**Stock Code: 3312**

# G.M.I. Technology Inc. and Subsidiaries

**Consolidated Financial Statements**
**With Independent Auditors' Report**

**For the Years Ended December 31, 2022 and 2021**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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# Representation Letter

The entities that are required to be included in the combined financial statements of G.M.I. Technology Inc. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, G.M.I. Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: G.M.I. Technology Inc.
Chairman: Yeh, Chia-Wen
Date: March 28, 2023

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# Independent Auditors' Report

To the Board of Directors of G.M.I. Technology Inc.,

## Opinion

We have audited the consolidated financial statements of G.M.I. Technology Inc. ("the Company") and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis of opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue Recognition

   Please refer to note 4(m) "Revenue Recognition" for accounting policy, and note 6(17) Revenue from Customer Contracts, of the Consolidated Financial Statements.

   Description of key audit matter:

   The Group mainly engages in the purchase and sale of electronic components. Since revenue is an important item in financial reporting and is of the interest to the users of financial statements, revenue recognition is one of the important evaluations performed by our auditors in the consolidated financial statements.

How the matter was addressed in our audit:

Our principal audit procedures included:

- Understand and test the internal processes and related controls related to revenue recognition.
- Analyze the form and transaction terms of major revenues to assess the appropriateness of the timing of revenue recognition
- Verify the revenue transaction records and various certificates for the period before and after the selected financial reporting date to assess the appropriate cutoff of operating revenue records.
- Assess whether there are material sales return and discounts

2. Inventory Valuation

Please refer to note 4(h) "Inventories" for accounting policy on inventory valuation, note5(2) Inventory Valuation for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses and note 6(3) Inventory, of the Consolidated Financial Statements.

Description of key audit matter:

The Group recognizes inventories at the lower of cost and net realizable value. The Group mainly engages in the purchase and sale of electronic components. Due to rapid technological innovations and fluctuations in market prices, there is a higher risk of inventory losses arising from market value decline or obsolescence. Inventory valuation is one of the important evaluations performed by our auditors in the consolidated financial statements.

Our principal audit procedures included:

- Assess whether the inventory valuation of GMI group has estimated in accordance with the groups polices.
- Verify inventory aging report and analyze Inventory aging and closeout
- Verify the assessment report of the lower of cost and net realizable value, which is provided by GMI group.

**Other information**

We did not audit the financial statements of Unitech Computer Co., Ltd. and Global Mobile Internet Co., Ltd., subsidiaries of the Group. Those statements were audited by other auditors, whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for Unitech Computer Co., Ltd. and Global Mobile Internet Co., Ltd., is based solely on the reports of other auditors. The financial statements of Unitech Computer Co., Ltd. and Global Mobile Internet Co., Ltd. reflect total assets constituting 2.86% and 3.12% of the consolidated total assets at December 31, 2022 and 2021, respectively, and total operating revenues constituting 1.62% and 0.01% consolidated total operating revenues for the years then ended December 31, 2022 and 2021, respectively.

The Company has prepared its parent-company-only financial report for the years 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Heng-Shen and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)

March 28, 2023

***Notes to Readers***

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

*The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.*

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**

# G.M.I. Technology, Inc. and Subsidiaries

## Consolidated Balance Sheets

## December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | Assets | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(1)) | $ 1,455,659 | 18 | 1,447,717 | 20 |
| 1150 | Notes receivable (note 6(2) and (17)) | 96,006 | 1 | 121,831 | 2 |
| 1170 | Accounts receivable (note 6(2), (17) and 8) | 3,442,658 | 42 | 3,715,795 | 51 |
| 1181 | Accounts receivables from related parties (note 6(2), (17) and 7) | 71 | - | 38,026 | - |
| 1200 | Other receivables | 17,899 | - | 16,888 | - |
| 1220 | Current income tax assets | 6,529 | - | - | - |
| 130X | Inventories (note 6(3)) | 2,319,295 | 27 | 1,084,342 | 15 |
| 1476 | Other financial assets - current (note 8) | 231,773 | 3 | 209,349 | 3 |
| 1470 | Other current assets | 80,192 | 1 | 116,858 | 2 |
| | Total current assets | 7,650,082 | 92 | 6,750,806 | 93 |
| | **Non-current assets:** | | | | |
| 1550 | Investments accounted for using the equity method (note 6(4) and 7) | 237,492 | 3 | 227,743 | 3 |
| 1600 | Property, plant and equipment (note 6(5) and 8) | 331,763 | 4 | 9,338 | - |
| 1755 | Right-of-use assets (note 6(6)) | 28,937 | - | 13,501 | - |
| 1760 | Investment property−net (note 6(7) and 8) | - | - | 297,592 | 4 |
| 1840 | Deferred income tax assets | 36,038 | 1 | 5,877 | - |
| 1975 | Net defined benefit assets- non current (note 6(12)) | 1,426 | - | - | - |
| 1900 | Other non-current assets | 1,768 | - | 3,865 | - |
| | Total noncurrent assets | 637,424 | 8 | 557,916 | 7 |
| | **Total assets** | **$ 8,287,506** | **100** | **7,308,722** | **100** |

| | Liabilities and Equity | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(9) and 8) | $ 2,238,874 | 27 | 1,395,505 | 19 |
| 2110 | Short-term notes and bills payable (note 6(8)) | 379,163 | 5 | 558,953 | 7 |
| 2170 | Accounts payable | 397,049 | 5 | 154,861 | 2 |
| 2180 | Accounts payable to related parties (note 7) | 2,264,502 | 27 | 2,822,935 | 39 |
| 2219 | Other payables (note 6(12)) | 79,774 | 1 | 115,687 | 2 |
| 2230 | Current income tax liabilities | 3,287 | - | 66,860 | 1 |
| 2280 | Current lease liabilities (note 6(11)) | 12,785 | - | 8,075 | - |
| 2300 | Other current liabilities (note 6(17)) | 21,866 | - | 58,301 | 1 |
| 2322 | Long-term borrowings, current portion (note 6(10) and 8) | 11,900 | - | 11,900 | - |
| | Total current liabilities | 5,409,200 | 65 | 5,193,077 | 71 |
| | Non-current liabilities: | | | | |
| 2540 | Long-term borrowings (note 6(10) and 8) | 202,300 | 2 | 214,200 | 3 |
| 2580 | Non-current lease liabilities (note 6(11)) | 16,768 | - | 6,113 | - |
| 2640 | Non-current recognized liabilities defined benefit plan | - | - | 138 | - |
| | Total non-current liabilities | 219,068 | 2 | 220,451 | 3 |
| | Total liabilities | 5,628,268 | 67 | 5,413,528 | 74 |
| | **Equity attributable to owners of the parent company (note 6(14) and (15):** | | | | |
| 3110 | Ordinary shares | 1,626,254 | 20 | 1,376,254 | 19 |
| 3200 | Capital surplus | 223,116 | 3 | 44,977 | 1 |
| 3310 | Legal reserve | 101,075 | 1 | 56,557 | 1 |
| 3320 | Special reserve | 113,848 | 1 | 76,185 | 1 |
| 3350 | Unappropriated retained earnings | 552,882 | 7 | 455.069 | 6 |
| 3400 | Other equity | 42,063 | 1 | (113,848) | (2) |
| | Total equity | 2,659,238 | 33 | 1,895,194 | 26 |
| | **Total liabilities and equity** | **$ 8,287,506** | **100** | **7,308,722** | **100** |

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**

## G.M.I. Technology, Inc. and Subsidiaries

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars, except earnings per share

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | **Amount** | **%** | **Amount** | **%** |
| 4000 | Operating revenues (note 6(17) and 7) | $ 19,346,503 | 100 | 18,852,689 | 100 |
| 5000 | Operating costs (notes 6(3) and 7) | 18,295,415 | 95 | 17,760,722 | 94 |
| | Gross profit from operations | 1,051,088 | 5 | 1,091,967 | 6 |
| | **Operating expenses (notes 6(11), (12), (15) and (18))** | | | | |
| 6100 | Selling expenses | 319,425 | 1 | 346,811 | 2 |
| 6200 | Administrative expenses | 133,066 | 1 | 142,881 | 1 |
| 6300 | Research and development expenses | 22,920 | - | 33,629 | - |
| 6450 | Reversal of impairment loss determined in accordance with IFRS 9 (note 6(2)) | 8,232 | - | 22,326 | - |
| | Total operating expenses | 483,643 | 2 | 545,647 | 3 |
| | **Net operating income** | 567,445 | 3 | 546,320 | 3 |
| | **Non-operating income and expenses (note 6(5), (11) and (19))** | | | | |
| 7100 | Interest income | 7,815 | - | 1,260 | - |
| 7010 | Other income | 5,501 | - | 5,876 | - |
| 7020 | Other gains and losses, net | 62,113 | - | 31,853 | - |
| 7050 | Finance costs | (62,978) | - | (31,730) | - |
| 7060 | Share of loss of associates and joint ventures accounted for using equity method | 9,573 | - | 70 | - |
| | Total non-operating income and expenses | 22,024 | - | 7,329 | - |
| 7900 | Profit before income tax | 589,469 | 3 | 553,649 | 3 |
| 7950 | Less: Income tax expense (note 6(13)) | 135,523 | 1 | 108,143 | 1 |
| | **Profit** | 453,946 | 2 | 445,506 | 2 |
| 8300 | Other comprehensive income (loss): | | | | |
| 8310 | Items that may not reclassified subsequently to profit or loss | | | | |
| 8311 | Gains (losses) on remeasurement of defined benefit plans (note 6(12)) | 1,173 | - | 721 | - |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified | 126 | | | |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | Total items not reclassified to profit or loss | 1,299 | - | 721 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statement | 151,895 | 1 | (37,663) | - |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note 6(g)) | 4,016 | - | - | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - |
| | Total of items that may be reclassified to profit or loss | 155,911 | 1 | (37,663) | - |
| 8300 | Other comprehensive income, net | 157,210 | 1 | (36,942) | - |
| | **Total comprehensive income** | **$ 611,156** | **3** | **408,564** | **2** |
| | **Earnings per share (NT$ dollars) (note 6(16))** | | | | |
| 9750 | Basic earnings per share | **$** | **3.08** | | **3.24** |
| 9850 | Diluted earnings per share | **$** | **3.08** | | **3.24** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## G.M.I. Technology, Inc. and Subsidiaries
## Consolidated Statements of Changes in Equity
## For the years ended December 31, 2022 and 2021
## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of the parent company | | | | | Other equity items | | |
|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | | |
| **Balance at January 1, 2021** | $ 1,251,140 | 44,977 | 36,802 | 31,507 | 199,436 | (76,185) | - | 1,487,677 |
| Profit for the period | - | - | - | - | 445,506 | - | - | 445,506 |
| Other comprehensive income or loss for the period | - | - | - | - | 721 | (37,663) | - | (36,942) |
| Total comprehensive income or loss for the period | - | - | - | - | 446,227 | (37,663) | - | 408,564 |
| **Appropriation and distribution of retained earnings:** | | | | | | | | |
| Legal reserve | - | - | 19,755 | - | (19,755) | - | - | - |
| Special reserve | - | - | - | 44,678 | (44,678) | - | - | - |
| Stock dividends of ordinary stock | 125,114 | - | - | - | (125,114) | - | - | - |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | - | - | - | | (1,047) | - | - | (1,047) |
| **Balance on December 31, 2021** | 1,376,254 | 44,977 | 56,557 | 76,185 | 455,069 | (113,848) | - | 1,895,194 |
| Profit for the period | - | - | - | - | 453,946 | - | - | 453,946 |
| Other comprehensive income or loss for the period | - | - | - | - | 1,299 | 155,873 | 38 | 157,210 |
| Total comprehensive income for the period | - | - | - | - | 455,245 | 155,873 | 38 | 611,156 |
| **Appropriation and distribution of retained earnings:** | | | | | | | | |
| Legal reserve | - | - | 44,518 | - | (44,518) | - | - | - |
| Special reserve | - | - | - | 37,663 | (37,663) | - | - | - |
| Cash dividends of ordinary stock | - | - | - | - | (275,251) | - | - | (275,251) |
| Issuance of shares for cash | 250,000 | 175,000 | - | - | - | - | - | 425,000 |
| Share-based payment transactions | - | 3,139 | - | - | - | - | - | 3,139 |
| **Balance on December 31, 2022** | $ 1,626,254 | 223,116 | 101,075 | 113,848 | 552,882 | 42,025 | 38 | 2,659,238 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# G.M.I. Technology, Inc. and Subsidiaries

## Consolidated Statement of Cash Flow

## For the years ended December 31, 2022 and 2021

## (Expressed in Thousands of New Taiwan Dollars)

| | 2022 | 2021 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| Profit before tax: | $ 589,469 | 553,649 |
| Adjustment: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 20,067 | 24,386 |
| Reversal of expected credit impairment loss | 8,232 | 22,326 |
| Interest expense | 62,978 | 31,730 |
| Interest revenue | (7,815) | (1,260) |
| Share-based payment transactions | 3,139 | - |
| Shares of losses of associates and joint ventures accounted for using equity method | (9,573) | (70) |
| Losses (gains) from disposal of property, plant and equipment | 45 | 18 |
| Gain recognized in bargain purchase transaction | - | (89,016) |
| Impairment loss (profit) of associates accounted for using equity method | - | 76,640 |
| Total adjustments to reconcile profit | 77,613 | 64,754 |
| **Changes in operating assets and liabilities:** | | |
| Changes in operating assets: | | |
| Decrease (increase) in notes receivable | 37,881 | 90,740 |
| Decrease (increase) in accounts receivable | 537,843 | (1,207,665) |
| Increase in Accounts receivable due from related parties | 37,956 | (38,026) |
| Decrease in other receivables | (3) | 11,760 |
| Decrease in other receivables from related parties | - | 7,565 |
| Increase in inventories | (1,106,352) | (305,297) |
| Increase in other current assets | 40,254 | (52,140) |
| Total changes in operating assets: | (452,421) | (1,493,063) |
| Changes in operating liabilities: | | |
| Increase in accounts payable | 232,167 | 86,669 |
| Increase in accounts payable to related parties | (714,402) | 369,563 |
| (Decrease) Increase in other payables | (41,839) | 46,230 |
| (Decrease)Increase in other current liabilities | (41,085) | 19,833 |
| Decrease in non-current recognized liabilities defined benefit plan | (391) | (425) |
| Total changes in operating liabilities | (565,550) | 521,870 |
| Total adjustments | (940,358) | (906,439) |
| Cash inflows (outflow) from operations | (350,889) | (352,790) |
| Interest received | 6,897 | 1,266 |
| Interest paid | (59,120) | (30,637) |
| Income taxes paid | (238,582) | (49,916) |
| Net cash inflows from operating activities | (641,694) | (432,077) |
| **Cash flows from (used in) investing activities:** | | |
| Disposal of financial instrument measured at fair value through comprehensive income | - | 10 |
| Acquisition of investment accounted for using the equity method | - | (200,739) |
| Acquisition of property, plant and equipment | (31,810) | (2,204) |
| (Increase) in other financial assets | (1,083) | (25,446) |
| Decrease in other non-current assets | 2,258 | 773 |
| Dividends received | 3,966 | - |
| Net cash outflows from (used in) investing activities | (26,669) | (227,606) |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term borrowing | 8,929,732 | 5,685,792 |
| Decrease in short-term borrowing | (8,130,114) | (4,915,528) |
| Increase in short-term notes and bills | 2,368,379 | 2,173,333 |
| Decrease in short-term notes and bills | (2,548,169) | (2,053,390) |
| Decrease of long-term borrowing | (11,900) | (11,900) |
| Payment of lease liabilities | (13,599) | (18,972) |
| Other non-current liabilities | - | (1,003) |
| Cash dividends | (275,251) | - |
| Capital increase by cash | 425,000 | - |
| Net cash inflows from financing activities | 744,078 | 858,332 |
| **Effect of exchange rate changes on cash and cash equivalents** | (67,773) | 20,090 |
| **Net increase in cash and cash equivalents** | 7,942 | 218,739 |
| **Cash and cash equivalents at beginning of period** | 1,447,717 | 1,228,978 |
| **Cash and cash equivalents at the end of the period** | **$ 1,455,659** | **1,447,717** |

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**

# G.M.I. Technology Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

## For the years ended December 31, 2022 and 2021

**(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)**

### (1) Company history

G.M.I. Technology Inc, (hereinafter referred to as the Company) was established in October 1995 with the approval of the Ministry of Economic Affairs, R.O.C and its registered office is located at 2F, No. 57, Xingzhong Rd, Neihu District, Taipei, Taiwan. The Company and its subsidiaries (hereinafter collectively referred to as the Group) are principally engaged in the trading and manufacturing of electronic equipment and components, computer software development, trading and related business services.

### (2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2023.

### (3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date by IASB |
|---|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.<br><br>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt. | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.<br><br>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. | January 1, 2024 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following new and amended standards, which have not yet been recognized, to have a significant impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

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

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of Preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

(i) Financial instruments fair value through profit or loss are measured at fair value;

(ii) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

2. Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(1) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(2) List of subsidiaries in the consolidated financial statements

| | | | Share holding | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of subsidiary** | **Principal activity** | December 31, 2022 | December 31, 2021 | **Notes** |
| The Company | G.M.I. Technology (BVI) Co., Ltd | Investment holding | 100% | 100% | |
| G.M.I. Technology (BVI) Co., Ltd | Harken Investments Limited | Investment holding | 100% | 100% | - |
| G.M.I. Technology (BVI) Co., Ltd | Vector Electronic Co. Ltd | Trading of electronic components and investment holding | 100% | 100% | - |
| Vector Electronic Co. Ltd | G.M.I. (Shanghai) Trading Company Limited | Trading of electronic components and business marketing consulting Services | 100% | 100% | - |
| Vector Electronic Co. Ltd | G.M.I. Vector Electronics (Shenzhen) Company | Trading of electronic components and business marketing consulting Services | - % | 100% | Note 1 |
| Vector Electronic Co. Ltd | Hong Da Fu Tong Electronics Company Limited | Trading of electronic components | 100% | 100% | - |
| G.M.I (Shanghai) Trading Company Limited. | Shandong WAN SHUN HE ENERGY Co., Ltd. | Chemical engineering products and Trading of electronic components | 100% | - % | Note 2 |

Note 1: Subsidiary was established in 2007 and was approved by the board of directors for liquidation on November 8, 2022. Subsidiary was canceled on November 23, 2022. In addition, the Group was liquidated on December 6, 2022.

Note 2: The subsidiary is to be liquidated by resolution of the Board of Directors on March 28, 2023.

(3) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign Currency

(1) Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

(2) Foreign Operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(Continued)

**GMI Technology Inc. Ltd. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(1) Financial assets carried at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group; therefore, those receivables are measured at FVOCI. However, they are included in the ‘trade receivables’line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

(3) Impairment of financial assets

The Group recognizes loss allowance for expected credit losses (ECL) on financial assets measured at amortized cost, including cash and cash equivalents, financial assets carried at amortized cost, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

The Group enters transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(3) Financial liabilities

Financial liabilities are stated at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method. Under the equity method, when associates are originally acquired, they are recognized by cost, plus the net fair value of any identifiable assets and liabilities by the investee that exceeds the cost of the investment. The cost of the investment also includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(Continued)

(2) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(3) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(1) Building and structure 30 years

(2) Machinery and equipment 5 years

(3) Office equipment and other equipment 3 to 5 years

(4) Leasehold Improvement 3 years

(5) Transportation equipment 4 years

The Group reviews the depreciation method, useful life and residual value at each reporting date, and makes appropriate adjustments when necessary.

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. As a lessees

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities include fixed payments, including actual fixed payments.

Lease liabilities are subsequently measured using the effective interest method and are remeasured when changes in the subject, scope or other terms of the lease occur.

(Continued)

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount impairment losses are recognized in profit or loss.

Non-financial assets are reversed only to the extent that the carrying amount (other than depreciation or amortization) does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(n) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group recognizes revenue when control over a product is transferred. The transfer of control of the product means that the product has been delivered to the customer, the customer has full control over the sales channel and price of the product, and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is delivered to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, the terms of acceptance have lapsed, or the Group has objective evidence that all acceptance conditions have been met.

The Company regularly provides sales discounts to its customers on the basis of sales achieved. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated sales discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The Group recognizes accounts receivable when the goods are delivered because the Group has the unconditional right to receive the consideration at that point in time.

(Continued)

(o) Employee benefits

1. Defined contribution plans

   Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit Plan

   The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

   The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

   Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

   When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

   Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(Continued)

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Group confirm the number of shares subscribed by the employees.

(q) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction; and
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
   - the same taxable entity; or
   -

- different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The Group's potentially dilutive Ordinary shares include stock-based compensation to employees.

(s) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The accounting policies involved significant judgement and have a significant impact on the amounts recognized in this consolidated financial report as follows:

1. Judgement on whether the investee company has substantial control

   The Group holds 12.73% voting shares, and is the second largest shareholder, of Unitech Electronics Co., Ltd., resulting in the Group's board of directors and chairman to have substantial control and significant influence over it.

   Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows.

   Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

1. The loss allowance for trade receivables

   The Group has estimated the loss allowance for trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(2).

2. Valuation of Inventories

   As inventories are stated at the lower of cost or net realizable value, The Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon. Due to the rapid technological changes, the net realizable value of inventories may change significantly. The relevant assumptions and input values, please refer to note 6(3).

**(6) Explanation of significant accounts**

(1) Cash and cash equivalents

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Cash on hand | $ | 5,784 | 5,923 |
| Cheques and demand deposits | | 1,449,875 | 1,441,794 |
| | $ | **1,455,659** | **1,447,717** |

(2) Notes and accounts receivable

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Notes receivable - arising from operations | $ | 96,295 | 122,198 |
| Accounts receivable - measured at amortized cost | | 3,495,090 | 3,773,918 |
| Accounts receivable due from related parties | | 71 | 38,026 |
| Less: Allowance for losses | | (52,721) | (58,490) |
| | $ | **3,538,735** | **3,875,652** |

The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.

(Continued)

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. The loss allowance provisions were determined as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | **Notes and accounts receivable carrying amount** | **Weighted-average loss ratio** | **Allowance provision** |
| Current | $ 3,379,158 | 1.09% | 36,776 |
| Less than 90 days past due | 212,298 | 7.51% | 15,945 |
| | $ **3,591,456** | | **52,721** |

| | December 31, 2021 | | |
|---|---|---|---|
| | **Notes and accounts receivable carrying amount** | **Weighted-average loss ratio** | **Allowance provision** |
| Current | $ 3,873,376 | 0.90% | 34,799 |
| Less than 90 days past due | 37,468 | 1.05% | 393 |
| More than 180 days past due | 23,298 | 100% | 23,298 |
| | $ **3,934,142** | | **58,490** |

The movement in the allowance for notes and accounts receivable were as follows:

| | For the year ended | |
|---|---|---|
| | **December 31,2022** | **December 31,2021** |
| Balance at January 1 | $ 58,490 | 97,119 |
| Impairment losses (reversal of gains) | 8,232 | 14,905 |
| Amounts written off as irrecoverable during the year | (18,456) | (51,183) |
| Foreign exchange gains or losses | 4,455 | (2,351) |
| Balance at December 31 | $ **52,721** | **58,490** |

The Group assessed its other receivables – related parties for the year 2021 to be uncollectible in the future since bad debt losses had been withdrawn and written off

For details on financial assets guaranteed as long-term loans and financing guarantees mentioned above, please refer to note 8.

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(3) Inventories

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Goods for sale | $ | **2,319,295** | **1,084,342** |

Inventories recognized as cost of sales amounted to $18,191,664 thousand and$17,738,682 thousand for the years ended December 31, 2022 and 2021, respectively.

The inventory deprecation loss of $103,751 thousand and $22,040 thousand was recognized as cost of goods sold due to the write down of inventories to net realizable value in the year of 2022 and 2021, respectively.

(4) Investments accounted for using the equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Associates | $ | 561,069 | 551,320 |
| Accumulated impairment | | (323,577) | (323,577) |
| | $ | **237,492** | **227,743** |

(a) Associates

On November 9, 2021, the Group's board of directors approved to participate in the cash capital increase of Unitech Electronics Co., Ltd. (Unitech Electronics). The group holds 12.73% of the voting shares of Unitech Electronics. The Group is the second largest shareholder of the company, with the Group's board of directors and its chairman having substantial control over the company. As the Group has a significant influence on Unitech Electronics, they are listed as "Investments using the equity method." After participating in the cash capital increase of Unitech Electronics, the Group held 9,559 thousand common shares of Unitech Electronics, with the acquisition cost of $200,739 thousand. In addition, after the appraisal of Unitech Electronics was carried out, the book balance was found to be $289,755 thousand. This includes the gain recognized in a bargain purchase transaction of $89,016 thousand (listed under "Other gains and losses"). The above information is evaluated based on the report issued by the appraisal company.

For Affiliates that are significant to the Group, their relevant information are as follows:

| Associate Name | Nature of the relationship with the Group | Main business sector/Country of company registration | Proportion of ownership interest and voting rights | |
|---|---|---|---|---|
| | | | December 31, 2022 | December 31, 2021 |
| Unitech Electronics Co., Ltd. | Invested by the Group using equity method | Taiwan | 12.73% | 12.73% |

(Continued)

**GMI Technology Inc. Ltd. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

For Affiliates that are significant to the Group have been listed on the stock exchange, their fair values are as follows:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Unitech Electronics | $ | **214,600** | **213,644** |

The aggregated financial information of the affiliates that are material to the Group is as follows. The financial information has been adjusted to the amounts included in the IFRS consolidated financial statements of each Affiliate to reflect the Group's fair value adjustments and adjustments made for differences in accounting policies for affiliates when acquiring equity in Affiliates:

(a) Unitech Electronics's Aggregate Financial Information:

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current Asset | $ | 1,920,808 | 1,778,816 |
| Non-Current Asset | | 580,061 | 539,317 |
| Current Liability | | (541,419) | (488,944) |
| Non-Current Liability | | (137,518) | (86,029) |
| Net Assets | $ | **1,821,932** | **1,743,160** |

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Operating Income | $ | **2,350,259** | **2,356,165** |
| Current period net profit | | **91,437** | **51,855** |
| Other comprehensive gains and losses | | **18,493** | **(15,482)** |
| Total comprehensive gains and losses | $ | **109,930** | **36,373** |

| | | 2022 | 2021 |
|---|---|---|---|
| Beginning carrying balance of the Group's share of net assets of affiliates | $ | 213,644 | 289,755 |
| The Group's total gains and losses attributable to affiliates | | 14,401 | 529 |
| Dividends received from affiliates | | (3,966) | - |
| Less: Impairment Loss | | - | (76,640) |
| Ending balance of the Group's share of net assets of affiliates | | 224,079 | 213,644 |
| Ending carrying balance of the Group's interest in affiliates | $ | **224,079** | **213,644** |

(b) On December 31, 2021, the Group used the equity method for its investments in Unitech Electronics, with the book balance of $290,284 thousand, which was $213,644 thousand lower than the fair value, resulting in an impairment losses of $76,640 thousand, recognized as "Other gains and losses", based on the difference between the book value and fair value.

(Continued)

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(c) The Group lost control of its investee company, GW Electronics, in June 2017 and changed to using the equity method. During 2017, the Group assessed that there was uncertainty in the recovery of the investment in GW Electronics, hence, recognized the full amount as impairment. As of December 31, 2021, the accumulated impairment loss was $246,937 thousand.

(d) The aggregate financial information of the Group's equity-method associates, which are individually insignificant, is summarized as follows (amounts included in the Group's consolidated financial statements):

| | | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Carrying amount of equity in individual insignificant associates | $ | **13,413** | **14,099** |

| | | 2022 | 2021 |
|---|---|---|---|
| Attributable to the Group: | | | |
| Net loss for the period | $ | (2,052) | (459) |
| Other comprehensive income or loss | | 1,366 | - |
| Total comprehensive income or loss | $ | **(686)** | **(459)** |

(e) Collaterals

None of the Group’s investments accounted for using the equity method had been pledged as collateral.

(5) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

| | | Land | Buildings and Construction | Machinery and equipment | Transportation equipment | Leasehold improvements | Office equipment | Other equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Costs | | | | | | | | | |
| Balance on January 1, 2022 | $ | - | - | 1,232 | 152 | 4,388 | 16,128 | 3,225 | 25,125 |
| Additions | | - | 23,109 | - | - | - | 8,088 | 613 | 31,810 |
| Reclassification | | 270,496 | 28,155 | - | - | (354) | 81 | 273 | 298,651 |
| Disposal | | - | - | (58) | - | - | (1,947) | (2,784) | (4,789) |
| Effects of changes in foreign exchange rates | | - | - | 18 | 2 | 273 | 149 | 25 | 467 |
| Balance on December 31, 2022 | $ | 270,496 | 51,264 | 1,192 | 154 | 4,307 | 22,499 | 1,352 | 351,264 |
| Balance at January 1, 2021 | $ | - | - | 1,242 | 153 | 4,986 | 14,716 | 3,030 | 24,127 |
| Additions | | - | - | - | - | - | 1,932 | 272 | 2,204 |
| Disposal | | - | - | - | - | (505) | (474) | (65) | (1,044) |
| Effects of changes in foreign exchange rates | | - | - | (10) | (1) | (93) | (46) | (12) | (162) |
| Balance on December 31, 2021 | $ | - | - | 1,232 | 152 | 4,388 | 16,128 | 3,225 | 25,125 |

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | | Land | Buildings and Construction | Machinery and equipment | Transportation equipment | Leasehold improvements | Office equipment | Other equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Depreciation and impairment losses: | | | | | | | | | |
| Balance on January 1, 2022 | $ | - | - | 1,112 | 84 | 2,311 | 9,643 | 2,637 | 15,787 |
| Additions | | - | 1,317 | - | 36 | 949 | 4,436 | 368 | 7,106 |
| Disposal | | - | - | (55) | - | - | (1,905) | (2,784) | (4,744) |
| Reclassification | | - | 1,059 | - | - | (276) | 54 | 222 | 1,059 |
| Effects of changes in foreign exchange rates | | - | - | 16 | 2 | 175 | 78 | 22 | 293 |
| Balance on December 31, 2022 | **$** | **-** | **2,376** | **1,073** | **122** | **3,159** | **12,306** | **465** | **19,501** |
| Balance at January 1, 2021 | $ | - | - | 1,109 | 49 | 1,781 | 6,463 | 2,379 | 11,781 |
| Depreciation for the year | | - | - | 12 | 36 | 1,072 | 3,657 | 333 | 5,110 |
| Disposal | | - | - | - | - | (505) | (458) | (63) | (1,026) |
| Effects of changes in foreign exchange rates | | - | - | (9) | (1) | (37) | (19) | (12) | (78) |
| Balance on December 31, 2021 | $ | - | - | 1,112 | 84 | 2,311 | 9,643 | 2,637 | 15,787 |
| Carrying amounts: | | | | | | | | | |
| Balance at December 31, 2022 | **$** | **270,496** | **48,888** | **119** | **32** | **1,148** | **10,193** | **887** | **331,763** |
| Balance at December 31, 2021 | $ | - | - | 120 | 68 | 2,077 | 6,485 | 588 | 9,338 |
| Balance at January 1, 2021 | $ | - | - | 133 | 104 | 3,205 | 8,253 | 651 | 12,346 |

As of December 31, 2022 and 2021, none of the Group's property, plant and equipment had not been pledged as collateral.

(6) Right-of-use assets

| | | Buildings and Construction |
|---|---|---|
| Cost: | | |
| Balance on January 1, 2022 | $ | 41,044 |
| Additions | | 28,356 |
| Reduction | | (33,634) |
| Effects of changes in foreign exchange rates | | 1,792 |
| Balance on December 31, 2022 | **$** | **37,558** |
| Balance at January 1, 2021 | $ | 50,305 |
| Additions | | 12,716 |
| Reduction | | (21,289) |
| Effects of changes in foreign exchange rates | | (688) |
| Balance on December 31, 2021 | **$** | **41,044** |

(Continued)

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | | Buildings and Construction |
|---|---|---|
| Depreciation: | | |
| Balance on January 1, 2022 | $ | 27,543 |
| Depreciation | | 13,501 |
| Reduction | | (33,634) |
| Effects of changes in foreign exchange rates | | 1,211 |
| Balance on December 31, 2022 | $ | 8,621 |
| Balance at January 1, 2021 | $ | 30,891 |
| Depreciation | | 18,368 |
| Reduction | | (21,289) |
| Effects of changes in foreign exchange rates | | (427) |
| Balance on December 31, 2021 | $ | 27,543 |
| Carrying amounts: | | |
| Balance at December 31, 2022 | $ | 28,937 |
| Balance at December 31, 2021 | $ | 13,501 |
| Balance at January 1, 2021 | $ | 19,414 |

(7) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right of use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 6 months to 2 years. The rent income of the leases of investment properties is fixed.

The movements in investment property of the Group were as follows:

| | Owned property | | | |
|---|---|---|---|---|
| | | Land | Buildings and Construction | Total |
| Cost: | | | | |
| Balance on January 1, 2022 | $ | 270,496 | 28,155 | 298,651 |
| Transfer to Property, Plant and Equipment | | (270,496) | (28,155) | (298,651) |
| Balance on December 31, 2022 | $ | - | - | - |
| Balance at January 1, 2021 | $ | 270,496 | 28,155 | 298,651 |

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | Owned property: Land | Owned property: Buildings and Construction | Total |
|---|---|---|---|
| Depreciation and impairment losses: | | | |
| Balance on January 1, 2022 | $ - | 1,059 | 1,059 |
| Transfer to Property, Plant and Equipment | - | (1,059) | (1,059) |
| Balance on December 31, 2022 | $ - | - | - |
| Balance at January 1, 2021 | $ - | 151 | 151 |
| Depreciation for the year | - | 908 | 908 |
| Balance on December 31, 2021 | $ - | 1,059 | 1,059 |
| Carrying amounts: | | | |
| Balance at December 31, 2022 | $ - | - | - |
| Balance at January 1, 2021 | $ 270,496 | 28,004 | 298,500 |
| Balance at December 31, 2021 | $ 270,496 | 27,096 | 297,592 |
| Fair value | | | |
| Balance at December 31, 2022 | | | $ - |

The Group relocated its office to Xingzhong Rd., Neihu District, in January 2022. The land and office were originally accounted for as investment properties and were reclassified to property, plant and equipment as the use was transferred from lease to self-use. For details of the relevant disclosures, please refer to note 6(5)

(8) Short-term notes and bills payable

| | 2022.12.31: Guarantee or acceptance institution | Range of interest rates | Total Amount |
|---|---|---|---|
| Commercial paper payable | Grand Bills Finance Corp. | 2.1% | $ 100,000 |
| Commercial paper payable | MEGA BILLS FINANCE CO., LTD. | 2.1% | 80,000 |
| Commercial paper payable | DAH CHUNG BILLS FINANCE CORP. | 2.1% | 150,000 |
| Commercial paper payable | Taiwan Finance Corporation | 2.058% | 50,000 |
| Less: Discount on short term notes and bills payable | | | (837) |
| Total | | | $ 379,163 |

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

| | 2021.12.31 | | |
|---|---|---|---|
| | Guarantee or acceptance institution | Range of interest rates | Total Amount |
| Commercial paper payable | International Bills Finance Corporation | 1.33% | $ 60,000 |
| Commercial paper payable | Grand Bills Finance Corp. | 1.33% | 80,000 |
| Commercial paper payable | Ta Ching Bills Finance Corporation | 1.338% | 80,000 |
| Commercial paper payable | China Bills Finance Co., Ltd. | 1.33% | 50,000 |
| Commercial paper payable | MEGA BILLS FINANCE CO., LTD. | 1.338% | 80,000 |
| Commercial paper payable | DAH CHUNG BILLS FINANCE CORP. | 1.30% | 80,000 |
| Commercial paper payable | TAIWAN COOPERATIVE BILLS FINANCE CORPORATION | 1.33% | 80,000 |
| Commercial paper payable | Taiwan Finance Corporation | 1.298% | 50,000 |
| Less: Discount on short term notes and bills payable | | | (1,047) |
| Total | | | $ 558,953 |

No assets of the Group were pledged as guarantee for the payment of short-term notes and bills.

(9) Short-term borrowing

The short-term borrowings were summarized as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Unsecured bank loans | $ 1,526,057 | 1,038,960 |
| Secured bank loans | 712,817 | 356,545 |
| | $ 2,238,874 | 1,395,505 |
| Unused short-term credit lines | $ 3,894,372 | 1,977,726 |
| Range of Interest rate | 1.58%~6.58% | 0.85%~1.91% |

For the collateral for bank loans, please refer to note 8.

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(10) Long-term borrowings

The details, terms and conditions of the long-term borrowings were summarized as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Secured bank loans | $ | 214,200 | 226,100 |
| Less: current portion | | (11,900) | (11,900) |
| | $ | 202,300 | 214,200 |
| Unused short-term credit lines | $ | - | - |
| Range of interest rates (%) | | 1.65% | 1.1% |

For the collateral for bank loans, please refer to note 8.

(11) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Current | $ | 12,785 | 8,075 |
| Non-current | $ | 16,768 | 6,113 |

The amounts of leases recognized in profit or loss were as follows:

| | | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|---|
| Interest expense on lease liabilities | $ | 1,068 | 853 |
| Expenses relating to short-term leases | $ | 1,959 | 1,642 |

The amounts of leases recognized in the statement of cash flows for the Group was as follows:

| | | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|---|
| Total cash outflow for leases | $ | 16,626 | 21,467 |

The Group leases buildings for its office space and employee housing, with terms that typically run for the periods of five and two years, respectively. Some leases include an option to extend the lease for the same period as the original contract upon maturity. To the extent that it is not reasonably certain that an optional extension of the lease term will be exercised, payments related to the period covered by the option are not included in the lease liability.

(12) Employee benefits

(a) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Present value of the defined benefit obligations | $ 12,456 | 13,807 |
| Fair value of plan assets | (13,882) | (13,669) |
| Net defined benefit liabilities | **$ (1,426)** | **138** |

The Group's employee benefit liabilities were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Liability for short-term compensated absences (included in other payables) | **$ 1,878** | **1,612** |

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to 13,882 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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## Notes to the Consolidated Financial Statements

(2) Movements in present value of defined benefit obligations

The movement in present value of the defined benefit obligations of the Group were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Defined benefit obligations at January 1 | $ | 13,807 | 14,294 |
| Current service cost and interest cost | | 92 | 43 |
| Net defined benefit liability remeasurement | | (133) | (530) |
| Benefits paid | | (1,310) | - |
| Defined benefit obligations at December 31 | $ | 12,456 | 13,807 |

(3) Movements in fair value of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Fair value of plan assets at January 1 | $ | (13,669) | (13,010) |
| Interest income | | (93) | (40) |
| Net defined benefit asset remeasurement | | (1,040) | (190) |
| Contributions paid by the employer | | (390) | (429) |
| Benefits paid | | 1,310 | - |
| Fair value of plan assets at December 31 | $ | (13,882) | (13,669) |

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Current service cost and interests | $ | 92 | 43 |
| Net interest of net liabilities for defined benefit obligations | | (93) | (40) |
| | $ | (1) | 3 |

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Operating expenses | $ | (1) | 3 |

(5) Remeasurement of the net defined benefit liabilities recognized in other comprehensive income

The cumulative remeasurement of the Group's net defined benefit obligation recognized in other comprehensive income were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | **December 31, 2022** | **December 31, 2021** |
| Cumulated amount at January 1 | $ | (1,616) | (2,337) |
| Total gain/loss recognized | | 1,173 | 721 |
| Cumulated amount at December 31 | **$** | **(443)** | **(1,616)** |

(6) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

| | For the year ended | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| Discount Rate | 1.20% | 0.70% |
| Future salary increases | 3.00% | 3.00% |

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is $402 thousand.

The weighted average lifetime of the defined benefits plans is 6.7 years.

(7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | | Impact on the defined benefit obligations | |
|---|---|---|---|
| | | **Increased 1%** | **Decreased 1%** |
| Balance at December 31, 2022 | | | |
| Discount Rate | $ | (838) | 847 |
| Future salary increases | | 730 | (724) |
| December 31, 2021 | | | |
| Discount Rate | | (951) | 962 |
| Future salary increases | | 838 | (830) |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2022 and 2021.

(b) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Group of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The total pension costs of the Group's overseas subsidiaries under their respective defined contribution plan are recognized in accordance with their local regulations. All pension payment contributed in the current period are recognized as pension expense.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $13,096 thousand and $12,845 thousand for the years ended December 31, 2022 and 2021, respectively.

(13) Income taxes

(a) Income tax expenses:

The components of income tax expense (gains) in the years ended December 31, 2022 and 2021 were as follows:

| | For the year ended | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| Current tax expense | | |
| Current period | $ 164,550 | 106,438 |
| Adjustment for prior years | 1,134 | 317 |
| Subtotal | 165,684 | 106,755 |
| Deferred tax expense (income) | | |
| Origination and reversal of temporary differences | (30,161) | 1,388 |
| Subtotal | (30,161) | 1,388 |
| Income tax expense | **$ 135,523** | **108,143** |

## GMI Technology Inc. Ltd. AND SUBSIDIARIES
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Reconciliation of income tax expense and profit before tax for 2022 and 2021 is as follows:

| | | For the year ended | |
|---|---|---|---|
| | | **December 31, 2022** | **December 31, 2021** |
| Profit before income tax | $ | 589,469 | 553,649 |
| Income tax using the Company's domestic tax rate | | 117,894 | 110,730 |
| Effect of tax rates in foreign jurisdiction | | (1,703) | 1,384 |
| Permanent difference | | (1,914) | - |
| Change in unrecognized temporary differences | | 6,927 | - |
| Adjustments for under provisions of prior years | | 1,134 | 317 |
| Additional tax on undistributed earnings | | 4,387 | - |
| Others | | 8,798 | (4,288) |
| Total | **$** | **135,523** | **108,143** |

(b) Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

| | | **2022.12.31** | **2021.12.31** |
|---|---|---|---|
| Tax effect of deductible Temporary Differences | **$** | **105,331** | **98,404** |

The deferred tax assets have not been recognized in respect of the these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2022 and 2021 were as follows:

Deferred Tax Assets:

| | | **Allowance for bad debt** | **Unrealized exchange loss** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Balance at January 1, 2022** | $ | 2,557 | 132 | 3,188 | 5,877 |
| Recognized in profit or loss | | 1,274 | 15,827 | 13,060 | 30,161 |
| **Balance at December 31, 2022** | **$** | **3,831** | **15,959** | **16,248** | **36,038** |
| **Balance at January 1, 2021** | $ | 2,911 | (446) | 4,800 | 7,265 |
| Recognized in profit or loss | | (354) | 578 | (1,612) | (1,388) |
| **Balance at December 31, 2021** | **$** | **2,557** | **132** | **3,188** | **5,877** |

There were no income tax expense recognized the Group equity and other comprehensive income for amount of years ended December 31, 2022 and 2021.

The Company's tax returns for the years through 2020 were assessed by the National Taxation Bureau of R.O.C..

(Continued)

(14) Capital and other equity

As of December 31, 2022 and 2021, the number of authorized shares both were 200,000 thousand shares with par value of $10 per share. The total value of authorized shares both amounted to $2,000,000 thousand. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares only, and the issued shares were 162,625 thousand shares and 137,625 thousand shares, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for year ended December 31,2021 and 2022 were as follows:

| | Ordinary share | |
|---|---|---|
| | For the year ended | |
| (in thousands of shares) | **December 31, 2022** | **December 31, 2021** |
| Balance on January 1 | 137,625 | 125,114 |
| Issued for cash | 25,000 | - |
| Capital increase from stock dividends | - | 12,511 |
| Balance on December 31 | 162,625 | 137,625 |

(a) Ordinary shares

After the resolution of the Board on March 24, 2022, The Company issued 25,000 thousand new ordinary shares through cash capital increase at a price of $17 per share at premium. The total amount of new shares amounting to $425,000 thousand and the base day for capital increase is on August 11, 2022. The Group's share capital was fully received as of August 11, 2022 and the registration of the change was completed on August 30, 2022.

The Group's shareholders' meeting held on July 22, 2021 resolved to allot $125,114 thousand of shares at no consideration, with September 1, 2021 as the base date for the capital increase, and the legal registration procedures have been completed.

(b) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Share capital at premium | $ 219,941 | 44,941 |
| Changes in net equity of associates recognized by equity method | 36 | 36 |
| Employee stock options | 3,139 | - |
| | $ 223,116 | 44,977 |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

In addition, the Group is required to recognize the remuneration cost of cash capital increase to retain the shares for employee subscription. Please refer to note 6(15) for details.

(c) Retained earnings

In accordance with the Company's Articles of Association, if there is any surplus in the annual final accounts, the Company shall first pay taxes to cover for the prior years' deficits and then set aside 10% of the legal reserve, except when the legal reserve has reached the Company's paid-in capital; in addition, special reserve shall be set aside in accordance with the Company's operating needs and laws and regulations. Then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

In order to maintain a sound financial structure and to take into account the interests of investors, the Company adopts a balanced dividend policy by distributing no less than 30% of the distributable earnings and paying cash dividends on 10% or more of the dividends distributed in a given year. If the dividend is less than $3, the Company may distribute stock dividends in full.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a special reserve equal to the contra account of other shareholders' equity is appropriated from current and prior period earnings. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

On June 23, 2022 and July 22, 2021, the appropriation the earnings for 2021 and 2020 was resolved in the general meeting of shareholders. The amounts of interests distributed to owners were as follows:

| | For the year ended | | | |
|---|---|---|---|---|
| | **December 31, 2021** | | **December 31, 2020** | |
| | **Amount per share** | **Total Amount** | **Amount per share** | **Total Amount** |
| Dividends distributed to ordinary shareholders: | | | | |
| Shares | $ - | - | 1.00 | 125,114 |
| Cash | 2.00 | 275,251 | - | - |
| Total | | $ 275,251 | | 125,114 |

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(d) Other equity

| | | Exchange differences on translation of foreign financial statements | Unrealized gain (loss) on financial assets at fair value through other comprehensive income |
|---|---|---|---|
| Balance on January 1, 2022 | $ | (113,848) | - |
| Exchange differences on translation of net assets of foreign operations | | 155,873 | 38 |
| Balance on December 31, 2022 | **$** | **42,025** | **38** |
| Balance at January 1, 2021 | $ | (76,185) | - |
| Exchange differences on translation of net assets of foreign operations | | (37,663) | - |
| Balance on December 31, 2021 | **$** | **(113,848)** | **-** |

(15) share-based payment transaction

(a) The Group's Board of Directors resolved to implement issuance of stock for cash on March 24, 2022, of which 3,750 thousand shares were reserved for employees.

| | Cash injection reserved for employees subscription |
|---|---|
| Grant date | Balance at July 11, 2022 |
| Number of options granted | 2,511 thousand shares |
| Recipients | Employee |
| Vesting conditions | Immediately vested |

The Group adopted the Black-Scholes model to evaluate the fair value of the share-based payments at the grant date. The assumptions adopted in this valuation model were as follows:

The fair value per unit of the share option was $1.25 and the remuneration cost of $3,139 thousand was recognized in the year ended December 31, 2022 and classified as operating expenses. Please refer to note 6(14) for the capital reserve recognition.

(b) Employee expenses attributable to share based payment are as follows:

| | | For the year ended December 31, 2022 |
|---|---|---|
| Expenses resulting from granted employee share options | $ | 3,139 |

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(16) Earnings per share

(a) Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2022 and 2021 was based on the profit attributable to ordinary shareholders of the Company amounting to $453,946 thousand and $445,506 thousand, and the weighted average number of ordinary shares outstanding of 147,420 thousand and 137,625 thousand, respectively, as follows:

(1) Profit attributable to ordinary shareholders of the Company

| | | 2022 | 2021 |
|---|---|---|---|
| Profit attributable to ordinary shareholders of the Company | $ | 453,946 | 445,506 |

(2) Weighted-average number of outstanding ordinary shares

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Outstanding at January 1 | $ | 137,625 | 125,114 |
| Effect of shares dividends | | - | 12,511 |
| Effect of shares issued | | 9,795 | - |
| Outstanding at December 31 | $ | 147,420 | 137,625 |

(b) Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2022 and 2021 was based on the profit attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares is as follows:

(1) Profit attributable to ordinary shareholders of the Company (diluted)

| | | For the year ended | |
|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 |
| Profit attributable to ordinary shareholders of the Company (dilutive) | $ | 453,946 | 445,506 |

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(2) Weighted-average number of ordinary shares (diluted)

| | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|
| Weighted-average number of ordinary shares outstanding (basic) | $ 147,420 | 137,625 |
| Effect of employee share bonus | 43 | 28 |
| Weighted-average number of ordinary shares outstanding at December 31(Dilution) | $ **147,463** | **137,653** |

(17) Revenue from contracts with customers

(a) Details of revenue

| | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|
| Primary geographical markets: | | |
| Taiwan | $ 872,854 | 828,734 |
| China | 18,366,698 | 17,849,763 |
| Others | 106,951 | 174,192 |
| | $ **19,346,503** | **18,852,689** |
| Major products/service lines: | | |
| Digital Communication Solutions and Components | $ 16,259,517 | 16,314,633 |
| Storage Applications Solutions and Components | 2,923,485 | 2,464,524 |
| Analog Electronic Components | 163,501 | 73,532 |
| | $ **19,346,503** | **18,852,689** |

(b) Contract balances

| | 2022.12.31 | 2021.12.31 | 2021.1.1 |
|---|---|---|---|
| Notes receivable | $ 96,295 | 122,198 | 218,938 |
| Accounts receivable | 3,495,090 | 3,773,918 | 2,702,840 |
| Accounts receivable due from related parties | 71 | 38,026 | - |
| Less: Loss allowance | (52,721) | (58,490) | (97,119) |
| Total | $ **3,538,735** | **3,875,652** | **2,824,659** |

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(2).

(Continued)

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(18) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and less than 0.1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The distribution of remuneration of employees, directors, and supervisors should be submitted and reported to the shareholders' meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to 650 thousand and 600 thousand, and directors' and supervisors' remuneration amounting to 11,000 thousand and 8,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in the following year. However, if the Board of Directors resolved that the employee remuneration is distributed through stock dividends, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors.

The related information can be accessed from market observation post system website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

(19) Non-operating income and expenses:

(a) Interest income

The details of interest income were as follows:

| | For the year ended | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| Interest income | $ 7,815 | 1,260 |

(b) Other income

The Group's other income was as follows:

| | For the year ended | |
|---|---|---|
| | **December 31, 2022** | **December 31, 2021** |
| Rent income | $ - | 2,784 |
| Other | 5,501 | 3,092 |
| | $ 5,501 | 5,876 |

(c) Other gains and losses

The Group's other gains and losses were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | **December 31, 2022** | **December 31, 2021** |
| Foreign exchange gains | $ | 62,311 | 21,399 |
| Miscellaneous disbursements | | (153) | (1,904) |
| Losses on disposals of property, plant and equipment | | (45) | (18) |
| Gain on bargain purchase | | - | 89,016 |
| Impairment loss | | - | (76,640) |
| | **$** | **62,113** | **31,853** |

(d) Finance costs

Finance costs of the Group are detailed as follows:

| | | For the year ended | |
|---|---|---|---|
| | | **December 31, 2022** | **December 31, 2021** |
| Interest on bank loans | $ | (61,910) | (30,877) |
| Interest expenses on lease liabilities | | (1,068) | (853) |
| | **$** | **(62,978)** | **(31,730)** |

(20) Financial instruments

(a) Credit risk

(1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(2) Concentration of credit risk

The Group's customers are concentrated in a large group of high-tech computer industry customers. In order to reduce the credit risk of accounts receivable, the Group continuously evaluates the financial position of its customers and, if necessary, requires them to provide guarantees or assurances. The Group also regularly evaluates the probability of collection of accounts receivable and provides an allowance for losses.

(3) Credit risk of receivables

For details on credit risk of notes and accounts receivable, please refer to note 6(2).

(b) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

| | | Carrying amounts | Contractual Cash flows | within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2022** | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Short-term borrowings | $ | 2,238,874 | 2,263,959 | 2,075,926 | 188,033 | - | - | - |
| Short-term notes payables | | 379,163 | 380,000 | 380,000 | - | - | - | - |
| Accounts payable (including related parties) | | 2,661,551 | 2,661,551 | 2,661,551 | - | - | - | - |
| Other payables | | 79,774 | 79,774 | 79,774 | - | - | - | - |
| Long-term borrowings (including current portion) | | 214,200 | 236,142 | 7,705 | 7,656 | 29,947 | 63,735 | 127,099 |
| Lease liabilities | | 29,553 | 31,509 | 6,941 | 7,014 | 11,184 | 6,370 | - |
| | $ | 5,603,115 | 5,652,935 | 5,211,897 | 202,703 | 41,131 | 70,105 | 127,099 |
| **December 31, 2021** | | | | | | | | |
| Non-derivative financial liabilities | | | | | | | | |
| Short-term borrowings | $ | 1,395,505 | 1,399,990 | 1,399,990 | - | - | - | - |
| Short-term notes payables | | 558,953 | 560,000 | 560,000 | - | - | - | - |
| Accounts payable (including related parties) | | 2,977,796 | 2,977,796 | 2,977,796 | - | - | - | - |
| Other payables | | 115,687 | 115,687 | 115,687 | - | - | - | - |
| Long-term borrowings (including current portion) | | 226,100 | 243,166 | 7,185 | 7,153 | 14,207 | 73,935 | 140,686 |
| Lease liabilities | | 14,188 | 15,205 | 7,292 | 1,229 | 1,830 | 4,854 | - |
| | $ | 5,288,229 | 5,311,844 | 5,067,950 | 8,382 | 16,037 | 78,789 | 140,686 |

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(Continued)

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(c) Currency risk

(1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

| | 2022.12.31 | | | 2021.12.31 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **TWD** | **Foreign currency** | **Exchange rate** | **TWD** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 202,908 | 30.710 | 6,231,305 | 217,650 | 27.680 | 6,024,552 |
| RMB | 1,223 | 4.408 | 5,391 | 1,199 | 4.344 | 5,208 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 175,824 | 30.710 | 5,399,555 | 175,992 | 27.680 | 4,871,459 |

(2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD and the CNY at December 31, 2022 and 2021, would have increased or decreased the profit before tax by $41,857 thousand and $57,915 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

(3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to 62,311 thousand and 21,399 thousand, respectively.

(d) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases or decreases by 1% the Group's net income will decrease /increase by $28,322 thousand and $21,806 thousand for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant. This is mainly due to the the Group's variable rate bank deposit.

(Continued)

(21) Financial risk management

(a) Overview

The Group has exposure to the following risks from its financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying non-consolidated financial statements.

(b) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It monitor and manage financial risks of the the Group's business operation through internal risk report, which analyze the exposure according to risk levels and scopes. The Group these risks by natural hedging through timely adjust its foreign currency assets and liabilities position. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. The business and finance departments submit quarterly financial and business reports to the board of directors of the Group in accordance with the procedure of the board meetings.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

(1) Accounts receivable and other receivables

The policy adopted by the Group is to deal only with reputable parties and, where necessary, obtain collateral to mitigate the risk of financial losses arising from default. The Group will rate the major customers using other publicly available financial information and mutual transaction records. The Group continuously monitors credit risk and credit ratings of the counterparty, and distributes the total amount of the transaction to eligible customers of each credit rating. Credit risk exposure is controlled through the credit limit of the counterparty that is reviewed and approved annually by the Risk Management Committee.

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group’s finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(d) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group’s management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line were amounted to 3,894,372 thousand and 1,977,726, respectively.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The Group is exposed to currency risk on sales and purchases and borrowings that are denominated in a currency other than the functional currency of the Group’s respective entity, primarily the NTD, USD dollar, HKD and RMB. The currencies used in these transactions are the NTD, USD and RMB.

(2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow. The Group manages the interest rates risk by maintaining an adequate combination of fixed and variable interest rates.

(22) Capital management

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment and reduce the capital for redistribution to its shareholders, issue new shares, or sell assets to settle any liabilities.

The Group uses the debt-to-equity ratio to manage capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

The Company's debt-to-equity ratios at the end of the reporting periods were as follows:

| | | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Total liabilities | $ | 5,628,268 | 5,413,528 |
| Less: Cash and cash equivalents | | (1,455,659) | (1,447,717) |
| Net liabilities | **$** | **4,172,609** | **3,965,811** |
| Total equity | **$** | **2,659,238** | **1,895,194** |
| Debt-to-equity ratio | | **61.08%** | **67.66%** |

(23) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities was as follows:

| | | | | Non-Cash changes | | |
|---|---|---|---|---|---|---|
| | | **2022.1.1** | **Cash flows** | **Lease modification** | **Foreign exchange movement** | **2022.12.31** |
| Short-term notes payables | $ | 558,953 | (179,790) | - | - | 379,163 |
| Short-term borrowings | | 1,395,505 | 799,618 | - | 43,751 | 2,238,874 |
| long-term borrowings | | 226,100 | (11,900) | - | - | 214,200 |
| Lease liabilities | | 14,188 | (13,599) | 28,356 | 608 | 29,553 |
| Total liabilities from financing activities | **$** | **2,194,746** | **594,329** | **28,356** | **44,359** | **2,861,790** |

| | | | | Non-Cash changes | | |
|---|---|---|---|---|---|---|
| | | **2021.1.1** | **Cash flows** | **Lease modification** | **Foreign exchange movement** | **2021.12.31** |
| Short-term notes payables | $ | 439,010 | 119,943 | - | - | 558,953 |
| Short-term borrowings | | 629,487 | 770,264 | - | (4,246) | 1,395,505 |
| long-term borrowings | | 238,000 | (11,900) | - | - | 226,100 |
| Lease liabilities | | 20,726 | (18,972) | 12,716 | (282) | 14,188 |
| Total liabilities from financing activities | **$** | **1,327,223** | **859,335** | **12,716** | **(4,528)** | **2,194,746** |

## (7) Related-party transactions

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

| Name of related party | Relationship with the Group |
|---|---|
| GW Electronics Company Limited (hereinafter referred to as GW Electronics) | Investee company accounted for using equity method by the Group |
| Unitech Electronics Co., Ltd. (hereinafter referred to as Unitech Electronics) | Investee company accounted for using equity method by the Group |
| Realtek Semiconductor Corp. (hereinafter referred to as Realtek) | The Chairman of the company is the beneficial party of the entity |
| Realtek Singapore private Limited (hereinafter referred to as“Realtek Singapore”) | Subsidiary of Realtek Semiconductor Co. |
| RayMx Microelectronics Corp (hereinafter referred to as RayMx) | Subsidiary of Realtek Semiconductor Co. |
| Actions Technology (HK) Company Ltd. (hereinafter referred to as Actions (HK)). | The Chairman of the company is the beneficial party of the entity |

(b) Significant related-party transactions

(a) Sale revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

| | | For the year ended | |
|---|---|---|---|
| | | **December 31, 2022** | **December 31, 2021** |
| Other related parties- Realtek | $ | 2,252 | 8,453 |
| Other related person- Realtek Singapore | | 15,899 | - |
| | **$** | **18,151** | **8,453** |

The sales price to related parties are not significantly different from that of the general sales price. Receivables between related parties are not subject to collateral based on the Group’s assessment.

(b) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

| | | For the year ended December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Other related parties- Realtek | $ | 8,920,736 | 9,359,337 |
| Other related person- Realtek Singapore | | 7,051,561 | 5,692,246 |
| Other related parties - RayMx | | 128,864 | 466,492 |
| Other related parties - Actions (HK) | | 3,893 | 24,129 |
| | $ | 16,105,054 | 15,542,204 |

The Group did not purchase the product specifications from the related party from other vendors, so the purchase price was not comparable to other vendors. The payment terms were not significantly different from those of non-related-parties.

(c) Receivables from related parties

The receivables from related parties were as follows:

| Account | Relationship | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Amounts received in subsequent period (Note 1) | Other related parties | $ 71 | 38,026 |

Accounts receivables are mainly arising from return of purchases from associates.

(d) Payable from related parties

The payables to related parties were as follows:

| Account | Relationship | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Payables to related parties | Realtek | $ 894,388 | 1,595,934 |
| Payables to related parties | Realtek Singapore | 1,357,835 | 1,227,001 |
| Payables to related parties | RayMx | 11,717 | - |
| Payables to related parties | Actions (HK) | 562 | - |
| | | $ 2,264,502 | 2,822,935 |

(e) Acquisition of investments accounted for using equity method

The Group participated in the cash capital increase of Unitech Electronics in the year ended December 31, 2021, and acquired 9,559 thousand shares at $200,739 thousand. Please refer to note 6(4) for more details.

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(f) Other

In the year ended December 31, 2022, the Group purchased software system from associates amounting to $891 thousand. As of December 31, 2022, the above-mentioned amount had been fully paid.

(c) Key management personnel compensation

Key management personnel compensation includes:

| | For the year ended | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| Short-term employee benefits | $ 36,946 | 33,132 |
| Post-employment benefits | 298 | 435 |
| | $ 37,244 | 33,567 |

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

| Pledged assets | Pledged to secure | 2022.12.31 | 2021.12.31 |
|---|---|---|---|
| Time deposit (classified under other financial assets) | Bank loan limit | $ 231,773 | 209,349 |
| Accounts receivable | The unused letters of credit and secured loans | 219,193 | 128,305 |
| Property, plant and equipment | Long-term bank loans | 296,684 | - |
| Investment property | Long-term bank loans | - | 297,592 |
| | | $ 747,650 | 635,246 |

**(9) Significant contingent liabilities and unrecognized commitments**

(a) Guarantees provided by the Group's bank to its suppliers for the delivery of goods:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Purchase Guarantee | $ 329,615 | 384,208 |

(b) The amount of unused outstanding letters of credit were as follows:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Outstanding standby letters of credit | $ 2,107,466 | 2,559,694 |

(c) The tax payable on imported goods guaranteed by the Group's bank:

| | 2022.12.31 | 2021.12.31 |
|---|---|---|
| Taxes on imported goods guaranteed by banks | $ 4,000 | 7,000 |

(d) As of December 31, 2022 and 2021, the Group had issued $1,160,065 thousand and $1,160,065 thousand, respectively, of guarantee notes for the purchase of goods from vendors.

(Continued)

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

**(10) Losses due to major disasters: None**

**(11) Significant Subsequent Events: None.**

**(12) Others:**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows

| By functional / By item | For the year ended December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Cost of good sold | Operating expenses | Total | Cost of good sold | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | - | 161,666 | 161,666 | - | 225,255 | 225,255 |
| Labor and health insurance | - | 11,257 | 11,257 | - | 10,902 | 10,902 |
| Pension | - | 13,095 | 13,095 | - | 12,848 | 12,848 |
| Other employee benefits expense | - | 7,251 | 7,251 | - | 7,911 | 7,911 |
| Depreciation | - | 20,607 | 20,607 | - | 24,386 | 24,386 |

(b) Others

Accounts receivable regarding to legal proceedings:

In January 2017, the Company filed a civil lawsuit to the Shanghai court for the overdue payment of Shanghai Hairong Information Technology Co. (Shanghai Hairong). However, in May 2017, the Shanghai court rejected the lawsuit. In July of the same year, the Company filed a criminal lawsuit to the Shenzhen Public Security Bureau against the majority shareholder of Shanghai Hairong. However, in September of that year, the Shenzhen Public Security Bureau notified the Company that the case cannot be filed. Hence, the Company has now filed a civil lawsuit against Shanghai Hairong to the Shenzhen court, and the court agreed to accept the lawsuit, which was heard on June 21, 2018. On May 22, 2019, the court ordered Shanghai Hairong to pay the Company the amount of $5,804 thousand (US$187 thousand). Shanghai Hairong appealed against the Company again on June 12, 2019, and The Shenzhen Intermediate People's Court ruled in the second instance to maintain the status quo ante.Shanghai Hairong negotiated a settlement with the Company on December 15, 2021. The Company has received $5,804 thousand in June 2022 and the Company recognized allowance for bad debt for uncollected amounts of $18,456 thousand to write off the allowance for losses for changes in allowance for doubtful debts, please refer to note 6(2).

**(13) Other disclosures**

(a) Information on significant transactions:

1. The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

2. Loans to other parties: None

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

3. Guarantees and endorsements for other parties:

| Number | Maximum amount for guarantees and endorsements Name of investee | Counter-party of guarantee and endorsement Name | Counter-party of guarantee and endorsement Note 2 | Limitation on amount of guarantees and endorsements for a specific enterprise Guarantee limit | Balance of guarantees and endorsements as of reporting date | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Maximum amount for guarantees and endorsements (Note 1) | Parent company endorsements/guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/guarantees to third parties on behalf of companies in Mainland China Guarantee |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Group | G.M.I (Shanghai) Trading Company Limited. | 2 | 2,659,238 | 88,160 (RMB20,000*4.408) | 88,160 (RMB20,000*4.408) | - | - | 2,659,238 | Y | - | Y |

Note 1: The Company's endorsement and guarantee amount for a single enterprise is limited to 80% of the Company's shareholders' equity, but for a single overseas affiliate, it is limited to 100% of the Company's shareholders' equity.

Note 2: The relationship between the guarantor and the target of the endorsement is as follows.
(1) Companies with business dealings.
(2) Companies in which the Company directly or indirectly holds more than 50% of the voting shares.
(3) A company that directly or indirectly holds more than 50% of the voting shares of the company.
(4) A company in which the company directly or indirectly holds more than 90% of the voting shares.
(5) A company that is mutually insured by a contract between peers or co-founders for the purpose of contracting.
(6) A company whose joint investment is guaranteed by all contributing shareholders in proportion to their shareholdings.
(7) Interbank companies that are engaged in the performance guarantee of pre-sale contracts in accordance with the Consumer Protection Act.

4. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None

5. Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

6. Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None

7. Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

8. Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

In Thousands of New Taiwan Dollars)

(Continued)

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
# Notes to the Consolidated Financial Statements

| Purchase/Sale<br>Name of company | Name of counter-party Name | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Total Amount | Percentage of total purchases/sales | Payment terms | price | Credit terms | Balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Realtek | The Chairman of the company is the beneficial party of the entity | Purchase | 8,920,736 | 45.68% | O/A 45 days | No purchases from other vendors | No material variance | (894,388) | (33.60)% | - |
| The Company | Realtek Singapore | Subsidiary of Realtek Semiconductor Co. | Purchase | 7,051,561 | 36.11% | O/A 45 days | No purchases from other vendors | No material variance | (1,357,835) | (51.02)% | - |
| The Company | G.M.I (Shanghai) | Subsidiaries | Sales | (413,386) | (2.14)% | O/A 60 days | No material variance | No material variance | 144,665 | 4.09% | |
| The Company | RayMx Microelectronics Corp | Subsidiary of Realtek Semiconductor Co. | Purchase | 128,864 | 0.66% | O/A 45 days | No purchases from other vendors | No material variance | (11,717) | (0.44)% | - |

9. Receivable from related parties exceeding the lower of $100,000 thousand or 20% of The Group's paid-in capital: None.

(In Thousands of New Taiwan Dollars)

| Receivables<br>Subsidiary | Name of counter-party | Nature of relationship | Ending balance<br>Ending balance (note) | Turnover days | Overdue | | Amounts received in subsequent period (Note 1)<br>Amounts received in subsequent period (Note 1) | Loss allowance Amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | Total Amount | Actions taken | | |
| The Company | G.M.I (Shanghai) | Subsidiaries | 144,665 | 281.30% | - | | 144,665 | - |

Note: The transactions were written off in the consolidated financial statements.

10. Trading in derivative instruments: None

11. Business relationships and significant intercompany transactions:

| No. (Note 1) | Name of Company | Name of counter-party | Nature of relationship Relationship | Intercompany transactions, 2021 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account name | Total Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | GMI company | Vector Electronic | 1 | Sales revenue | 78,714 | based on cost-plus approach | 0.41% |
| 0 | GMI company | Vector Electronic | 1 | Accounts receivable | 26,047 | O/A 60 days | 0.31% |
| 0 | GMI company | Hong Da Fu Tong | 1 | Business consultation fees | 75,349 | Monthly payment | 0.39% |
| 0 | GMI company | G.M.I (Shanghai) | 1 | Sales revenue | 413,386 | based on cost-plus approach | 2.14% |
| 0 | GMI company | G.M.I (Shanghai) | 1 | Accounts receivable | 144,665 | O/A 60 days | 1.75% |

Note 1: Numbers are filled in as follows:
1. "0" represents the Group
2. The subsidiaries start with number 1.

2: Relationship with the listed companies:
1. Transactions from parent Group to subsidiary
2. Transactions from subsidiary to parent Group
3. Transactions between subsidiaries

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the Group's information on investees for the year 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31 | | | Maximum shareholding or capitalization in the period | Current period gains or losses of the investee company | Recognized investment gains or losses for the current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | shares | Percentage of ownership | Carrying value | | | | |
| GMI Technology Inc. | G.M.I. Technology (BVI) Ltd. | British Virgin Islands | Investment holding | 556,991 | 556,991 | 18,277 | 100.00% | 30,645 | 100.00% | (35,328) | (35,328) | Note |
| GMI Technology Inc. | GLOBAL MOBILE INTERNET CO., LTD | Taiwan | Sale of electronic products | 15,484 | 15,484 | 1,548 | 34.21% | 13,413 | 34.21% | (5,997) | (2,052) | |
| GMI Technology Inc. | Unitech Electronics Co., Ltd. | Taiwan | Sale of electronic products | 200,739 | 200,739 | 9,559 | 12.73% | 224,079 | 12.73% | 91,331 | 11,625 | |
| G.M.I. Technology (BVI) Ltd. | Vector Electronic Co. Ltd | Hong Kong | Trading of electronic components and investment holding | 151,141 | 151,141 | 34,149 | 100.00% | 30,567 | 100.00% | (35,328) | (35,328) | Note |
| G.M.I. Technology (BVI) Ltd. | HARKEN INVESTMENTS LIMTED | British Virgin Islands | Investment holding | 393,484 | 393,484 | 13,169 | 100.00% | 73 | 100.00% | - | - | Note |
| HARKEN INVESTMENTS LIMTED | GW Electronics Company Limited | Hong Kong | Trading of electronic components | 393,236 | 393,236 | 102,000 | 51.00% | - | 51.00% | - | - | |

Note: The transactions were written off in the consolidated financial statements.

(c) Information on investment in mainland China

1. The names of investees in Mainland China, the main businesses and products, and other information:

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2020 | Investment flows from Taiwan as of January 1, 2020 | | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Current period gains or losses of the investee company | Percentage of ownership | Highest Percentage of ownership | Recognized investment gains or losses for the current period | Balance at December 31 Carrying amounts | Accumulated remittance of earnings in current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Note 1 | accumulated investment amount | Outflow | Inflow | | | | | | | | |
| G.M.I (Shanghai) Trading Company Limited. | Trading of electronic components and business marketing consulting | 68,382 | (b) | 48,708 | - | - | 48,708 (Note 2) | (41,019) | 100.00% | 100.00% | (41,019) | 5,519 | - | |
| Shandong WAN SHUN HE ENERGY Co., Ltd. | Chemical engineering products and Trading of electronic components | - | (b) | - | - | - | - | - | 100.00% | 100.00% | - | - | - | Note 3 |
| Hong Da Fu Tong Electronics Company Limited | Trading of electronic components | 65,445 | (b) | 44,660 | - | - | 44,660 (Note 2) | 6,851 | 100.00% | 100.00% | 6,851 | 24,931 | - | |
| G.M.I Vector Electronic (Shenzhen) Company | Trading of electronic components and business marketing consulting | - | (b) | - | - | - | - (Note 2) | (600) | - % | - % | (600) | - | - | Note 4 |

(Continued)

Note 1: Three types of investment method are as follows:
(a) Direct investment in Mainland China.
(b) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(c) Others

Note 2: The difference between the amount of paid-in capital and the accumulated investment amount remitted from Taiwan at the end of the period is the direct investment by Vector Electronic Co. Ltd with its own capital.

Note 3: The subsidiary is to be liquidated by resolution of the Board of Directors on March 28, 2023.

Note 4: subsidiary was established in 2007 and was approved by the board of directors for liquidation on November 8, 2022 were authorized been canceled on November 23, 2022.

2. Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Authorized by Investment Commission, MOEA |
|---|---|---|
| 93,368 | 629,123 | 1,595,542 |

3. Significant transactions with the investees in Mainland China:

The significant inter-company transactions with the Group in Mainland China for the year ended December 31, 2022, which were eliminated in the preparation of consolidated financial statements, are disclosed in“Information on significant transactions”.

(d) Major Shareholders

Unit: Shares

| Shareholding / Shareholder’s name | Shares | Percentage |
|---|---|---|
| De-Jet Investment Co., Ltd. | 52,782,278 | 32.45% |
| De-Jia Investment Co., Ltd. | 13,848,303 | 8.51% |

Note: The information on major shareholders in this table is based on the last business day of each quarter, and is calculated based on the total number of 5% ordinary shares or more of the Company’s shareholders that have been delivered without physical registration. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of computation.

**(14) Segment information:**

(a) General information

The Group sells and purchases various electronic equipment and components and does not have a significant industrial segment. The information of this operating segment is consistent with the consolidated financial statements. Please refer to the Consolidated Balance Sheet and the Consolidated Statements of Income for details.

# GMI Technology Inc. Ltd. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) Products and services information

The Group's revenue from external customer were as follows:

| Products and services | | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|---|
| Digital Communication Solutions and Components | $ | 16,259,517 | 16,314,633 |
| Storage Applications Solutions and Components | | 2,923,485 | 2,464,524 |
| Analog Electronic Components | | 163,501 | 73,532 |
| Total | $ | **19,346,503** | **18,852,689** |

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

| Geographical information | | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|---|
| Revenue from the external customers: | | | |
| Taiwan | $ | 872,854 | 828,734 |
| China | | 18,366,698 | 17,849,763 |
| Others | | 106,951 | 174,192 |
| | **$** | **19,346,503** | **18,852,689** |
| Non-current assets: | | | |
| Taiwan | $ | 327,851 | 302,317 |
| Mainland China | | 23,492 | 14,759 |
| Hong Kong | | 11,125 | 7,220 |
| Total | **$** | **362,468** | **324,296** |

(d) Major customers:

There were no individual customers representing greater than 10% of sales revenues in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021.

| | | For the year ended December 31, 2022 | For the year ended December 31, 2021 |
|---|---|---|---|
| Customer A | **$** | **3,618,642** | **4,373,423** |