exchange ("SAFE") for non-domestic financing. Additionally, the amount of cash available for transfer from the China subsidiaries for use by the Company's non-China subsidiaries is also limited both by the liquidity needs of the subsidiaries in China and the restriction on foreign currency exchange by Chinese-government mandated limitations including currency exchange controls on certain transfers of funds outside of China.

The Company's exposure to market risk for changes in interest rates relates primarily to its investment portfolio. The fair value of its investment portfolio would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short-term nature of most of its investment portfolio with the exception of the available-for-sale securities. The investment classified as available-for-sales securities is reported at fair value. It will be measured subsequently at fair value on the balance sheets with unrealized gains and losses recorded in accumulated other comprehensive income in shareholders' equity. Any negative events or deterioration in financial well-being with respect to the counterparties of the long-term investments and the underlying collateral may cause material losses to the Company and have a material effect on the Company's financial condition and results of operations. In addition, the Company's interest income can be sensitive to changes in the general level of U.S. and China interest rates since the majority of its funds are invested in instruments with maturities of less than one year. In an increasing interest rate environment, as short-term investments mature, reinvestment occurs at more favorable market rates. Given the short-term nature of certain investments, declining interest rates will not negatively impact the Company's investment income.

The Company maintains an investment portfolio of various holdings, types and maturities. The Company does not use derivative financial instruments. The Company places its cash investments in instruments that meet high credit quality standards, as specified in its investment policy guidelines. The Company's policy is to limit the risk of principal loss and to ensure the safety of invested funds by generally attempting to limit market risk.

The Company's available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income in shareholders' equity. Any negative events or deterioration in financial well-being with respect to the counterparties of these investments may cause material losses to the Company and have a material effect on the Company's financial condition and results of operations.

Concentration of Credit Risk and Major Customers:

At December 31, 2023 and 2022, the Company's accounts receivable balance included amounts due from customer A, representing approximately nil and nil of the Company's total accounts receivable, net of allowances for credit losses, respectively.

At December 31, 2023 and 2022, the Company's accounts receivable balance included amounts due from customer B, representing approximately 79% and 88% of the Company's total accounts receivable, net of allowances for credit losses, respectively. The Company has collected over \$10.0 million and \$2.2 million in 2023 and in the first quarter of 2024, respectively.

The following customers accounted for 10% or more of the Company's net revenues:

	For the years ended December 31,		
	2023	2022	2021
Customer A	23 %	28 %	30 %
Customer B	36 %	44 %	44 %

Country Risks:

The Company's main operating functions inclusive of R&D, manufacturing and related supports as well as its core management team are in China. The Company's operations in China are subject to special considerations and significant risks not typically associated with companies in the United States. These include risks associated with, among others, the political, economic and legal environments, foreign currency exchange. The Company's results may be adversely affected by, among other things, changes in the political, economic and social conditions in China, public health issues such as COVID-19 pandemic, and by changes in governmental policies with respect to laws and regulations, changes in China's telecommunications industry and regulatory rules and policies, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

In addition, the major customers of the Company are based in Japan and India. Therefore, the Company's results of operations may be adversely affected by the political and business relationship between as well as other events affecting Japan or India in general. From time to time there have been tensions and conflicts among China, Japan and India. Adverse changes in political and economic policies, geopolitical uncertainties, and international conflicts may lead to a reduction in the Company's sales. Any future conflicts among China, Japan and India have an adverse impact on the political and business relationship of the countries. Furthermore, events affecting Japan or India in general, such as natural disasters, public health issues (COVID-19 pandemic as example), or a local currency devaluation may also have a negative impact on the Company's business, financial condition and results of operations. In recent years, there have been outbreaks of health epidemics in China and globally, including the outbreak of COVID-19 pandemic. The Company's results of operations have been and may continue to be adversely and materially affected to the extent COVID-19 or any other epidemic harms the Chinese and global economy.

NOTE 15-RELATED PARTY TRANSACTIONS

The Company had no related party transactions during the years ended December 31, 2023, 2022 and 2021.

NOTE 16-SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of these consolidated financial statements and is not aware of any significant subsequent events that would require recognition or disclosure.

SCHEDULE I

UTSTARCOM HOLDINGS CORP. (UNCONSOLIDATED-PARENT COMPANY BASIS)
REGISTRANT BALANCE SHEETS
(In thousands, except par value)

	2023	December 31, (in thousands)	2022
ASSETS			
Investment in subsidiaries	\$	66,117	\$ 72,122
Total assets		<u>66,117</u>	<u>72,122</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable-intercompany		14,734	14,658
Total current liabilities		14,734	14,658
Total liabilities		14,734	14,658
Shareholders' equity:			
Ordinary shares: \$0.015 par value; 62,500 authorized shares; 10,370 and 10,329 shares issued at December 31, 2023 and December 31, 2022, respectively; 9,114 and 9,073 shares outstanding at December 31, 2023 and December 31, 2022, respectively(1)		123	123
Additional paid-in capital		1,267,742	1,267,445
Treasury stock, at cost: 1,256 and 1,256 shares at December 31, 2023 and December 31, 2022, respectively(1)		(12,335)	(12,335)
Accumulated deficit		(1,255,060)	(1,251,209)
Accumulated other comprehensive income		50,913	53,440
Total shareholders' equity		51,383	57,464
Total liabilities and shareholders' equity	\$	<u>66,117</u>	\$ <u>72,122</u>

(1)Authorized share capital of the Company was amended by the consolidation of the existing 250,000,000 ordinary shares of US\$0.00375 par value each into 62,500,000 ordinary shares of US\$0.015 par value each effective from June 28, 2022.

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

UTSTARCOM HOLDINGS CORP. (UNCONSOLIDATED-PARENT COMPANY BASIS)
CONDENSED INFORMATION AS TO STATEMENTS OF COMPREHENSIVE LOSS OF THE REGISTRANT
(In thousands)

	2023	Years ended December 31, 2022 (in thousands)	2021
Sales			
Unrelated parties	\$ —	\$ —	\$ —
Related parties	—	—	—
Intercompany	—	—	—
Cost of sales			
Unrelated parties	—	—	—
Related parties	—	—	—
Intercompany	—	—	—
Gross profit	—	—	—
Operating expenses:			
Selling, general and administrative	768	862	769
Research and development	—	—	—
Total operating expenses	768	862	769
Operating loss	(768)	(862)	(769)
Interest income	—	—	—
Interest expense	—	—	—
Other income, net	—	—	—
Loss before income taxes and equity in loss of affiliated companies	(768)	(862)	(769)
Equity in net loss of affiliated companies	(3,083)	(4,140)	(5,059)
Income tax expense	—	—	—
Net loss	\$ (3,851)	\$ (5,002)	\$ (5,828)
Other comprehensive loss, net of tax	\$ (2,527)	\$ (6,495)	\$ (3,726)
Comprehensive loss	<u>\$ (6,378)</u>	<u>\$ (11,497)</u>	<u>\$ (9,554)</u>

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

UTSTARCOM HOLDINGS CORP.
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1-BASIS OF PRESENTATION

UTStarcom Holdings Corp., or the Company, a Cayman Island corporation, is the parent company of all UTStarcom Holdings Corp. subsidiaries. The condensed financial statements of the Company have been prepared pursuant to the rules and regulations of the SEC and in conformity with U.S. GAAP. The Company determined cash flow activities during the period were not material and therefore omitted the statement of cash flows from these financial statements.

On June 24, 2011, the Company effected a merger, or the Merger, to reorganize the corporate structure of UTStarcom, Inc., a Delaware corporation incorporated in 1991, and its subsidiaries. As a result of the reorganization, UTStarcom Holdings Corp. became the parent company of UTStarcom, Inc. and its subsidiaries. Pursuant to the Merger, the Company issued an equal number of ordinary shares in exchange for the common stock of UTStarcom, Inc. Given the reorganization of the corporate structure on June 24, 2011, the prior period numbers have been adjusted as if the new corporate structure had been in place since the beginning of the earliest period presented in the above condensed financial statements.

The Company is generally a holding company of certain subsidiaries, or collectively subsidiaries. The condensed financial statements of the Company have been prepared with the assumption that the current corporate structure has been in existence throughout all relevant periods.

The Company records its investment in subsidiaries under the equity method of accounting as prescribed in ASC 323-10, "*The Equity Method of Accounting for Investments in Common Stock*." Such investment is presented on the balance sheet as "Investment in affiliated companies" and the subsidiaries' profit or loss are recognized based on the effective shareholding percentage as "Equity in net income (loss) of affiliated companies" on the results of operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company is a holding company and does not have any activities. Operating expenses for the Company for the years ended December 31, 2023, 2022 and 2021 consisted mainly of the retaining fee for the Board of Directors, its director and officer insurance expenses and the expenses associated with investor relations. As the Company does not have any cash activity, the recorded expenses were paid on behalf of the Company by UTStarcom, Inc., its subsidiary, and statements of cash flows have been omitted.

SCHEDULE II

UTSTARCOM HOLDINGS CORP.
VALUATION AND QUALIFYING ACCOUNTS AND ALLOWANCE
For the Years Ended December 31, 2023, 2022, and 2021

Description	Balance at beginning of the period	Charged (credited) to costs and expenses	Credited to other accounts (in thousands)	(Deductions) Adjustments ⁽¹⁾	Balance at end of the period
Year ended December 31, 2023					
Allowance for credit losses	\$ 2,682	\$ (1,315)	\$ —	\$ (14)	\$ 1,353
Tax valuation allowance	\$ 190,198	\$ (2,369)	\$ (538)	\$ —	\$ 187,291
Year ended December 31, 2022					
Allowance for credit losses	\$ 6,631	\$ (3,465)	\$ —	\$ (484)	\$ 2,682
Tax valuation allowance	\$ 190,334	\$ 1,394	\$ (1,530)	\$ —	\$ 190,198
Year ended December 31, 2021					
Allowance for credit losses	\$ 15,982	\$ (9,158)	\$ —	\$ (193)	\$ 6,631
Tax valuation allowance	\$ 189,253	\$ 1,273	\$ (192)	\$ —	\$ 190,334

(1) Represents write-offs of allowance for credit losses and foreign exchange adjustments.

SUBSIDIARIES OF UTSTARCOM HOLDINGS CORP.

Name	Place of Incorporation or Organization	Proportion of Ownership Interest
UTStarcom, Inc.	U.S.A	100 %
UTStarcom International Products, Inc.	U.S.A	100 %
Issanni Communications, Inc.	U.S.A	100 %
UTStarcom Telecom Co., Ltd.	China	100 %
UTStarcom Hong Kong Ltd.	Hong Kong SAR	100 %
UTStarcom Japan KK	Japan	100 %
UTStarcom, S.A. de C.V.	Mexico	100 %
UTStarcom Network Solutions—Redes de Nova Geração Ltda.	Brazil	100 %
UTStarcom India Telecom Pvt	India	100 %
MyTV Corporation	Cayman Island	100 %
UTStarcom Hong Kong Investment Holding Ltd.	Hong Kong SAR	100 %
Virtual Gateway Labs, Inc.	U.S.A	100 %
Hangzhou USTAR Technologies Ltd.	China	100 %
Chengdu Starcom Technologies Co., Ltd.	China	100 %

UTSTARCOM HOLDINGS CORP.

INSIDER TRADING POLICY

(amended on April 25, 2014)

This Insider Trading Policy (the "Policy") of UTStarcom Holdings Corp. ("UTStarcom" or the "Company") outlines procedures that all UTStarcom personnel must follow. This Policy and the procedures set forth herein arise from our responsibilities as a public company. It is important that you review this Policy carefully. Any questions pertaining to this Policy should be directed to UTStarcom's General Counsel, who is the Policy Compliance Officer.

A. Prohibition on Trading on Inside Information. No member of the UTStarcom Board of Directors (the "Board") and no officer, employee, consultant, independent contractor or other person associated with UTStarcom may trade in the securities of UTStarcom if such person possesses "material" information about UTStarcom that has not been disclosed to the public. Such trading not only violates UTStarcom's policy, but may also violate federal securities law.

While you possess material information concerning UTStarcom that has not been disclosed to the public ("inside information"), you cannot:

- *buy or sell UTStarcom securities or options on such securities; or*
- *communicate such information to other persons ("tipping").*

Persons who trade on inside information, as well as persons who have tipped others, and the persons who have received such material inside information, may be the subjects of civil and criminal penalties, including fines of up to \$5 million and imprisonment for up to 20 years. For example, if you provide a "tip" to someone who then buys or sells a UTStarcom security, whether or not you trade, both you and the "tippee" can be convicted of insider trading and be subject to the penalties described above. In addition, any employee of or consultant to UTStarcom who engages in such prohibited and/or illegal conduct is subject to immediate discipline, including termination of employment or service.

B. Definition of "Inside Information ".

"Inside information" is material nonpublic information and includes any information (favorable or unfavorable) that has not been disclosed to the public and that would influence a reasonable investor to buy or sell UTStarcom shares. Some examples of "material" information are:

- *Revenues, including increases and decreases in quarterly revenues.*
- *Earnings, including increases and decreases in quarterly earnings.*
- *Significant mergers, acquisitions or other transactions.*
- *Unusual gains, losses or other changes in operations.*
- *Major personnel changes.*
- *A gain or loss of one or more major customers.*

You should treat all corporate information with discretion and discuss confidential data only with those UTStarcom employees who have a right and a need to know. Do not discuss the Company's confidential information

with friends, relatives and acquaintances or in public places. If you have inside information concerning UTStarcom, you must refrain from trading in UTStarcom securities until you know that such information has been made public. Inside information is not considered to have been "made public" until at least two full business days after such information has been released by UTStarcom to major U.S. news services.

C.Trading Windows. "Insiders" may only trade UTStarcom's securities during the period commencing at the start of the second business day after the day on which UTStarcom's financial results for any particular fiscal period have been publicly disclosed and ending at the close of business on the last business day of the fiscal quarter. Another way to define the window-period would be to say that trading is always prohibited during the period commencing on the first business day of each fiscal quarter and continuing through the close of business on the first business day after the day on which UTStarcom's financial results for any particular fiscal quarter are released.

D. Definition of "Insider". "Insiders" include members of the Board, executive officers, and other employees and consultants whom the Company believes have, or are likely to have, regular or special access to inside information in the normal course of their duties. Designated Insiders shall include all members of the Board and executive officers of the Company; all individuals who report directly to the Chairman of the Board, Chief Executive Officer or President of the Company; any employees or consultants the Company has identified from time to time; and household and immediate family members living in the designated Insider's household. The Company will notify from time to time those persons who are considered "Insiders" subject to restrictions on trading during a closed trading window.

E.Restrictions Beyond the Trading Window/Pre-Clearance of Trades. Even within the designated trading windows, trading will only be permitted if no development of major importance remains unannounced or if the individual is not in possession of inside information. **Certain Insiders must notify UTStarcom's General Counsel in accordance with the provisions set out below regarding the pre-clearance of all securities transactions by such Insiders at any time prior to buying or selling any UTStarcom securities.** Individuals subject to this pre-clearance requirement are members of the Board and executive officers. The pre-clearance process is initiated by submitting a notice to the Company's General Counsel at least two (2) trading days prior to the proposed trade (i.e., if the proposed trade is to take place on a Monday, the pre-clearance notice must be received by the General Counsel no later than 5 p.m. California time on the previous Thursday, where the intervening Friday is a regular trading day). In the case where the General Counsel proposes to trade, his or her pre-clearance notice must be delivered to the Company's Chief Financial Officer. The notice must set forth the individual's name, the number of shares, proposed type and date of transaction and complete contact information for the individual's broker. If, within 24 hours after notifying the General Counsel (or Chief Financial Officer, as the case may be), the Insider has not received instructions from the General Counsel (or Chief Financial Officer, as the case may be) to refrain from trading, he or she may proceed with the trade. Individuals who have an effective trading plan (see Paragraph G) in place are not subject to this pre-clearance requirement for those trades that take place pursuant to the trading plan.

F.Individual Responsibility to Comply with Policy. Every person has the individual responsibility to comply with this Policy against insider trading, regardless of whether UTStarcom has recommended a trading window to that person. In all cases an individual should exercise appropriate judgment in connection with any trade in UTStarcom securities and seriously consider whether he or she has knowledge of material inside information before trading. An individual may, from time to time, be required to forego a proposed transaction in UTStarcom securities even if he or she planned to make the transaction before learning of the material nonpublic information and even though the individual may suffer economic loss or forego anticipated profit by waiting.

G.Trading Plans /Suspension of Trading. Directors, officers and employees may elect to comply with this Insider Trading Policy by adopting a good faith "trading plan" pursuant to Rule 10b5-1(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All trading plans must be approved by the General Counsel, who will retain a copy thereof. Plans will not be approved unless they contain the following provisions:

(i)The plan must be written and signed.

(ii)The person seeking to adopt the plan must state that, as of the date of the adoption of the plan, he or she is not aware of any material non-public information.

(iii) The plan must specify or set a formula for the amount of shares to be purchased or sold, the dates which the shares are to be purchased or sold, and the prices at which the shares are to be purchased or sold. For example, the plan may instruct the stockbroker to sell a particular number of shares at market prices, in each upcoming month or quarter. As set forth in Rule 10b5-1(c) of the Exchange Act, limit prices may be used.

(iv) The person seeking to adopt the plan must acknowledge that he or she may not discuss with his or her stockbroker any material non-public information regarding the Company and its securities.

(v) The person seeking to adopt the plan must declare that he or she has not entered into, and will not enter into, any corresponding or hedging transaction or position with respect to the Company's securities.

The Company recommends a person seeking to adopt a plan consult an attorney prior to the adoption of a plan. The Company also recommends that plans contain termination and modification provisions. Any person adopting a trading plan must make the sales contemplated by the plan without alteration or deviation, and not make additional sales of the Company's securities other than as set forth under the plan.

The Company reserves the right to bar all trades in its securities, even pursuant to existing trading plans, if the Board, in consultation with legal counsel, determines that such a bar is in the best interests of the Company. The Company also reserves the right to reject any trading plan.

H. Inside Information Regarding Other Companies. This Policy and the guidelines described herein also apply to material nonpublic information relating to other companies, including UTStarcom customers, vendors and suppliers ("Business Partners"), particularly when that information is obtained in the course of employment with, or other services performed by, or on behalf of, UTStarcom. Civil and criminal penalties, and discipline, including termination of employment, may result from trading on inside information regarding UTStarcom's Business Partners. Each individual should treat material nonpublic information about UTStarcom's Business Partners with the same care required with respect to information related directly to UTStarcom.

I. Definition of "Trading". Trading includes open market purchases and sales, including a "same day sale" or "cashless exercise" of a stock option or the sale of employee stock purchase plan ("ESPP") shares. Transactions that occur as a result of a market "limit" order are trades and are subject to this policy and the prohibitions against insider trading. Accordingly, "limit" orders should be restricted to the permitted trading window and canceled immediately if the employee becomes aware of inside information.

"Trading" does not include the following:

- (i) gifts of shares to others (where the individual making the gift does not retain a pecuniary interest in the shares);
- (ii) the exercise of stock options for cash under any UTStarcom equity plan;
- (iii) the sale of ordinary shares to cover tax withholding obligations incurred upon vesting of restricted stock awards or restricted stock units when vesting occurs on a pre-determined date, but only to the extent of the amount of the tax withholding obligation;
- (iv) the purchase of shares under the ESPP; or
- (v) transactions pursuant to an effective "trading plan" as defined in Paragraph G.

J. No Trading in Derivative Securities. No member of the Board, officer, employee, consultant or other person associated with UTStarcom may trade in any interest or position relating to the future price of UTStarcom securities, such as a put, call or short sale or using UTStarcom shares as collateral for margin loans.

K. Inquiries. Please direct any questions as to any of the matters discussed in the Policy to the General Counsel.

L. Changes to Policy. UTStarcom may amend its Insider Trading Policy from time to time and will notify all employees and consultants of the changes. You agree to abide by the Insider Trading Policy in effect on the date you engage in any Trading.

ACKNOWLEDGMENT

The undersigned hereby acknowledges receipt of the Insider Trading Policy of UTStarcom Holdings Corp. attached hereto and that he or she has read the Insider Trading Policy and agrees to comply with its terms and conditions. The undersigned understands that a violation of insider trading or tipping laws or regulations may subject the undersigned to severe civil and/or criminal penalties, and that a violation of the terms of the Insider Trading Policy may subject the undersigned to discipline by UTStarcom Holdings Corp. up to and including termination for cause.

(Signature)

(Printed Name)

(Date)

Please sign and return to the Human Resources Department.

CERTIFICATION

I, Hua Li, certify that:

1. I have reviewed this annual report on Form 20-F of UTStarcom Holdings Corp.;
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(s) 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.
5. The Company's other certifying officer(s) 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

/s/ Hua Li
Hua Li

Title: *Chief Executive Officer*

CERTIFICATION

I, Dan Xie, certify that:

1. I have reviewed this annual report on Form 20-F of UTStarcom Holdings Corp.;

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(s) 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.

5. The Company's other certifying officer(s) 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

/s/Dan Xie

Dan Xie

Title: *Chief Financial Officer*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of the Annual Report of UTStarcom Holdings Corp. (the "Company") on Form 20-F for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, Hua Li, 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:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) 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/ Hua Li
Name: Hua Li

Title: *Chief Executive Officer*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT 2002**

This certification is not to be deemed filed pursuant to the Securities Exchange Act of 1934, as amended, and does not constitute a part of the Annual Report of UTStarcom Holdings Corp. (the "Company") on Form 20-F for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report").

In connection with the Report, I, Dan Xie, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) 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/ Dan Xie
Name: Dan Xie

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated April 29, 2024, with respect to the consolidated financial statements included in the Annual Report of UTStarcom Holdings Corp. on Form 20-F for the year ended December 31, 2023. We consent to the incorporation by reference of said report in the Registration Statements of UTStarcom Holdings Corp. on Form S-8 (Nos. 333-228392 and 333-272756).

/s/ GRANT THORNTON ZHITONG CERTIFIED PUBLIC ACCOUNTANTS LLP
Shanghai, China
April 29, 2024

**POLICY FOR THE RECOVERY OF
ERRONEOUSLY AWARDED COMPENSATION**
(Adopted as of December 1, 2023)

A. PURPOSE

In accordance with the applicable rules of The Nasdaq Stock Market (the "Nasdaq Rules"), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") ("Rule 10D-1"), UTStarcom Holdings Corp. (the "Company") has adopted this Policy for the Recovery of Erroneously Awarded Compensation (the "Policy") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H of this policy.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

This Policy applies to all erroneously awarded incentive-based compensation received by current and former executive officers during the applicable claw period.

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

(I) After an Accounting Restatement, the Compensation Committee (the "Committee") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.

For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

- a. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
- b. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.

(II) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in below Section B(2), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(III) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(IV) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by above Section B(1) if the Committee determines that recovery would be impracticable and any of the following three conditions are met:

(i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq;

(ii) Recovery would violate Cayman Islands law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq;

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("SEC") filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT AND TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company

under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(2) "Clawback Eligible Incentive Compensation" means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) "Clawback Period" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) "Erroneously Awarded Compensation" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) "Executive Officer" means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) "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 all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(7) "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.

(8) "Nasdaq" means The Nasdaq Stock Market.

(9) "Received" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) "Restatement Date" means the earlier to occur of (i) the date the Board, a committee of the Board or the 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 (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this "**Policy**").
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature:

Printed Name:

Date:
