

**Stock code : 6641**



**GSD Technologies Co., Ltd.**

**2021 Annual Report**

**Annual report is available at : <https://mops.twse.com.tw/>**

**Company website: <https://gsd.net.tw/>**

**Printed on April 30, 2022**

**Notice to readers**

**This annual report been translated into English from the original Chinese version. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.**

## **I. Spokesperson and deputy spokesperson**

### Spokesperson

Name : Wu, Wu-Hsiung  
Title : Chief Financial Officer  
Tel : +886-916856641  
E-mail: ir@gsd.net.tw

### Deputy spokesperson

Name : Hsieh, Mu-Chun  
Title : Senior Specialist of CEO office  
Tel : +886-916856641  
E-mail: ir@gsd.net.tw

## **II. Headquarter, Branches, and the Plants**

### **2.1 Headquarters**

#### Headquarters

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.  
Tel: +886-7-5528802#601

#### Taiwan Branch

Address: No.15, 17, 19 Minli Street, Gushan District, Kaohsiung City, R.O.C.  
Tel: +886-7-5528802

### **2.2 British Virgin Islands subsidiary**

#### CHUAN YUAN Hydraulic Engineering Co., Ltd.

Address: Portcullis Chambers 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VIRGIN ISLANDS, BRITISH  
Tel: +886-7-5528802

### **2.3 Subsidiaries in Taiwan**

#### GSD Enviro Tech (Taiwan) Co., Ltd.

Address: No.15, 17, 19 Minli Street, Gushan District, Kaohsiung City, R.O.C.  
Tel: +886-7-5528802

### **2.4 Subsidiaries and Branches in China**

#### GSD (China) Co., Ltd

Address: No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province, China  
Tel: +86-573-8950-8888

#### GSD (China) Co., Ltd. Beijing Branch

Address: Room 1705, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing, China.  
Tel: +86-10-8787-6887

GSD (China) Co., Ltd QingDao Branch

Address: 1F, Building A, No. 57, Haier Road, Laoshan District, Qingdao, China.

Tel: +86-532-8891-0563

GSD (China) Co., Ltd Suzhou Branch

Address: Room205/206/207, Building B4, No.216, Jinfeng Road, Wuzhong District, Suzhou, China.

Tel: +86-512-6270-9116

GSD (China) Co., Ltd Shanghai branch

Address: No.796, Yun Qiao Road, Pudong, Shanghai, China

Tel: +86-21-5055-0317

GSD (China) Co., Ltd Guangzhou branch

Address: Room B202, No.33, Holiday New Street, Guangzhou, China.

Tel: +86- 20-8232-0595

Shanghai GSD Industrial Co., Ltd.

Address: No.796, Yun Qiao Road, Pudong, Shanghai, China

Tel: +86-21-5055-0317

GSD Environmental Technology Co., Ltd.

Address: 1st Floor, No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province, China

Tel: +86-573-8529-6688

GSD Enviro Tech (Yangzhou) Co., Ltd.

Address: No. 3-1, Weichai Avenue, Beishan Automobile Industrial Park, Hanjiang District, Yangzhou city, Jiangsu, China.

Tel: +86-514-8781-4125

## **2.5 Subsidiaries in Vietnam**

GSD Enviro Tech Vietnam Company Limited

Address: 502 Huong Lo 2, Phuong Binh TRI Dong, Quan Binh Tan, Ho Chi Minh City, Vietnam.

Tel: +84-28-36368159

## **2.6 Plant**

GSD (China) Co., Ltd – Pinghu factory

Address: No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province, China

Tel: +86-573-8950-8888

Shanghai GSD Industrial Co., Ltd – Yangzhou factory

Address: NO.31, Tangwang Road, Yangzhou, Jiangsu, China

Tel: +86- 514-8781-4125

### **III. Stock Transfer Agent**

SinoPac Securities Co., Ltd.

Address: 3/F, No. 17 Bo-ai Road, Taipei, R.O.C.

Tel: +886-2-2381-6288

Website: <http://www.sinotrade.com.tw>

### **IV. Auditors**

Deloitte & Touche

Auditors: Huang, Yao-Lin, Wu, Mei-Hui

Address: 20F, No. 100, Songren Rd., Xinyi Dist. Taipei, 11073, R.O.C.

Tel: +886-2-2725-9988

Website: <http://www.deloitte.com.tw>

### **V. Overseas Securities Exchange**

None.

### **VI. Corporate Website**

<https://www.gsd.net.tw>

### **VII. Litigation and non-litigation agents in Taiwan (R.O.C)**

Name: Hsieh, Hung-June

Job Title: Chairman

Tel: +886-916856641

Email: [ir@gsd.net.tw](mailto:ir@gsd.net.tw)

### **VIII. Board of Directors**

Job Title	Name	Nationality / Country of origin	Experience (Education)
Chairman	Hsieh, Hung-June	R.O.C.	Oriental Institute of technology, Department of computer engineering Chairman of Jong Tyng Co., Ltd.
Director	Li Yi Co., Ltd.	British Virgin Islands	New Taipei city San-Chung Commercial and Industrial Vocational High School Mechanical engineering
	Representative : Lin, Ming-Tzu	R.O.C.	
Director	Cheng, Chi-Fa	R.O.C.	Department of Accounting National Chong Hsing University Managing Partner and accountant, Jingxing united accounting firm

Director	Lee, Tzuoh-Shoou	R.O.C.	Oriental Institute of Technology, Department of computer Engineering Director of Production and Sales Center, Formosa Rubber Group Inc. Manager of the Consulting Department, Fu Jen Management Consulting Co., Ltd. Vice President of Taiwan Chuan Yuan Co., Ltd.
Independent director	Chang, Yuan-Lung	R.O.C.	Department of Accounting, Tamkang University Associate Manager of Financial department, Arcoa Co., Ltd. Accountant, Nisun CPA Firm
Independent director	Chou, Shan-Shan	R.O.C.	Doctor, Institute of Environmental Engineering, National Chiao Tung University Manager/Director, Industrial Technology Research Institute Adjunct Associate Professor, College of Engineering, National Chiao Tung University
Independent director	Chen, Chun-Kuei	R.O.C.	Department of Business Administration, Fu Jen Catholic University Procurement Staff, China Steel Co., Ltd. Chief Operating Officer, Steel Castle Technology Co., Ltd.

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## **I. Letter to Shareholders**

Dear Shareholders,

Bill Gates's end-of-year article describe 2021 is a "difficult year", and we believe everyone feels the same. In 2021, the epidemic has continued to ravage the world, the port occlusion problem has cause chaos in the global supply chain, inflation has continued to plague industrial production and people's livelihood consumption, and the abnormal climate has led to continuous disasters, all of which would seriously affect economic development and people's lives.

Although the current situation was difficult, GSD maintained steady development in 2021. The revenue was NT\$1.961 billion, an increase of 6.16% over the previous year. The net profit after tax was NT\$212 million, a decrease of 1.5% over the previous year, but the annual EPS reached NT\$6.3, more than NT\$6 for four consecutive years. In 2021, GSD has completed several tasks, including successfully raising NT\$450 million in the SPO, participating in the cash capital increase of Yuh Shan Environmental Engineering Co., Ltd. with shareholding of 23.53%, establishing Taiwan subsidiary, acquiring the "Environmental Engineering Professional Construction Industry License" and winning the bid for Kaohsiung Veterans General Hospital Sewage Treatment in December, and winning several awards, and co-creating the "SMART WaterOps Service Platform" with the Taiwan Water Affairs Organization. The development of GSD is still continuing on the right trend.

### **1. 2021 Business Plan Implementation**

The consolidated revenue in 2021 was NT\$1,960,518 thousand, an increase of NT\$113,844 thousand or 6.16%, compared to NT\$1,846,674 thousand in 2020. The consolidated gross profit margin in 2021 was 38.35%, which was a 1.72% decrease compared to 40.07% in the previous year, and the gross profit increased by NT\$11,998 thousand. The 2021 gross profit margin decrease mainly due to the proportion of sales in Taiwan increased by more than 6%. In 2021, the expense rate increased by 2.11%, due to the reduction of social insurance fee subsidies, resulting in a decrease of NT\$58,878 thousand in net operating profit compared with the previous year. However, due to investment profit and the increase of government subsidies, the net non-operating income and expenses increased by NT\$24,055 thousand, resulting in a decrease of NT \$34,823 thousand in net profit before tax compared with the previous year. In addition, income tax in 2021 decreased by NT\$31,586 thousand compared with that in 2020, due to the recognition of income tax benefit. Taking the above factors into consideration, the net profit after tax in 2021 was NT\$212,274 thousand, a decrease of NT\$3,237 thousand or 1.5% from the previous year.



## 2. Budget Implementation

The Company has not announced financial forecasts.

## 3. Financial Revenue and Expenditure Analysis

In 2021, the consolidated interest income is NT\$21,787 thousand and the financial cost is NT\$2,640 thousand, which are slightly higher than the previous year. The increase in financial costs was mainly due to the issuance of convertible corporate bonds. The profitability ratios in 2021 are shown in the table below.

Year		2020	2021	Difference (%)
Items				
Profitability	Return on assets(%)	11.14	9.47	-14.99
	Return on Equity(%)	17.02	15.32	-9.98
	Profit before tax & interest(EBIT) actual capital ratio(%)	85.57	69.22	-19.10
	Net Profit Margin(%)	11.67	10.83	-7.19
	Earnings per share(NT\$)	6.52	6.30	-3.37

## 4. Research and Development

4.1 In 2021, the Company added 1 invention patents and 23 utility model patents, with a total of 132 valid patents, including 4 invention patents, and 7 software copyrights.

### 4.2 Energy saving certification application

Up to 2021, most of the pump products including CP, GPS and LPS have obtained energy-saving certification, and the revenue from energy saving products accounted for nearly 40%. In addition to water pumps, the company also actively cooperating develops energy-saving products such as magnetic levitation blower and sludge drying systems.

4.3 Continue to dedicate intelligent products, and confirm the product development route of “To smart equipment” and “AIoT process control”. Among them, AIoT process control includes various modules such as biological treatment, chemical treatment and physical treatment, which are continuously improved according to the customer needs. In addition, the company has first launch SaaS (Software as a Service), a Smart WaterOps service platform, in the field of water treatment, The functions of SaaS are continuously being developed and optimized, and GSD hope to offer customers AIoT services through the platform, so as to

accelerate the realization of the goal of smart transformation of the water industry.

## 5. Business Plan for 2022

China had a good start of the 14th five-year plan in 2021. In 2022, China economic policy is stability and pursuing progress in stability. The policy guide financial institutions to increase support for the real economy, especially small and micro enterprises, technological innovation, and green development. In the process of transferring the economy from high-speed growth to high-quality development, pollution prevention and environmental governance are an important hurdle to overcome, and achieving carbon peaking and carbon neutrality is an inherent requirement to promote high-quality development. With the support of policies, the environmental protection market of China still be expected. In China market, GSD would focus on smart energy-saving products, system project transformation and sludge disposal and recycling, etc., to cater to the market development direction and seize performance growth opportunities.

### 5.1 Operational Policy

#### 5.1.1 To improve cognition and deepen the organizational restructuring

According to the company's mission, each department deepen the reconstruction and reform management, so as to form an organization that meets the needs of the new strategy.

#### 5.1.2 Accelerate resource integration

Using diversified cooperate models to integrate the resources of products, technology, talents, and market to complement the departments' capacity.

#### 5.1.3 Strengthen implementation

Promote the implementation of mission plans, strengthen responsibilities of every member, strictly assess the result and adjust behavior.

#### 5.1.4 Strengthen risk control

Strengthen the risk control of GSD's products, business, bank accounts, assets, brand image, information and intellectual property.

### 5.2 Expected sales volume and its production and sales policies and future company development strategies

Taiwan's Directorate-General of Budget, Accounting and Statistics Office forecasts that the economy would grow by 6.09% in 2021 and 4.15% in 2022. The Chinese Academy of Social Sciences estimates that economic growth rate of

China will be 8% in 2021 and about 5.3% in 2022. The global epidemic continues to recur, but Taiwan and China are relatively stable and controllable, and it is expected that 2022 will be "more normal" than 2021. Based on the more and more stable environment, GSD thought 2022 is full of hope.

Market and Industry:

2021 is the first year of the "14th Five-Year Plan". The Sixth Plenary Session of the China Central Committee held in October decided to promote ecological civilization construction. Under the influence of the policies of carbon peaking and carbon neutrality and ecological civilization construction, it is expected create new investment opportunity, the market scale would speedy grow. GSD would focus on system project transformation, energy-saving equipment and technology, waste-to-energy, water resource recycling, sludge disposal and utilization, etc., to catch opportunities in new fields, and push revenue growth.

Customer Service:

In response to the opportunities brought about by the 14th Five-Year Plan and carbon peaking and carbon neutrality policies, the sales strategy in 2022 will be changed from original product promotion method to alliances with different industries, so as to promote business of sludge drying, magnetic levitation blower, and smart water treatment plants. In addition, we will focus on pursuing industrial wastewater treatment customers, and integrating the resources of cooperative units. We will redefine and expand the scope of customers, create a win-win strategy with partners, and reorganize cooperative partners, research institutes, environmental protection companies, etc., to provide customers with better services.

As a professional manufacturer of water treatment systems, we always perceive the needs of customers from a professional and forward-looking perspective. In 2022, GSD will continue to upgrade energy-saving and high-efficiency products, develop AIoT applications on environmental protection, and assist customers to have safe and sustainable water treatment system to meet the new challenges of green environmental protection.

Finally, I wish all shareholders good health and all the best

Sincerely yours,

Chairman  
HSIEH, HUNG-JUNE

## **II. Company Profile**

### **2.1. Company information**

Date of incorporation: October 3, 2013

Headquarter, Branches, and Plants

#### **2.1.1 Headquarter**

GSD Technologies Co., Ltd. (hereinafter referred to as the Company or GSD)

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road,  
P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

Tel: (886) 7-5528802#601

#### **2.1.2 Subsidiaries**

A. Chuan Yuan Hydraulic Engineering Co., Ltd. (hereinafter referred to as GSD-BVI)

Address: Portcullis Chambers 4th Floor, Ellen Skelton Building, 3076 Sir Francis  
Drake Highway, Road Town, Tortola, Virgin Islands, British.

Tel: +886-7-5528802#601

B. GSD (China) Co., Ltd. (hereinafter referred to as GSD China)

Address : No. 2399, Xin-Min Road, Pinghu economic development Zone in  
Zhejiang, China.

Tel: +86-573-8950-8888

C. Shanghai GSD Industrial Co., Ltd. (hereinafter referred to as GSD Shanghai)

Address : No. 796, Yun Chiao Road, New Pudong District, Shanghai, China.

Tel: +86-21-5055-0343

D. GSD Environmental Technology Co., Ltd. (hereinafter referred to as CYHK)

Address: 1F, No. 2399, Xin-Min Road, Pinghu economic development Zone in  
Zhejiang, China.

Tel: +86-573-8529-6688

E. GSD Enviro Tech (Yangzhou) Co., Ltd. (hereinafter referred to as GSD Yangzhou)

Address: No. 3-1, Weichai Avenue, Beishan Automobile Industrial Park, Hanjiang  
District, Yangzhou city, Jiangsu, China.

Tel: +86-514-8781-4125

F. GSD Enviro Tech (Taiwan) Co., Ltd. (hereinafter referred to as GSD-TW)

Address: No.15, 17, 19 Minli Street, Gushan District, Kaohsiung City, R.O.C.

Tel: +886-7-5528802

G. GSD Enviro Tech Vietnam Company Limited (hereinafter referred to as GSD-VN)  
Address: 502 Huong Lo 2, Phuong Binh TRI Dong , Quan Binh Tan, Ho Chi Minh  
City, Vietnam  
Tel: +84-28-36368159

### 2.1.3 Branches

A. GSD Technologies Co., Ltd. Taiwan Branch.  
Address: 2F, No.15, 17, 19 Minli Street, Gushan District, Kaohsiung City, R.O.C.  
Tel: +886-7-5528802

B. GSD (China) Co., Ltd, Beijing Branch (hereinafter referred to as Beijing Branch)  
Address: Room 1705, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing  
Economic and Technological Development Zone (Tongzhou), Beijing, China.  
Tel: +86-10-5092-8520

C. GSD (China) Co., Ltd, QingDao Branch (hereinafter referred to as Qing Dao  
Branch)  
Address: 1F, Block A, 57 Haier Road, Laoshan District, Qingdao, China.  
Tel: +86-532-8891-0563

D. GSD (China) Co., Ltd. Shanghai branch (hereinafter referred to as Shanghai  
Branch)  
Address: No. 796, Yun Chiao Road, New Pudong District, Shanghai, China.  
Tel: +86-21-5055-0317

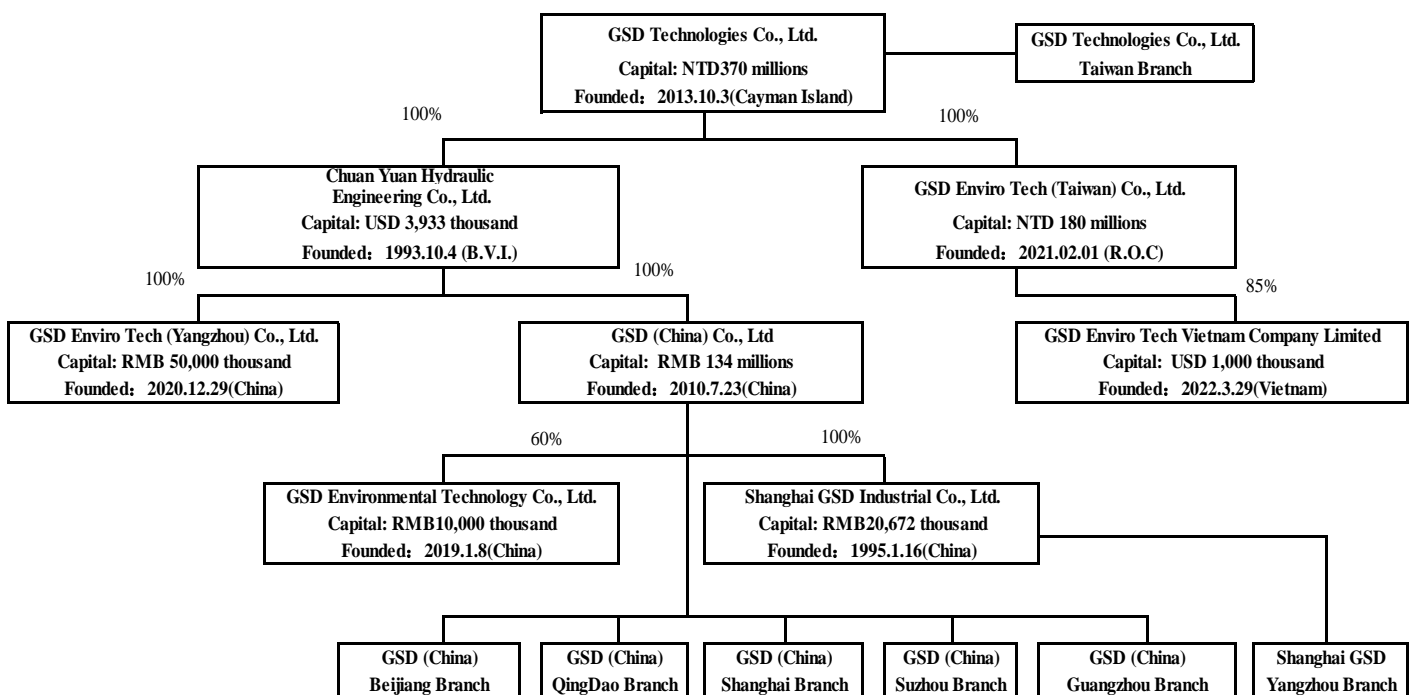
E. GSD (China) Co., Ltd. Suzhou branch (hereinafter referred to as Suzhou Branch)  
Address: Room 205/206/207 of B4, Dong Chuang Technological park, No. 216,  
Jing Feng Road, Mu Du Town, Wu Xiong District, Suzhou, China.  
Tel: +86-512-6270-9116

F. GSD (China) Co., Ltd. Guangzhou branch (hereinafter referred to as Guangzhou  
Branch)  
Address: Room B202, No.33, Holiday New Street, Guangzhou, China.  
Tel: +86-20-82320595

G. Shanghai GSD Industrial Co., Ltd. Yang Zhou branch (hereinafter referred to as  
Yangzhou Branch)  
Address: No. 31, Tang Wang Road, Guang Ling District, Yang Zhou City, Jiang Su  
Province, China.  
Tel: +86-514-8781-4125

## 2.2. Group Profile and Group Structure

GSD Technologies Co., Ltd. established in the British Cayman Islands and operates mainly by GSD (China) Co., Ltd. and Shanghai GSD Industrial Co., Ltd. The "Chuan yuan GSD" brand originated from Taiwan. In 1995, it invested in the mainland China and is a company that has deeply cultivated the mainland China's environmental protection market for more than 20 years. GSD is specialized in the R & D, production and sales of a full range of environmental protection equipment, and is committed to providing users with overall solutions and technical services for sewage treatment. In recent years, with excellent products and excellent services, GSD has won many honors such as "the most valuable brand of environmental protection equipment in China - pump benchmarking brand", "sewage treatment equipment and service benchmarking enterprise", "China's top ten brands of sewage treatment equipment" and "Star pump valve enterprise brand". The group structure of GSD is as follows:



## 2.3. Company History

Year	Milestones
	GSD started from Taiwan.
1995	Shanghai GSD Industrial Co., Ltd. was founded.
2000	GSD Shanghai Yang Chou Branch was founded (Yang Zhou Branch).
2008	GSD Shanghai was “SSI products” Authorized China agent.
2010	GSD (China) Co., Ltd. was founded (currently being the operating headquarter in Mainland China).
2011	Awarded: Environmental Enterprise Competitiveness Award, Well-known Water Equipment Enterprise, etc..
	Awarded: 2011-2012 water industry user satisfaction equipment brand.

Year	Milestones
2012	Awarded: 2012 Top Ten Growth Companies, 2012 Environmental Enterprise Competitiveness Award.
	GSD China Plant in Pinghu city officially put into operation.
2013	GSD China obtained the certifications of ISO9001& ISO14001.
	GSD Technologies Co., Ltd. was founded.
2014	GSD Technologies Co., Ltd. obtained 100 % equities from GSD (China) Co., Ltd..
2015	GSD was selected as one of the top ten brands of sewage treatment equipment in China in 2015.
	GSD was selected as one of the top 50 water treatment enterprises in China in 2015.
2016	GSD obtained two invention patents in China (Surface aerator and pump testing device).
	GSD obtained two invention patents and 35 utility model patents by the end of 2016.
	GSD (China) was awarded the best corporate in transformation and upgrade field in Pinghu city.
2017	GSD (China) is awarded the Green Britain Award - leading enterprise in environmental equipment competitiveness.
	GSD (China) was awarded: 2016-2017 China's most valuable environmental protection equipment brand in water treatment machinery (pump benchmarking brand).
	GSD (China) has obtained the qualification of China's high-tech enterprise.
2018	GSD (China) was awarded the Innovation Award for Environmental IoT Technology.
	GSD (China) is awarded the green Britain Award - leading enterprise in environmental equipment competitiveness.
	GSD (China) was awarded: "Four Innovations" Excellent Enterprises in Pinghu City.
	The board of directors of the Taiwan Stock Exchange approved the GSD's stock listing case.
	The GSD's shares are publicly issued in Taiwan.
	The GSD shares were listed in Taiwan, and the stock code is 6641.
2019	GSD Environmental Technologies Co., Ltd. was founded.
	GSD (China) was recognized as a top-ranking enterprise in Pinghu.
	GSD Technologies Co., Ltd. Taiwan Branch was founded.
	GSD (China) awarded: the most valuable brand of Environmental Protection Equipment in China in 2018-2019).
	GSD (China) won the Green Talents Awards -2018-2019 water treatment equipment and technical service benchmark enterprise.
	Tongji-GSD (China) Research center of Environmental Microbiology was established.
	NCKU-GSD Hydrotech Research Center (HTRC)

Year	Milestones
2020	GSD (China) was selected as the 2019 Zhejiang Invisible Champion Cultivating Enterprise.
	GSD (China) was awarded as Pinghu Merit Enterprise.
	GSD (China) awarded the most valuable brand of water treatment machinery in 2019-2020.
	Foundation laying for GSD (China) Pinghu II plant expansion project.
	GSD (China) was awarded the "green Britain Award" - outstanding enterprise of environmental IOT technology innovation.
	GSD (China) was awarded the honor of "abiding by the contract and valuing the credit" as a class A enterprise in Zhejiang Province.
	GSD (China) was selected: the 2 <sup>nd</sup> batch of enterprises with special expertise and special features of "Small Giant" in China.
	GSD Enviro Tech (Yangzhou) Co., Ltd. was founded.
2021	GSD Enviro Tech (Taiwan) Co., Ltd. was founded.
	GSD issued the first Convertible Bond in R.O.C., which listed on OTC.
	GSD completed the cash capital increase and the issuance of new shares.
	GSD-TW obtained common shares of Yuh Shan Environmental Engineering Co., Ltd.
	GSD (China) was awarded "green Britain Award"- water treatment equipment and program solution.
	Foundation laying for GSD Yangzhou plant expansion project.
2022	GSD Enviro Tech (Vietnam) Company Limited was founded.

## 2.4. Risk Matters

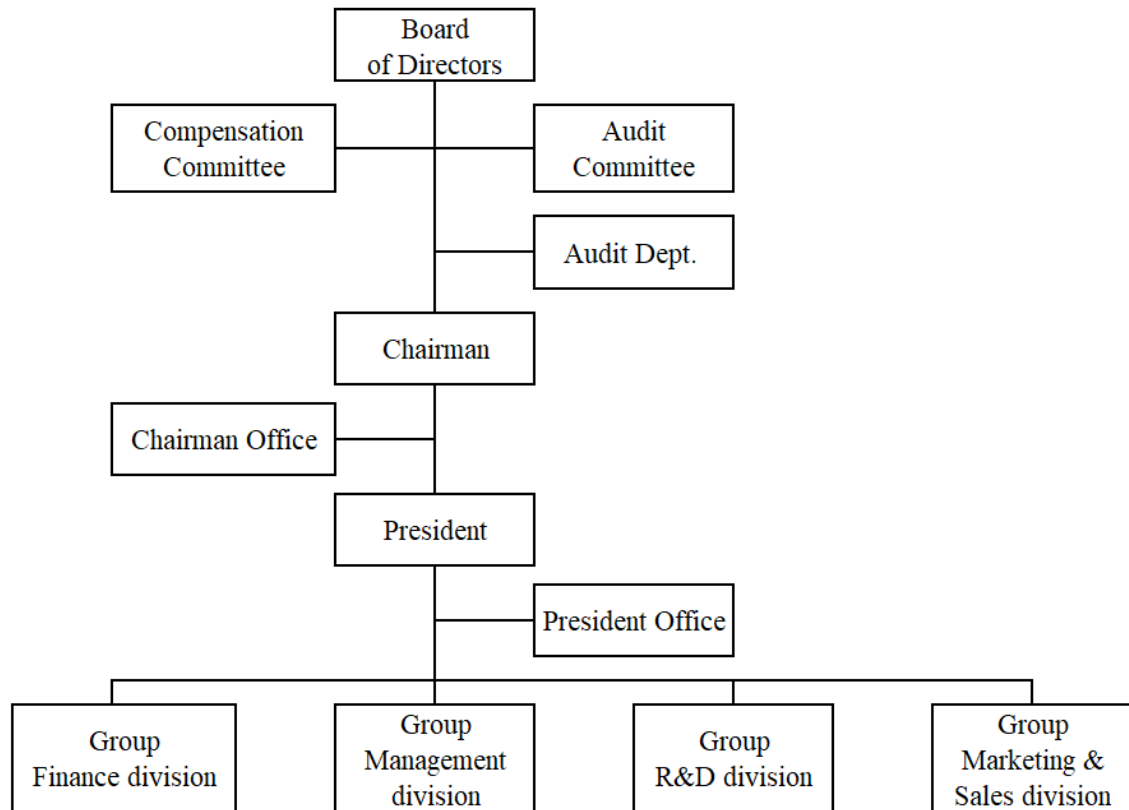
Please refer to "7. Review and analysis of financial situation and financial performance and risk matters" in this annual report for details of the Company's risk matters.



### III. Corporate Governance Report

#### 3.1. Organization

##### 3.1.1 Organizational Chart



##### 3.1.2 Major Corporate Functions

Department	Functions
Board of Directors	In accordance with the Company's organizational memorandum and laws and regulations, plan the Company's business and policies, formulate the Company's operational objectives, and appoint key managers to carry out the Company's business promotion.
Audit Committee	To supervise the business and financial status of the Company, the proper presentation of the Company's financial statements, and the effective implementation of internal control.
Compensation Committee	Establishing and scrutinizing performance of chairman and managers. Suggesting the policy, system, standard and structure for compensation policy. Regular scrutiny of Chairman and managers' compensation content and sum and make suggestions to the board of directors accordingly.

Department	Functions
Audit Dept.	Prepare, plan and implement internal control and audit system; submit audit report and track the improvement of audit deficiencies.
Chairman	Representing the Company and the board of directors. Instruction on company's operational strategies and setting guidelines. Supervision of managers' duties.
Chairman Office	<ol style="list-style-type: none"> <li>1.Assistance for devising operational guidelines, strategies, and goals.</li> <li>2.Assist in the evaluation and promotion of investment projects.</li> <li>3.The chairman's office sets up a corporate governance group to be responsible for corporate governance related matters: <ol style="list-style-type: none"> <li>(1) Handle matters related to meetings of the board of directors and shareholders' meeting in accordance with law.</li> <li>(2) Prepare minutes of board of directors and shareholders' meeting</li> <li>(3) Assist the directors and supervisors in taking office and continuing education.</li> <li>(4) Provide information required by directors and supervisors to carry out their business.</li> <li>(5) Assist the directors and supervisors to comply with laws and regulations.</li> <li>(6) Other matters related to corporate governance in accordance with the articles of association, contracts, laws and regulations of the Company.</li> </ol> </li> </ol>
General Manager	<ol style="list-style-type: none"> <li>1.Report to the Board of Directors and the General Meeting of Shareholders the relevant operating conditions and development plans, and execute matters resolved by the Board.</li> <li>2.Manage and implement the group's business objectives and future development plans.</li> <li>3.Planning and implementation of the Company's important operating policies and business plans.</li> </ol>
General Manager Office	<ol style="list-style-type: none"> <li>1.Assist the general manager to summarize and report to the board of directors and the general meeting of shareholders the relevant business status and development plan.</li> <li>2.Assist the general manager to track and control the implementation of the group's business objectives and future development plans.</li> <li>3.Assist the general manager to track and control the planning and implementation of important business policies and business plans.</li> </ol>

Department	Functions
Group Finance Division	1.Manage matters such as domestic capital planning and adjustment, accounting, and investment management. 2.Manages the auditing and preparation of accounting statements within the group, the calculation and control of costs, and the preparation and control of budgetary resources.
Group Management Division	In charge of general affairs, information, human resources, legal affairs and other matters of the group.
Group R&D Division	Coordinate R & D plans, research and develop new products, new technologies and patent management.
Group Marketing & Sales Division	Coordinate the market development and business sales of the Group around the world.

### 3.2. Directors, Supervisors and Management Team

#### 3.2.1 Directors and Supervisors

##### 3.2.1.1 Directors and supervisors' names, educational background, shares held and nature

Apr. 10, 2022; Unit: thousand shares %

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Chairman	R.O.C.	Hsieh, Hung-June	M/69	2013/12/20	2020/06/23	3y	826	2.43	924	2.50	—	—	5,646 (Note1)	15.26	1. Oriental Institute of technology, Department of computer engineering 2. Chairman of Jong Tyng Co., Ltd.	1. President of GSD Technologies Co., Ltd. 2. Director of Chuan Yuan Hydraulic Engineering Co., LTD. 3. Chairman of GSD (China) Co., Ltd. 4. Chairman of Shanghai GSD Industrial Co., Ltd. 5. Director of GSD Environmental Technology Co., Ltd. 6. Chairman of GSD Enviro Tech (Yangzhou) Co., Ltd. 7. Chairman of GSD Enviro Tech (Taiwan) Co., Ltd. 8. Chairman of the Shareholders' Meeting of GSD Enviro Tech Vietnam Company Limited. 9. Director of H.J. HSIEH International Co., Ltd.	—	—		(Note 2)
Director	British Virgin Islands	Li Yi Co., LTD.	—	2014/06/03	2020/06/23	3y	3,184	9.36	3,412	9.22	—	—	—	—	—	—	—	—	—	
	R.O.C.	Rep. : Lin, Ming-Tzu	M/50				—	—	—	—	—	—	—	—	New Taipei city San-Chung Commercial and Industrial Vocational High School Mechanical engineering	1. President of HEY-WEL Co., Ltd. 2. Chairman of Yang Chuo HEY-WEL environmental Technology Co., Ltd. 3. Chairman of Pinghu HEY-WEI Environmental Technology Co., Ltd. 4. Directors of Li Yi Co., Ltd. 5. Supervisor of GSD (China) Co., Ltd. 6. Supervisor of Shanghai GSD Industrial Co., Ltd. 7. Supervisor of GSD Enviro Tech (Yangzhou) Co., Ltd.	—	—	—	

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Director	R.O.C.	Cheng, Chi-Fa	M/63	2014/06/03	2020/06/23	3y	209	0.61	224	0.60	—	—	—	—	1. Department of Accounting National Chong Hsing University 2. CPA of Jinxing United Accounting Firm	1. Managing partner & accountant of Jing Xing United Accounting Firm 2. Director of Jin-Dien Asset Management Co., Ltd. 3. Chairman of San-Bogle Investment Co., Ltd. 4. Chairman of Yu-Xinge consulting Co., Ltd. 5. Director of Yuan Fu Tai Development Cor., Ltd. 6. Director of CoreMax Corporation. 7. Director of Uranus Chemicals Co, Ltd. 8. Independent Director of HongYi Fiber Industry Co., Ltd. 9. Independent Director of Shin Zu Shing Co., Ltd. 10. Director of Shih Her Technologies, Co., Ltd. 11. Corporate Director Representative of Ezfly international Travel Agent Co., Ltd.	—	—	—	
Director	R.O.C.	Lee, Tzuoh-Shoou	M/69	2022/07/08	2022/07/08	2y	236	0.69	283	0.76	—	—	1,756 (Note3)	4.74	1. Department of computer Engineering, Oriental Institute of Technology 2. Director of Production and Sales Center, Formosa Rubber Group Inc. 3. Manager of the Consulting Department, Fu Jen Management Consulting Co., Ltd. 4. Vice President of Taiwan Chuan Yuan Co., Ltd.	1. Special Assistant of Chairman 2. Director of GSD (China) Co., Ltd. 3. Director of Shanghai GSD Industrial Co., Ltd. 4. Director of GSD Enviro Tech (Yangzhou) Co., Ltd. 5. Director of LTS International Ltd.	—	—	—	
Independent Director	R.O.C.	Chang, Yuan-Lung	M/62	2017/06/22	2020/06/23	3y	—	—	—	—	—	—	—	—	1. Department of Accounting, Tamkang University 2. Associate Manager of Financial dept., Arcoa Co., Ltd. 3. Accountant, Nisun CPA Firm	1. CPA for CihnJeng United Accounting Firm 2. Independent Director of CoreMax Corporation. 3. Independent Director of Shin Zu Shing Co., Ltd.	—	—	—	

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Independent Director	R.O.C.	Chou, Shan-Shan	F/57	2017/06/22	2020/06/23	3y	—	—	—	—	—	—	—	—	1. Doctor, Institute of Environmental Engineering, National Chiao Tung University 2. Manager/Director, Industrial Technology Research Institute 3. Adjunct Associate Professor, College of Engineering, National Chiao Tung University	1. Independent Director of ECOVE Environment Corp. 2. CEO of National Chiao Tung University Environmental Technology & Smart System Research Center.	—	—	—	
Independent Director	R.O.C.	Chen, Chun-Kuei	M/68	2017/06/22	2020/06/23	3y	—	—	—	—	4	0.1	—	—	1. Department of Business Administration, Fu Jen Catholic University 2. Procurement Staff, China Steel Co., Ltd. 3. Chief Operating Officer, Steel Castle Technology Co., Ltd.	Director and General Manager of Yi Tsen Technology Co., Ltd.	—	—	—	

Note 1: Mr. Hsieh Hung-Jung holds 50.05% equity in H.J. Hsieh International Co., Ltd., and H.J. Hsieh International Co., Ltd. holds 5,646 thousand shares of GSD Technologies Co, Ltd. with a shareholding ratio of 15.26%.

Note 2: The necessity of the chairman and general manager being the same person: The Company's equity restructuring in 2014 and listing in September 2018. The chairman of the board of directors is the main person in charge of the restructuring and listing process, deeply trusted by the team. At present, about 90% of the Company's revenue comes from the Chinese market, the chairman and general manager of the subsidiaries in China is no longer the same person. The holding company has a simple organization, and the subsidiary in Taiwan is a newly established company, so the chairman of the board concurrently serves as the general manager, and there is no shortage or conflict in management. The total shareholding ratio of the chairman of the board of directors and other persons is 17.76%. At present, the chairman of the board of directors is the largest shareholder of the Company, and among the members of the board of directors, only one director is concurrently employees except the chairman, the concurrent ratio is less than 30%. Therefore, the board of directors still has the function of supervision, and there is no agency conflict. Follow up measures: (1)The Company has actively carried out team building and hopes to eliminate the situation where the chairman and general manager are the same person in the shortest time.(2) The Company is well organized and the heads of the units are fully authorized in the areas they are responsible for, and can reasonably share the responsibilities of the general manager. (3) The Company continued to strengthen corporate governance and prevent the Company's operating risks from an institutional perspective.

Note 3: Mr. Lee, Tzuoh-Shouu holds 32.03% equity in LTS International Ltd., and LTS International Ltd. holds 1,756 thousand shares of GSD Technologies Co, Ltd. with a shareholding ratio of 4.74%.

### 3.2.1.2 Major shareholders of the institutional shareholders

Apr. 10,2022

Name of corporate shareholder	Principal shareholders of corporate shareholders
Li Yi Co., Ltd.	Lin, Ming Tzu(22.3%)、Lin, Cheng De(22.3%)、 Lin, Chia Hui(20.3%)、Lin, Li Wan(14.8%)、 Li, Li Ling(12.9%)、Lin, Shu Bin(7.4%)

3.2.1.3 Major shareholders of the Company's major institutional shareholders : None.

### 3.2.1.4 Professional qualifications and independence information of Independent Directors

Criteria Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman/ Hsieh, Hung-June	He has been general manager of the companies of GSD in China, and worked in China's environmental protection equipment industry for more than 20 years. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	He is also an employee and director of the company and GSD's affiliated companies. There are no spouses or kinship within second-degree with any other directors.	None
Director/ Li Yi Co., Ltd. (Rep.: Lin, Min-Tzu)	The representative operates the blower business, and is currently the general manager of Heiwei Machinery Co., Ltd. and the chairman of Pinghu Heiwei Environmental Protection Equipment Co., Ltd., with relevant industry experience. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	He is also a supervisor of GSD's affiliated companies. There are no spouses or kinship within second-degree with any other directors.	None

Criteria Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director/ Cheng, Chi-Fa	He has professional knowledge of finance and accounting, and is currently an accountant of Jinxing United Accounting Firm. His positions in other companies information refers to page 14. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	He is not an employee or director of the company and GSD's affiliated companies. There are no spouses or kinship within second-degree with any other directors.	Two
Director/ Lee, Tzuoh-Shoou	He is currently the special assistant of GSD's chairman and has relevant experience in environmental protection equipment industry and management consulting. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	He is also an employee and director of the company and GSD's affiliated companies. There are no spouses or kinship within second-degree with any other directors.	None
Independent Director/ Chang, Yuan- Lung	He has professional knowledge of finance and accounting, and is currently an accountant of CihnJeng United Accounting Firm, and concurrently serve as independent director of other listed companies. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	1. Do the director, his spouse, and relative within the second degree of kinship serve as a director, supervisor or employee of GSD or GSD's affiliated companies: No 2. The number of shares and shareholding ratio of the director, together with those held by his spouse, or held by the person under others' names, in an aggregate: None 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with GSD: No 4. The cumulative compensation of providing commercial, legal, financial, accounting or related services to GSD or any affiliate of GSD in the past 2 years: None	Two



Criteria Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director/ Chou, Shan-Shan	She has professional knowledge in environmental engineering, closely related to the industry to which GSD belongs, and used to be the chairman of WaterPark Environment Corporation. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	1. Do the director, his spouse, and relative within the second degree of kinship serve as a director, supervisor or employee of GSD or GSD's affiliated companies: No 2. The number of shares and shareholding ratio of the director, together with those held by his spouse, or held by the person under others' names, in an aggregate: None 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with GSD: No 4. The cumulative compensation of providing commercial, legal, financial, accounting or related services to GSD or any affiliate of GSD in the past 2 years: None	One
Independent Director/ Chen, Chun-Kuei	He is engaged in equipment installation engineering business. He is currently the chairman of Yi Tsen Technology Co., Ltd. and has relevant industry experience. Not been a person of any conditions defined in Article 30 of Taiwan Company Law.	1. Do the director, his spouse, and relative within the second degree of kinship serve as a director, supervisor or employee of GSD or GSD's affiliated companies: No 2. The number of shares and shareholding ratio of the director, together with those held by his spouse, or held by the person under others' names, in an aggregate: 4,071 shares/0.01% 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with GSD: No 4. The cumulative compensation of providing commercial, legal, financial, accounting or related services to GSD or any affiliate of GSD in the past 2 years: None	None

### 3.2.1.5 Diversified policy and independence for the composition of the Board of Directors

#### A. Diversified policy

GSD has formulated the “Corporate Governance Practice Principles” and “Rules for Election of Directors” to implement the diversity policy for the members of the board of directors. The Company's directors (including independent directors) adopt the system of nomination of candidates. The diversification direction of the Company's directors is divided into three aspects, including basic composition, industrial experience and professional ability. In terms of basic composition, female directors account for about 14%; directors under the age of 60 account for about 29%; directors aged 61-70 account for 71%; as directors of the Company for less than 3 years account for about 14%, for 3-9 years about 86%, and all independent directors are less than 3 session. Please refer to note 1 and the Company's website for the diversity of directors' industrial experience and professional competence.

The specific objectives of GSD's directors' diversification are as follows: (1) at least one female director shall be included in the directors; and (2) the proportion of directors who concurrently hold the posts of the Company's employees shall not exceed one third.

#### B. Independence

GSD's board of directors has 7 directors, including 3 independent directors, with independent directors accounting for approximately 43%. None of the directors are spouses or relatives within second-degree relatives. Two of the board members are also employees of GSD, accounting for about 29%.

Note 1: Diversity of directors

Diversified core item  Name of Director	Gender	Nationality	Concurrently as an employee of the Company	Age		Years as being director of the Company		Industrial experience				Professional ability			
				Under 60	61 to 70	Under 3 year	3 to 9	Bank	Securities	Insurance	Industry management	Accounting	Law	Information Technology	Risk Management
Hsieh, Hung-June	M	R.O.C	V		V		V				V				V
Li Yi Co., Ltd. Rep.: Lin, Ming-Tzu	M	R.O.C		V			V				V				V
Chang, Chi-Fa	M	R.O.C			V		V		V			V			V
Lee, Tzuoh-Shoou	M	R.O.C	V		V	V					V				V
Independent Director: Chang, Yuan-Lung	M	R.O.C			V		V					V			V
Independent Director: Chou, Shan-Shan	F	R.O.C		V			V				V				V
Independent Director: Chen, Chun-Kuei	M	R.O.C			V		V				V				V

### 3.2.2 Information of Management Team

Apr. 10, 2022. Unit: thousand shares %

Title	Nationality	Name	Sex	Date Appointed	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Remark
					Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
President	R.O.C.	Hsieh, Hung-June	M	20140603	924	2.50	—	—	5,646 (Note1)	15.26	1. Department of Computer Engineering, Oriental Institute of Technology 2. Chairman of Jong Tyng Co., Ltd.	1. President of GSD Technologies Co., Ltd. 2. Director of Chuan Yuan Hydraulic Engineering Co., LTD. 3. Chairman of GSD (China) Co., Ltd. 4. Chairman of Shanghai GSD Industrial Co., Ltd. 5. Director of GSD Environmental Technology Co., Ltd. 6. Chairman of GSD Enviro Tech (Yangzhou) Co., Ltd. 7. Chairman of GSD Enviro Tech (Taiwan) Co., Ltd. 8. Chairman of the Shareholders' Meeting of GSD Enviro Tech Vietnam Company Limited 9. Director of H.J. HSIEH International Co., Ltd.	—	—	—	Note 2 for detailed information on directors and supervisors
Special Assistant Of Chairman	R.O.C.	Lee, Tzuoh-Shoou	M	20140401	283	0.76	—	—	1,756 (Note 2)	4.74	1. Department of Computer Engineering, Oriental Institute of Technology 2. Director of Production and Sales Center, Formosa Rubber Group Inc. 3. Manager of the Consulting Department, Fu Jen Management Consulting Co., Ltd. 4. Vice President of Taiwan Chuan Yuan Co., Ltd.	1. Director of GSD (China) Co., Ltd. 2. Director of Shanghai GSD Industrial Co., Ltd. 3. Director of GSD Enviro Tech (Yangzhou) Co., Ltd. 4. Director of LTS International Ltd.	—	—	—	
Vice President of Marketing & Sales Dep.	R.O.C.	Chen, Shih- Hsien	M	20140401	1,149	3.11	—	—	—	—	1. Studied in Department of Business and Accounting, Soochow University 2. Associate Manager, Taiwan Chuan Yuan Co., Ltd.	1. Director of GSD (China) Co., Ltd. 2. Director of Shanghai GSD Industrial Co., Ltd. 3. Director of GSD Enviro Tech (Yangzhou) Co., Ltd. 4. Director of GSD Environmental Technology Co., Ltd.	—	—	—	

CFO	R.O.C.	Wu, Wu Hsiung	M	20140925	352	0.95	—	—	—	—	1. Master degree of Department of Business and Accounting, Soochow University. 2. CFO and Vice President of Business Office, SpeedTech Co., Ltd. 3. CFO, T3EX Global Holding Co., Ltd.	Supervisor of GSD Environmental Technology Co., Ltd.	—	—	—	
Officer of Audit Dept.	R.O.C.	Yang Wei Wen	M	20011110	1	—	—	—	—	—	1. Chinese Culture University, Department of Accounting 2. Senior of audit team, Ernst & Young Taiwan 3. Auditor of Megaforce Company Limited 4. CFO of GSD (China) Co., Ltd.	—	—	—	—	
Officer of Corporate Governance	R.O.C.	Tsai Tzu Ju	F	20210601	6	0.02	—	—	—	—	1. Master degree of Department of Finance, National Sun Yat-sen University. 2. Section manager of Accounting, Radiant Opto-electronic Corporation 3. Junior manager of CTBC bank.	—	—	—	—	

Note 1 : Hsieh Hung-Jung holds 50.05% equity in H.J. Hsieh International Co., Ltd., and H.J. Hsieh International Co., Ltd. holds 5,646 shares of GSD Technologies Co, Ltd., with a shareholding ratio of 15.26%.

Note 2 : Li Tzuoh-Shoou holds 32.03% equity in LTS International Ltd., and LTS International Ltd. holds 1,756 shares of GSD Technologies Co, Ltd., with a shareholding ratio of 4.74%.

### 3.3. Remuneration paid during the most recent fiscal year to Directors, Supervisors, the President, and Vice President

#### 3.3.1 Remuneration paid to directors in the most recent year

##### A. Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Total Remuneration and ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who are Also Employees								Total Compensation and ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements				
																Cash	Stock	Cash	Stock			
Director	Hsieh, Hung-June	-	-	-	-	3,193	3,193	128	128	3,321/ 1.54%	3,321/ 1.54%	7,253	15,940	182	182	3,448	-	3,448	-	14,204/ 6.59%	22,891/ 10.62%	None
Director	Li Yi Co., Ltd.																					
	Representative: Lin, Min- Tzu																					
Director	Cheng, Chi -Fa																					
Director	Lee, Tzuoh-Shoou																					
*ID	Chang, Yuan-Lung	1,413	1,413	-	-	-	-	62	62	1,475/ 0.68%	1,475 0.68%	-	-	-	-	-	-	-	-	1,475/ 0.68%	1,475/ 0.68%	None
*I.D	Chou, Shan-Shan																					
*I.D	Chen, Chun-Kuei																					

##### 1.\*I.D. (Independent director) remuneration payment policy and structure:

The Company is based on the consideration of independence. The remuneration of independent directors is fixed. The amount of payment is based on the size of the Company and is determined with reference to market conditions, regardless of the Company's profit and loss. Independent directors who concurrently serve as functional members will receive additional fixed remuneration in accordance with the Company's regulations. The carriage fees or business expenses incurred by independent directors participating in the Company meeting shall be handled by means of actual report and reimbursement.

2.In addition to the disclosures in the above table, the directors of the Company have received remuneration for providing services for all companies in the financial report (such as serving as consultants for non-employees, etc.) in the most recent year: None.

### Remuneration scale

Range of Remuneration	Name of Director			
	Total remuneration of the first four items (A+B+C+D)		Total remuneration of the first seven items (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Hsieh, Hung-June, Li Yi Co., Ltd. (Representative: Lin, Ming-Tzu), Lee, Tzuoh-Shoou, Cheng, Chi-Fa, Chang, Yuan-Long, Chou, San-San, Chen Chung-Kuei	Hsieh, Hung-June, Li Yi Co., Ltd. (Representative: Lin, Ming-Tzu), Lee, Tzuoh-Shoou, Cheng, Chi-Fa, Chang, Yuan-Long, Chou, San-San, Chen Chung-Kuei	Li Yi Co., Ltd. (Representative: Lin, Min Tzu), Cheng, Chi-Fa, Chang, Yuan-Long, Chou San-San, Chen, Chung-Kuei	Li Yi Co., Ltd. (Representative: Lin, Min Tzu), Cheng, Chi-Fa, Chang, Yuan-Long, Chou San-San, Chen, Chung-Kuei
NT\$ 1,000,000~NT\$ 2,000,000	-	-	-	-
NT\$ 2,000,000~NT\$ 3,500,000	-	-	-	-
NT\$ 3,500,000~NT\$ 5,000,000	-	-	-	-
NT\$ 5,000,000~NT\$ 10,000,000	-	-	Hsieh, Hung-June Lee, Tzuoh-Shoou	Lee, Tzuoh-Shoou
NT\$ 10,000,000~NT\$ 15,000,000	-	-	-	Hsieh, Hung-June
NT\$ 15,000,000~NT\$30,000,000	-	-	-	-
NT\$ 30,000,000~NT\$50,000,000	-	-	-	-
NT\$ 50,000,000~NT\$100,000,000	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	7	7	7	7

(Note) Lee, Tzuoh-Shoou was by-election on July 08, 2021.

## B. Remuneration of the President and Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total Compensation and ratio of Total Compensation (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice President from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Hsieh, Hung-June	3,086	6,637	182	182	4,167	9,303	3,448	—	3,448	—	10,883/5.05%	19,570/9.08%	None
Special Assistant of Chairman	Lee, Tzuoh-Shoou													

## Remuneration scale

Range of remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$ 1,000,000~NT\$ 2,000,000	-	-
NT\$ 2,000,000~NT\$ 3,500,000	-	-
NT\$ 3,500,000~NT\$ 5,000,000	Lee, Tzuoh-Shoou	-
NT\$ 5,000,000~NT\$ 10,000,000	Hsieh, Hung-June	Lee, Tzuoh-Shoou
NT\$ 10,000,000~NT\$ 15,000,000	-	Hsieh, Hung-June
NT\$ 15,000,000~NT\$ 30,000,000	-	-
NT\$ 30,000,000~NT\$ 50,000,000	-	-
NT\$ 50,000,000~NT\$ 100,000,000	-	-
Over NT\$ 100,000,000	-	-
Total	2	2



### C. Remuneration of the Managers who distribute for employees

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Compensation to Net Income ( % )
Executive Officers	General Manager	Hsieh, Hung-June	-	6,399	6,399	2.97%
	Special Assistant of Chairman	Lee, Tzouh-Shoou				
	Vice President of Marketing & Sales Department	Chen, Shih-Hsien				
	CFO	Wu, Wu-Hsiung				
	Officer of Corporate Governance	Tsai, Tzu-Ju				

### 3.3.2 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: %

	2021		2020	
	The Company	The consolidated financial statements	The Company	The consolidated financial statements
The sum of remuneration paid to directors	4,796	4,796	4,906	4,906
The ratio of the sum of remuneration paid to directors to net income (%)	2.22	2.22	2.24	2.24
Total remuneration paid to president and vice presidents	10,883	19,570	11,199	19,735
Ratio of total remuneration paid to president and vice presidents to net income (%)	5.05	9.08	5.11	9.00

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

#### (1) Directors and supervisors

The Company has set up compensation committee, with all independent directors as members. The compensation committee is responsible for formulating and regularly reviewing the performance evaluation of

directors and managers and the policies, systems, standards and structure of salary and compensation. The remuneration of general directors includes attendance fees, remunerations based on the Company's articles of association and operating performance; the remuneration of independent directors is based on maintaining their independence, in addition to the carriage fee, it is a fixed remuneration paid monthly. The remuneration of general directors is based on their participation and contribution to the operation of the Company, and the amount of remuneration is determined after referring to the results of the annual board performance evaluation and the level of the peers pay.

(2) General manager and Deputy General manager

The remuneration of the general manager and deputy general manager includes salary, bonus and retirement pension, which is determined according to the position held, the responsibilities undertaken and the contribution to the Company, with reference to industry standards.

### 3.4. Implementation of Corporate Governance

#### 3.4.1 Board of Directors

The state of operations of the board of directors: Information on the number of meetings, the attendance rate of each director, the goals and performance of the board of directors in the current and recent years, and other matters to be recorded.

A total of 6 meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Chairman	Hsieh, Hung-June	6	-	100%	Reelected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Directors	Li Yi Co., Ltd. Representative: : Lin, Min-Tzu	6	-	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Directors	Cheng, Chi-Fa	6	-	100%	Reelected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Directors	Lee, Tzouh-Shouu	3	-	100%	By-elected on Jul. 8, 2021.(remark 1)
Independent director	Chang, Yuan-Lung	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.

Independent director	Chou, Shan-Shan	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Independent director	Chen, Chun-Kuei	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.

#### Remarks

(1) Because of the original director transferred more than half of the Company's shares at the time of election, so it was dismissed on July 2020, and one director who was vacant has been by-election at the 2021/07/08 annual shareholders' meeting.

Note: The six meetings of the Board of Directors were held on Mar 19, May 6, June 9, Aug 20, Nov 10 and Dec 23.

#### Other mentionable items:

1. If any of the circumstances occur, the dates of the meetings, sessions, contents of motion, all independent director's opinions and the Company's responses should be specified:

1.1 Matters referred to in Article 14-3 of the Securities and Exchange Act:

Resolutions on the meetings of the Board in 2021 and 2022 before the printed date of the annual report are listed as below. All independent directors have given assent and consent to items stated in Article 14-3 of the Securities and Exchange Act.

Date of meeting	Content	Opinions of independent directors	The Company's handling of independent directors' opinions	Resolution result
March 19, 2021 The 7 <sup>th</sup> of the fourth session	1. Adoption of GSD's 2020 "Declaration on internal control system"	Agree	No objection	All attending directors agreed to pass.
	2. Approved the issuance of new shares through cash capital increase and the issuance of the first unsecured convertible bonds in the Republic of China.	Agree	No objection	All attending directors agreed to pass.
	3. Approved GSD Enviro Tech (Taiwan) Co., Ltd. to acquire the equity of Yuh Shan Environmental Engineering Co., Ltd.	Agree	No objection	All attending directors agreed to pass.
	4. Approved to increased investment in the subsidiary GSD Enviro Tech (Taiwan) Co., Ltd.	Agree	No objection	All attending directors agreed to pass.
	5. Amendment of "Rules and Procedures of Shareholders' Meeting"	Agree	No objection	All attending directors agreed to pass.
	6. Amendments of "Procedures for the board of directors meeting" and "Codes of Ethical Conduct".	Agree	No objection	All attending directors agreed to pass.
	7. Amendments of "Rules for approval authority", "Procedures for financial business between related enterprise groups", "Rules for supervision and management subsidiaries", "Procedures for accounting professional judgment, accounting policies and changes accounting estimates" and "salary	Agree	No objection	All attending directors agreed to pass.

	management Rules"			
	8. Approved 2020 director compensation and employee compensation distribution case.	Agree	No objection	All attending directors agreed to pass.
May 6, 2021 The 8 <sup>th</sup> of the fourth session	1. Approved the GSD's fund loan to its subsidiaries.	Agree	No objection	All attending directors agreed to pass.
	2. Approved to assign the Lead Securities Underwriters mandated to assist complying with ROC Laws and Regulations.	Agree	No objection	All attending directors agreed to pass.
	3. Amendments of "Work Rules" of Taiwan Branch.	Agree	No objection	All attending directors agreed to pass.
Aug. 20, 2021 The 10 <sup>th</sup> of the fourth session	Approved the employee subscribing options allocation of the managers and the directors with employee status to participate in the 2021 cash capital increase.	Agree	No objection	All attending directors agreed to pass.
Nov.10, 2021 The 11 <sup>th</sup> of the fourth session	1.Approved GSD's certification accountant independence and competency assessment and compensation case.	Agree	No objection	All attending directors agreed to pass.
	2.Amendments of GSD's internal audit cycle	Agree	No objection	All attending directors agreed to pass.
Dec. 23, 2021 The 12 <sup>th</sup> of the fourth session	1.Compensation for employees and directors of GSD in 2021.	Agree	No objection	All attending directors agreed to pass.
	2.Amendments of "Corporate Governance Practice Principles" and "Sustainable Development Practice Principles".	Agree	No objection	All attending directors agreed to pass.
	3.Discussion on the remuneration and year end bonus of GSD's managers in 2021.	Agree	No objection	All attending directors agreed to pass.
Feb. 25, 2022 The 13 <sup>th</sup> of the fourth session	1. Approved 2021 director compensation and employee compensation distribution case.	Agree	No objection	All attending directors agreed to pass.
	2.Adoption of GSD's 2021 "Declaration on internal control system"	Agree	No objection	All attending directors agreed to pass.
	3.Amendment of "Memorandum and Articles of Association".	Agree	No objection	All attending directors agreed to pass.
	4. Amendments of "Rules for Election of Directors" and "Regulations Governing the Acquisition and Disposal of Assets".	Agree	No objection	All attending directors agreed to pass.
Apr. 19, 2022 The 14 <sup>th</sup> of the fourth session	1. Amendments of "Memorandum and Articles of Association".	Agree	No objection	All attending directors agreed to pass.
	2. Amendments of "Rules and Procedures of Shareholders' Meeting".	Agree	No objection	All attending directors agreed to pass.
	3. Amendments of "Corporate Governance Practice Principles".	Agree	No objection	All attending directors agreed to pass.

	4. Approved to change the CPA of GSD	Agree	No objection	All attending directors agreed to pass.
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1.2 In addition to the matters mentioned above, other matters decided by the board meeting which are objected or reserved by the independent directors and have records or written statements: no such case.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting be specified as following.

Date of meeting	Name of avoided director	Content	Reasons	Voting situation
Dec,23, 2021 The 10 <sup>th</sup> of the fourth session.	Hsieh Hung-June Lee, Tzouh-Shouou	Discussion on the employee subscribing options allocation of the managers and the directors with employee status to participate in the 2021 cash capital increase.	Hsieh Hung-June and Lee, Tzouh-Shouou shall be the interested party receiving the employee subscribing options.	Based on the principle of interest avoidance, Hsieh Hung-June and Lee, Tzouh-Shouou asked to avoid it and did not participate in the discussion and voting, and asked Director Cheng, Chi-Fa to preside over the discussion of the case. The case was approved by the other directors present without objection.
Dec,23, 2021 The 10 <sup>th</sup> of the fourth session.	Hsieh Hung-June Lee, Tzouh-Shouou	Discussion on the remuneration and year end bonus of managers in 2021.	Hsieh Hung-June and Lee, Tzouh-Shouou shall be the interested party receiving the remuneration of the manager.	Based on the principle of interest avoidance, Hsieh Hung-June and Lee, Tzouh-Shouou asked to avoid it and did not participate in the discussion and voting, and asked Director Cheng, Chi-Fa to preside over the discussion of the case. The case was approved by the other directors present without objection.

3. The evaluation cycle, period, scope, method and content of the board evaluation

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method	Content
Once per year	Jan 1 to Dec 31, 2021.	Board of Directors	Internal self-assessment of the board of directors	1. Participation in the operation of the Company 2. Decision making quality of the board of directors 3. Composition and structure of the board of directors

				4. Selection and continuing education of directors. 5. Internal control
		Individual directors	Peer evaluation of directors	1. Mastering the Company's objectives and tasks. 2. Responsibilities of directors 3. Participation in the operation of the Company. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal control.
		Functional Committee	Committee member self-evaluation	1. Participation in the operation of the Company. 2. Functional Committee responsibility recognition. 3. Decision quality of functional Committee. 4. Composition and member selection of functional Committee. 5. Internal control.

The results of performance evaluation in 2021 are as follows:

After collecting the self-assessment questionnaires of the seven directors, the statistical scores are weighted according to each assessment indicator.

#### A. Board of Directors performance

Evaluation Content	Score
Participation in the operation of the Company	4.44
Improve the decision-making quality of the board of directors	4.53
Composition and structure of the board of directors	4.55
Directors' selection and continuing education	4.36
Internal Control	4.33
Average Score	4.44

#### B. Individual director performance

Evaluation Content	Score
Master the Company's objectives and tasks	4.62
Recognition of directors' responsibilities	4.90
Participation in the operation of the Company	4.60
Internal relationship management and communication	4.83
Directors' selection and continuing education	4.90
Internal Control	4.61
Average Score	4.74

### C. Functional Committee Performance

Evaluation Content	The Audit Committee	Remuneration Committee
Participation in the operation of the Company	4.83	4.83
Improve the decision-making quality of the board of directors	4.67	4.67
Composition and structure of the board of directors	4.57	4.95
Directors' selection and continuing education	4.67	4.67
Internal Control	4.67	-
Average Score	4.68	4.38

In terms of overall board performance, the average score is 4.44. The average performance score of individual director is 4.74. The average score of audit and remuneration committee is 4.68 and 4.38 respectively. The overall performance evaluation in 2021 is excellent, and the results of performance evaluation are summarized. The follow-up suggestions and improvements are as follows:

- (1) Provide directors with a wide range of courses beyond their professional competence.
- (2) Continuously report the implementation of sustainable development to the board of directors, so that the board members can timely understand the company's promotion status of ESG.

#### 4. Assessment of the objectives and implementation of strengthening the functions of the board of directors in the current year and the most recent year

- (1) The Company has stipulated the "Rules of Procedure for Board Meetings" as the guidelines for the operation of board meetings. In addition, the Company has elected three independent directors on the general meeting of shareholders on June 23, 2020, and re-appoint the members of audit committee and remuneration committee on the same day.
- (2) In order to promote the directors' ability in corporate governance, the Company regularly arranges courses that meet the requirements for the implementation of directors and supervisors for directors' advanced training.
- (3) In order to protect the risks borne by directors when performing business, the Company insures directors and managers' liability insurance every year.
- (4) The corporate governance officer was appointed by the board of directors and has completed annual training, who helps to improve corporate governance and the functions of the board of directors.
- (5) In order to improve the transparency of information, the Company regularly exposes information related to operations, finance and corporate governance at public information observatories, the Company's website and annual reports. The corporate governance unit and audit office also provide independent directors' information on the Company's operations and audit results on a monthly or regular basis.

**3.4.2 The operation of the audit committee or the participation of supervisors in the operation of the board of directors: the number of meetings, the attendance rate of each independent director or supervisor, and other information to be recorded.**

The Company set up an audit committee on June 22, 2017, which is composed of all independent directors. The number of the audit committee shall not be less than three. One of them is the convener, and at least one of them shall have accounting or financial expertise. Its annual work focus is as follows:

- A. To establish or amend the internal control system in accordance with Article 14-1 of the securities and exchange law.
- B. Assessment of the effectiveness of internal control system.
- C. In accordance with Article 36-1 of the securities and Exchange Act, the procedures for the handling of material financial business activities, such as acquiring or disposing of assets, engaging in derivatives transactions, lending funds to others, endorsing or providing guarantees for others, shall be prescribed or amended.
- D. Matters concerning the interests of the directors themselves.
- E. Significant asset or derivative transactions.
- F. Major loans, endorsements or guarantees.
- G. Offering, issuing or private placement of equity securities.
- H. Appointment, removal or remuneration of a certified public accountant.
- I. Appointment and removal of the head of finance, accounting or internal audit.
- J. Annual financial report signed by the chairman, manager and accounting supervisor, and the second quarter financial report that needs to be audited and certified by an accountant.
- K. Other major matters prescribed by the Company or the competent authority.

The audit committee has held five meetings in recent years, and the attendance of independent directors is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Chang, Yuan- Lung	5 times	-	100.00%	Jun 23,2020 reelected
Independent Director	Chou, Shan-Shan	5 times	-	100.00%	Jun 23,2020 reelected
Independent Director	Chen, Chun-Kuei	5 times	-	100.00%	Jun 23,2020 reelected



Other mentionable items:

1. In case of any of the following circumstances in the operation of the audit committee, the date of the meeting, the contents of the proposal, objection or reservation opinion of independent directors, the resolution results of the audit committee and the Company's handling of the audit committee's opinions shall be stated.

1.1 The matters listed in Article 14-5 of the Securities and Exchange Law: The relevant matters related to the Article 14-5 of the Securities and Exchange Act are listed in the following table, which shall be reported to the Board of Directors after approval by the Audit Committee.

Meeting Date	Content	independent directors' objection opinions	Audit Committee Resolution Results	The Company's handling of the audit committee's opinions
Mar.19, 2021 The 6 <sup>th</sup> of the second session	1. Approved the Company's 2020 annual business report and consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
	2. Adoption of the Company's 2020 "Declaration on internal control system".	None	All members present agree to pass	Audit Committee has no opinion
	3. Approved the issuance of new shares through cash capital increase and the issuance of the first unsecured convertible bonds in the Republic of China.	None	All members present agree to pass	Audit Committee has no opinion
	4. Approved GSD Enviro Tech (Taiwan) Co., Ltd. to acquire the equity of Yuh Shan Environmental Engineering Co., Ltd.	None	All members present agree to pass	Audit Committee has no opinion
	5. Approved to increased investment in the subsidiary GSD Enviro Tech (Taiwan) Co., Ltd.	None	All members present agree to pass	Audit Committee has no opinion
	6. Amendment of "Rules and Procedures of Shareholders' Meeting"	None	All members present agree to pass	Audit Committee has no opinion
	7. Amendments of "Procedures for the board of directors meeting" and "Codes of Ethical Conduct".	None	All members present agree to pass	Audit Committee has no opinion
	8. Amendments of "Rules for approval authority", "Procedures for financial business between related enterprise groups", "Rules for supervision and management subsidiaries", "Procedures for accounting professional judgment, accounting policies and changes accounting estimates" and "salary management Rules"	None	All members present agree to pass	Audit Committee has no opinion
May. 6, 2021 The 7 <sup>th</sup> of the second session	1. Approved the GSD's fund loan to its subsidiaries.	None	All members present agree to pass	Audit Committee has no opinion
	2. Amendments of "Work Rules" of Taiwan Branch	None	All members present agree to pass	Audit Committee has no opinion

Aug. 20, 2021 The 8 <sup>th</sup> of the second session	Approved the GSD's 2021Q2 consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
Nov. 10, 2021 The 9 <sup>th</sup> of the second session	1. Approved GSD's certification accountant independence and competency assessment and compensation case.	None	All members present agree to pass	Audit Committee has no opinion
	2. Amendments of GSD's internal audit cycle	None	All members present agree to pass	Audit Committee has no opinion
Dec. 23, 2021 The 10 <sup>th</sup> of the second session	Amendments of "Corporate Governance Practice Principles" and "Sustainable Development Practice Principles"	None	All members present agree to pass	Audit Committee has no opinion
Feb.25, 2022 The 11 <sup>th</sup> of the second session	1.Approved GSD's 2021 annual business report and consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
	2. Adoption of GSD's 2021 "Declaration on internal control system"	None	All members present agree to pass	Audit Committee has no opinion
	3. Amendments of "Memorandum and Articles of Association"	None	All members present agree to pass	Audit Committee has no opinion
	4. Amendments of "Rules for Election of Directors" and "Regulations Governing the Acquisition and Disposal of Assets"	None	All members present agree to pass	Audit Committee has no opinion
Apr., 19, 2022 The 12 <sup>th</sup> of the second session	1. Amendments of "Memorandum and Articles of Association"	None	All members present agree to pass	Audit Committee has no opinion
	2. Amendments of "Rules and Procedures of Shareholders' Meeting"	None	All members present agree to pass	Audit Committee has no opinion
	3. Amendments of "Corporate Governance Practice Principles".	None	All members present agree to pass	Audit Committee has no opinion
	4.Approved to change the CPA of GSD	None	All members present agree to pass	Audit Committee has no opinion

1.2 Except for the matters mentioned above, other matters not approved by the audit committee but agreed by more than two-thirds of all directors: No such case.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: No such case.

3. Communication between independent directors, internal audit officer and Accountants (including major matters, methods and results of communication on the Company's financial and business conditions):

- 3.1 The internal audit officer and the independent director shall individually meet at least once a quarter in the audit committee, and the internal audit officer submit the audit report, the missing tracking report of the previous month before the end of each month, report on the implementation of the Company's annual audit plan and the missing tracking and improvement of internal control, and convene a meeting at any time to communicate in case of major abnormal events.
- 3.2 The certified public accountant of the Company individually reports to the independent director twice a year on the group financial report, major audit matters, overall operation and internal control audit of the Company. The audit committee will also consult with the treasurer for professional advice on accounting related issues.
- 3.3 The communication matters between the independent directors and the internal audit officer and accountants in 2021, are as follows:

Meeting date	Type	Participants	Subject	Independent director's recommendation and Company's handling and Implementation
Mar. 19, 2021	The Audit Committee	Internal Audit officer	1.The Company's audit plan execution results report from January to February 2021 2.The Company's audit plan implementation results and tracing report of 2020	No objection
Mar. 19, 2021	Forum	Accountant	1.2020 financial statements review situation and results 2.Description of key verification items 3.Effectiveness of internal control system 4.New accounting standards explanation	No objection
May. 6, 2021	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to March 2021	No objection
Aug. 20, 2021	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to June 2021	No objection
Nov. 10, 2021	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to September 2021	No objection
Dec. 23, 2021	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to November 2021	No objection
Dec. 23, 2021	The Audit Committee	Accountant	1.Audit scope and schedule of 2021 financial report 2.Assurance of Independence 3.Description of key verification items	No objection

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles, and the information has been disclosed on the Company’s website.	None
2.Shareholding structure & shareholders’ equity (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company's " the Corporate Governance Best-Practice Principles " sets out relevant regulations, and sets up spokespersons and acting spokespersons in accordance with the regulations, who are specially responsible for handling shareholder suggestions and issues.	None
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company could grasp the shareholding of directors, managers and major shareholders holding more than 10% of the shares, and regularly report relevant information in accordance with regulations.	None
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has established "Procedures for financial business between related enterprise groups", and "Rules for supervision and management subsidiaries" as appropriate risk control mechanism and firewall. The Company and the affiliated companies have individual financing systems so that unregulated transaction can be prevented.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		The Company has established “Procedure for Prevention of Insider Trading” and “Operating Procedure for Handling Internal Material Information” to specify the rules of related operational procedures. Except to the establishment of norms, the Company also conducts internal prevention training for directors, managers and other insiders every year. See the Company's corporate website for details of the training contents.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		The Company has formulated the “Corporate Governance Practice Principles” and “Rules for Election of Directors” to implement the diversity policy for the members of the board of directors. Information about Directors diversified policy refers to page 19.	None
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	The Company has established Remuneration Committee and Audit Committee. There is no immediate need for Committees of other functions. Assessment for necessities are to be conducted.	Depends on Future needs
(3) Does the Company establish performance evaluation methods and methods for the board of directors, conduct performance evaluation annually and regularly, and report the results of performance evaluation to the board of directors, and apply them to the reference of salary and remuneration of individual directors and nomination and renewal?	V		The Company has formulated the "Rules for Performance Evaluation of Board of Directors", and completed the performance evaluation of the board of directors, individual directors and functional Committee in 2021 by the end of the first quarter of 2022. Please refer to page 30~32 for details of the performance evaluation methods and results of the board of directors. The performance evaluation results has been submitted to the board of directors held on 2022/2/25. The evaluation results will also be one of the reference factors for individual directors' remuneration and nomination for renewal.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
(4) Does the Company regularly evaluate the independence of CPAs?	V		The board of directors of the Company assesses the independence of certified public accountants at least once a year in accordance with the code of corporate governance practice for listed and OTC companies, and submits the results to the audit committee and the board of directors on November 10, 2021 for deliberation and approval. In addition to the CPA's statement that the audit team members have not violated independence, the Company also conducts independence inspection in accordance with the CPA's independence evaluation standard (please Note 1 for details). After evaluation, there was no violation of the independence provisions of the accounting law and other relevant laws and regulations, and no incompetence was found.	None
4. Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		<p>The Company has designated the chairman's office as the authority and responsibility unit for corporate governance related affairs, and has set up a corporate governance group in the chairman's office, and has assigned corporate governance officer with the following main responsibilities:</p> <p>(1) To handle the meeting related matters of the board of directors and the shareholders' meeting in accordance with the law, and make the minutes of the board of directors and the shareholders' meeting.</p> <p>(2) Assist the directors in taking office and continuing education.</p> <p>(3) Provide information required for the directors to carry out their business.</p> <p>(4) Assist the directors in complying with the act.</p> <p>(5) Other business related to corporate governance.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																							
	Yes	No	Abstract illustration																								
			<div>In order to protect shareholders' rights and strengthen the functions of the board of directors, GSD’s board of directors resolved to appoint Tsai Tzu Ju as corporate governance officer on May 6, 2021. The training status of corporate governance officer in 2021 is as follows.</div> <table><tr><th>Training Date</th><th>Training unit</th><th>Subject</th><th>Training hours</th></tr><tr><td>2021/06/24</td><td>Accounting Research and Development Foundation</td><td>Analysis of the latest international financial supervision trends and financial crimes/fraud cases</td><td>3hr</td></tr><tr><td>2021/08/20</td><td rowspan="2">Securities and Futures Institute</td><td>New challenges of the board of directors from the perspective of corporate governance 3.0</td><td>3hr</td></tr><tr><td>2021/08/20</td><td>The key to being a sustainable business: ESG concrete practices</td><td>3hr</td></tr><tr><td>2021/09/01</td><td>Financial Supervisory Commission</td><td>The 13<sup>th</sup> Taipei Corporate Governance Forum</td><td>6hr</td></tr><tr><td>2021/10/20</td><td>Securities and Futures Institute</td><td>2021 briefing session on legal compliance of insider equity transactions</td><td>3hr</td></tr></table>	Training Date	Training unit	Subject	Training hours	2021/06/24	Accounting Research and Development Foundation	Analysis of the latest international financial supervision trends and financial crimes/fraud cases	3hr	2021/08/20	Securities and Futures Institute	New challenges of the board of directors from the perspective of corporate governance 3.0	3hr	2021/08/20	The key to being a sustainable business: ESG concrete practices	3hr	2021/09/01	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6hr	2021/10/20	Securities and Futures Institute	2021 briefing session on legal compliance of insider equity transactions	3hr	
Training Date	Training unit	Subject	Training hours																								
2021/06/24	Accounting Research and Development Foundation	Analysis of the latest international financial supervision trends and financial crimes/fraud cases	3hr																								
2021/08/20	Securities and Futures Institute	New challenges of the board of directors from the perspective of corporate governance 3.0	3hr																								
2021/08/20		The key to being a sustainable business: ESG concrete practices	3hr																								
2021/09/01	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6hr																								
2021/10/20	Securities and Futures Institute	2021 briefing session on legal compliance of insider equity transactions	3hr																								
5. Does the Company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	V		<div>The Company has established communication channels for stakeholders and built a designated section on the official website where stakeholders can express their opinions regarding the issues they care. The company regularly reports the communication with stakeholders to the report of the board of directors every year.</div>	None																							

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates SinoPac Holding Security Agent as proxy for stock related affairs.	None
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The investor zone and corporate governance zone have been set up on the Company's website ( <a href="https://www.gsd.net.tw">https://www.gsd.net.tw</a> ) to expose various financial business information and corporate governance execution status, and relevant information can also be check on the Market Observation Post System.	None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has set up an English website to disclose the Company's financial and business information, and has assigned the Office of General Management and Finance Department to handle information and disclosure. The Company has established a spokesperson system. Investors can look up for information related to finance, business, and governance of the Company through the Market Observation Post System.	None
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial report and the operation of each month ahead of the required time limit?	V		The Company adheres to the principle of instant disclosure of information, and announced the annual financial reports of 2021 before the end of February 2022. The quarterly financial reports and monthly revenue are announced ahead of the required time limit.	None



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
8. Is there any other information to facilitate a better understanding of the Company’s corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)	V		<p>1. The Company has harmonious relation with its employees, and it ensures the employees’ rights in accordance with regulations in the location of the operation site. No major labor-management problems or punishments by authorities due to bleaching labor laws have occurred.</p> <p>2. The Company offers employees reasonable basic salary, bonuses, complementary employee trips, and welfare measures organized by Labor Union. Mutual trust and good relationship have been established between the employees and the employer.</p> <p>3. The Company has set up the corporate official website and spokesperson system. Financial information and major events are periodically publicized on Market Observation Post System to ensure the investors’ right of staying fully informed.</p> <p>4. The Company ensures its integrity and conduct fair trade with suppliers. It has explicitly disclosed its opposition against bribery.</p> <p>5. The stakeholders can conduct communication and offer suggestions through channels provided by the Company so as to protect their legal rights.</p> <p>6. Directors of the Company should complete the required courses and follow news related to governance of the Company.</p> <p>7. The Company has established “Regulations Governing the Acquisition and Disposal of Assets”, “Procedures for Trading Derivative Products”, “Rules for Loaning of Funds to others”, “Rules for Making of Endorsements/Guarantees”, etc. The Company has</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
			<p>established risk management policies and monitoring system, and the internal auditing reassures that the policies follow related regulations to ensure the rights of the stakeholders.</p> <p>8. The Company has customer service representatives to deal with customers’ issues on telephone.</p> <p>9. The Company has stipulated relevant regulations on directors' liability insurance in the Corporate Governance Practice Principles, and has taken out directors' liability insurance (effective on April 1, 2021 and renewed in 2022).</p>	
<p>9. Please explain the improvement of the corporate governance evaluation results issued by the corporate governance center of Taiwan Stock Exchange Co., Ltd. in the latest year, and put forward the priorities and measures for those that have not been improved.</p> <p>The results of the Company's 2020 corporate governance evaluation fall within 36% to 50% of all listed companies. The priority improvements are as follows:</p> <p>(1) Form an ESG promotion team to evaluate and disclose ESG-related information regularly. (ESG promotion team has been organized, and it is expected to inventory greenhouse gas in 2022)</p> <p>(2) Designate corporate governance officer (Completed in 2021)</p> <p>(3) Announce the annual financial report in advance and offer the quarterly English financial reports. (Completed in 2021)</p> <p>(4) Enrich the English official website, including financial, business and corporate governance related information of the Company. (Completed in 2021)</p> <p>(5) Assess to establish other function committee. (Continue assessing the needs)</p>				

Note 1: Accountant Independence Evaluation Standard

	Evaluation indicators	Evaluation Results		Remark
		YES	NO	
1	The accountant himself or his spouse or minor children have no relationship with the Company to invest or share financial benefits.	V		
2	The accountant himself, his spouse, and minor children did not borrow money from the Company.	V		
3	The accounting firm has not provided a report on the services designed or assisted in the effective operation of the financial information system.	V		
4	No accountant or member of the audit service team has been a director or manager of the Company or has a significant impact on audit cases at present or in the past two years.	V		
5	The non audit services provided by the Company do not directly affect the important items of audit cases.	V		
6	Accountants or members of the audit service team did not advertise or mediate the stocks or other securities issued by the Company.	V		
7	Accountants or members of the audit service team have not defended legal cases or other disputes on behalf of the Company and third parties except for businesses permitted by law.	V		
8	The accountants or members of the audit service team have no relationship with the Company's directors, managers or persons who have a significant influence on the audit case, such as spouses, direct blood relatives, direct in-law relatives or second-parent relatives.	V		
9	The retired public accountants within one year did not hold the position of director, manager or significant influence on the audit case of the Company.	V		
10	Accountants or members of the audit service team have not received gifts or special offers of great value to the Company or its directors, managers or major shareholders.	V		
11	The accountant is not currently employed by the principal or the inspector to be employed for regular work, receive a fixed salary or serve as a director	V		
12	Accountants have not provided audit services for the Company for seven consecutive years.	V		CPA Mr. Huang, Yao-Lin provided audit services from 2015 to 2021. CPA Ms. Wu, Mei-Hui was appointed from 2017. CPA Mr. Chen Zhi-yuan was appointed from 2022.

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### 1. Information of Remuneration Committee

Criteria Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is concurrently Serving as a member of remuneration committee
Independent Director/ Chang, Yuan- Lung	Please refer to pages 17-18 for information for the professional qualifications and the independence of independent directors		Two
Independent Director/ Chou, Shan-Shan			One
Independent Director/ Chen, Chun- Kuei			None

#### 2. The duties of Remuneration Committee

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

- (1) Periodically reviewing the Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers of GSD.
- (3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of GSD have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- (1) Ensuring that the compensation arrangements comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of GSD.

- (3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Corporation.
- (4) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Corporation's business.
- (5) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

### 3. Information of Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) Term of the incumbent committee members: from June 23, 2020 to June 22, 2023. A total of 4 Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Chang, Yuan-Lung	4 times	0	100.00%	Reelected from Jun.23,2020
Committee Member	Chou, Shan-Shan	4 times	0	100.00%	Reelected from Jun.23,2020
Committee Member	Chen, Chun-Kuei	4 times	0	100.00%	Reelected from Jun.23,2020

The contents of the meeting, the resolution results and the Company's handling of the opinions of the members of the Remuneration Committee in the latest year:

Date	Content	Result	Opinion from members
Mar. 19, 2021 The 4 <sup>th</sup> of the second session	Approved the distribution of the directors' and the employees' remuneration in 2020.	All members present agree to pass	No Objection.
Aug. 20, 2021 The 5 <sup>st</sup> of the second session	Approved the employee subscribing options allocation of the managers and the directors with employee status to participate in the 2021 cash capital increase.	All members present agree to pass	No Objection.
Nov. 10, 2021 The 6 <sup>nd</sup> of the second session	The ratio of employee bonus and director's remuneration set out in the Company's budget in 2022	All members present agree to pass	No Objection.

Dec. 23, 2021 The 7 <sup>rd</sup> of the second session	Discussion on the work plan of the Company's remuneration committee in 2022.	All members present agree to pass	No Objection.
	Compensation plan for employees and directors to be accrued by the Company in 2021.	All members present agree to pass	No Objection.
	Discussion on the remuneration and year end bonus of the Company's managers in 2021.	All members present agree to pass	No Objection.

Other items to be recorded:

1. If the board of directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date, period, contents of the proposal, the resolution results of the board of directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration adopted by the board of directors is better than the proposal of the Remuneration Committee, it shall state the differences and reasons): No such case.

2. In case of any objection or reservation of any member and any record or written statement, the resolution of the Remuneration Committee shall state the date, period, contents of the proposal, opinions of all members and the handling of their opinions: No such case.

### 3.4.5 Implementation of Sustainable Development

Implementation of sustainable development and differences between Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company establish a governance structure and set up a full-time (Part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by the senior management and reported to the board of directors?	V		The Company has formulated “Sustainable Development Practice Principles” and in 2021, set up ESG promotion team which is composed of members of the chairman's office and the general manager's office. The promotion team is responsible for the evaluation and strategy formulation of environmental, social and corporate governance issues. In the future, it will be submitted to the board of directors to establish functional committees to improve the governance structure as appropriate. From 2022 onwards, the ESG promotion team will report to the Board of Directors annually on the implementation of the promotion.	None.
2. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V	The Company has established an ESG promotion team to conduct an assessment of environmental, social and corporate governance issues related to the Company's operations, but has not yet formulated a corresponding risk management policy or strategy.	Reevaluate whether to set up full-time (Part-time) units according to subsequent needs
3. Environmental issues (1) Does the Company establish appropriate environmental	V		The environmental protection affairs of the Company's production and business units shall be handled in accordance with the local environmental protection	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
management system according to its industrial characteristics?			regulations. The business waste shall be recycled and treated by a legal professional organization, and the domestic waste water shall be discharged in accordance with the regulations. Pinghu plant makes use of the Company's environmental protection specialty to make sponge plant to recycle water resources, save water and reduce emissions.	
(2) Is the Company committed to improving the utilization efficiency of energy and using recycled materials with low impact on environmental load?	V		The Company's main production base, GSD (China), uses renewable energy as much as possible, about 50% of GSD (China)'s energy is generated by solar energy. At the same time, the Company promotes measures such as turning off the lights at any time to save energy, E-office and secondary use of paper, etc., and is committed to reducing the load on the environment.	None.
(3) Does the Company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?	V		As a professional water treatment service provider, the Company aims to reduce the risk of water scarcity caused by climate change through water reuse. In addition, we will actively promote product energy-saving certification, assist customers in saving water resources, and achieve the goal of energy conservation and carbon reduction, so as to further reduce the risks related to climate change.	None.
(4) Does the Company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water use reduction or other waste		V	The Company's main production base, GSD (China), has regular statistics on water and power consumption; the water consumption in 2020 and 2021 are 8,109 tons and 9,031 tons respectively, and the power consumption are 744 thousand kWh and 766 thousand kWh respectively. Of the power consumption, solar power generation	The Company would implement greenhouse gas inventory in 2022, and based on the inventory result to formulate management policies for greenhouse gas reduction.



Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
management?			<p>accounts for about 50%. The Company implements the policy of saving water and electricity. In addition to adopting solar power generation, building a water recycling system, recycling paper packaging materials, setting the air conditioner to an appropriate temperature and turning on and off regularly, to avoid the greenhouse effect and reduce the impact on the environment.</p> <p>The Company's material subsidiaries will implement greenhouse gas inventory in 2022 and set it as the base year. In the subsequent years, the greenhouse gas emissions will be regularly counted and a reduction policy will be formulated.</p> <p>The specific environmental objectives of the Company's material subsidiaries in 2022 are as follows:</p> <p>(1) The water consumption per 10 thousand production value decreased by 5% compared with the same period of last year.</p> <p>(2) The energy consumption per 10 thousand production value decreased by 3% compared with the same period of last year.</p> <p>(3) The paper consumption per 10 thousand production value decreased by 1% compared with the same period of last year.</p> <p>(4) The gas consumption per 10 thousand production value decreased by 1% compared with the same period of last year.</p> <p>(5) Zero violation of environmental regulations.</p>	

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			(6)Increase more than 12 environmental protection product technology patents, and obtain more than 2 invention patents.	
4. Social issues (1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		With reference to the "Universal Declaration of Human Rights", GSD formulates human rights policies and formulates "Rules for Personnel and Labor Relations" and “Human resource management rules”. For human rights-related concerns, specific practices, and the implementation of education and training, please refer to the corporate social responsibility section of the Company's website.	None.
(2) Does the Company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results in employee compensation?	V		The Company abides by labor laws and regulations. In addition to providing labor health insurance, pension, social security, etc. in accordance with the laws and regulations of the place where the employees are employed, the Company has three additional employee benefits, such as bonus, employee travel, dinner party, etc.  In terms of workplace diversity, female employees account for 36% of the total employees. However, the ratio of female employees on total indirect employee, who are not work on production line, is about 50%. The difference is due to the fact that the work content of the Company's production line personnel is physically demanding, so there are few female applicants.  In terms of employee compensation, it is stipulated in the Company's articles of association that if the Company	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			makes profits in the current year, 3% - 5% of the remuneration shall be allocated to the employees through the resolution of the board of directors, and the Company's operating performance shall be appropriately fed back to the employees.	
(3) Does the Company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	V		The Company form safety team to carry out production and fire safety inspections every month, and hold safety meetings on a monthly/quarterly basis to track abnormal inspect result and arrange training for safety production and health precautions. The safety team also arrange fire drill regularly. In addition, to offer a safe and healthy working environment, common medicines and first aid supplies are available in the Company. In 2021, the Company has 2 minor work-related accidents, 1 of which is a traffic accident, and the other is caused by careless operation of employees when repairing the water pump, and has enhanced safety awareness to prevent recurrence.	None.
(4) Does the Company establish an effective career development training program for its employees?	V		GSD has performance evaluation methods and agent system, and team building is listed as annual necessary work plan, which is promoted by the general manager and human resources department. The employee training program includes new employee training, on-the-job training for each position, department training and new supervisor training, etc..	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the Company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	V		The Company pays attention to the rights and interests of its customers, and formulates service procedures in the internal control measures, which are approved by the board of directors. In addition, the Company proactively disclosed service commitment on the website, including warranty commitment and reply within a certain period of time after receiving service demand notice, so as to protect the rights and interests of customers. The Company also has a toll free customer service telephone to serve customers in real time.	None.
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	V		When signing a long-term contract with a supplier, the Company requires the supplier to sign an environmental commitment letter, promising to operate in compliance with environmental regulations and requirements, and is committed to developing low energy consumption, high efficiency and recyclable products. If the supplier violates the relevant regulations, it will affect their renewal. As the end of 2021, a total of 120 long-term suppliers have signed environmental commitments.	None.
5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose the Company's non-financial information? Did the report obtain the confidence or		V	The Company has not yet prepared a sustainable development reports, but information about implementation of sustainable development has been disclosed in the annual report and corporate website.	Re-evaluate whether to prepare ESG report according to the follow-up needs.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
assurance opinion of the third-party verification unit?				
<p>6. If the Company has established the sustainable development practice principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established Sustainable Development Practice Principles and has been operating in accordance with it.</p>				
<p>7. Other important information to facilitate better understanding of the Company’s sustainable development practices :</p> <p>7.1.Environmental</p> <p>(1) The Company is constantly promoting eco-friendly measures including water and energy conservation, prevention of pollutions, official documents electronization for reducing consumption of paper, garbage sorting and recycling for reducing wastes, reduction of greenhouse gas emission, etc.</p> <p>(2) The Company contributes its profession in environmental protection to local infrastructures for eco-friendly measures.</p> <p>7.2.Social Contributions</p> <p>The Company actively participates in events regarding cleaning local environment and emergency responses. The main projects in 2021 include: donating clothing and stationery to schools in Tibet, donating RMB 200,000 to flood disasters in Henan and Shanxi, aiding to poor students, etc.</p> <p>7.3. Employee Care</p> <p>During the epidemic, the Company held gratitude and care activities, convene employees who cannot return to their hometown due to the epidemic to reunite and distribute holiday items, and held traditional festivals to meet the scene, etc.</p>				

### 3.4.6 Ethical Corporate Management

The state of the Company's performance in the area of Ethical Corporate Management Best-Practice Principles and the adoption of related measures.

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1.Establishment of ethical corporate management policies and programs (1)Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		The "Ethical Corporate Management Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" of the Company have been established and adopted by the Board of Directors as the guidelines for ethical policies and business conduct. The directors, managers and senior executives of the Company have signed the statement of the Ethical Corporate Management Best-Practice Principles.	None
(2)Whether the Company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the "Ethical Corporate Management Best-Practice Principles "Code" Article 7, paragraph 2 of the prevention measures?	V		In the " Procedures for Ethical Management and Guidelines for Conduct", the Company has identified the business activities that are likely to cause the risk of bad faith behavior in the business scope, and has formulated relevant operation rules. In the Procedures for the board of directors meeting, the Company has provisions on the avoidance of directors' interests, and it is also stated in the employee handbook that no money, goods or other improper interests shall be required or received; a letter of commitment of integrity shall be signed when establishing a business relationship with others; a letter of commitment of integrity shall be signed by the directors and the management as the basis	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			for the implementation of the operation of integrity.	
(3) Does the Company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		In the "Procedures for Ethical Management and Guidelines for Conduct", the Company has stated the operation methods of handling procedures, rewards and punishments, complaints and record punishments for violation of honest operation, including the following countermeasures for dishonest operation: (1) Accept the improper benefits (2) Provide or promise facilitation fee (3) Providing illegal political contributions (4) Charitable donation or sponsorship (5) Infringement of business secrets, trademark rights, patent rights, copyright and other intellectual property rights. (6) Engage in unfair competition. (7) Product or service damage interested parties. (8) Insider trading	None
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		The Company evaluates business partners' credit conditions and reputation in the industry. It signs the Honesty and Integrity Agreement whenever a business tie is established.	None
(2) Does the Company set up a dedicated unit under the board of directors to promote the	V		The Company entrusts the general manager's office to be the special unit for promoting the integrity	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
honest operation of the enterprise, and regularly (at least once a year) report to the board of directors its honest operation policies, plans to prevent dishonest behavior and supervision of implementation?			management, to be responsible for the evaluation and audit of relevant violations of the integrity management, and to report the promotion of the integrity management behavior to the board of directors on a regular basis every year. In case of any major breach of good faith business, it shall also report to the board of directors immediately.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has set the interest avoidance related regulations in the "Procedures for Ethical Management and Guidelines for Conduct" to prevent personnel from making decisions that do not comply with the Company's integrity principles. If an employee violates the relevant regulations, before the Company makes a formal sanction decision, the relevant investigation unit and decision-making supervisor will give the parties the opportunity to make a full statement.	None
(4) Has the Company established an effective accounting system and internal control system for the implementation of good faith operation, and the internal audit unit shall, according to the assessment results of the risk of bad faith behavior, draw up relevant audit plans, and according to the compliance of the plan for preventing bad faith behavior, or entrust an accountant to carry out the	V		The Company has established internal control system prevent any employee's wrongdoing, and the auditing units make necessary reviews periodically.	None



Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
audit?				
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The company held integrity-related internal education and training for a total of 6.5 hours in 2020. The Company puts emphasis on the importance of integrity in the daily life. The personnel in certain special positions have to sign for ethical procedures of the job position, which reminds the employee that work ethics has been an important value for the Company. The Company emphasizes traditional values and formed an internal culture of “loyalty, honesty, integrity, and equality.” Selfishness, bribery, greed or manipulation would be against the Company’s central value of ethics.	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has disclosed the contact information of stakeholders on the GSD website. Any report of breaches shall be investigated by the Office of President through collecting evidence from the personnel involved; the police unit shall be notified if necessary. In addition, the Company also has a whistleblowing mailbox for employees or external persons to report dishonest behavior, and according to the position of the person involved in the whistleblowing, appropriate personnel shall be appointed and submitted to the appropriate management level.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Has the Company established the standard operating procedures for the investigation of complaints, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	V		The Company has the operation procedures for accepting reports in the "Procedures for Ethical Management and Guidelines for Conduct". The Company mainly collects evidence for any wrongdoing; major breaches shall be reported to police units for investigation. The evidence collected by the Company is stored as confidential data in the Office of President and is only disclosed to the police unit for the purpose of investigation.	None
(3) Does the Company provide proper whistleblower protection?	V		The Company has disclosed the policy of good protection for whistleblowers in its website, the "Ethical Corporate Management Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct", promising that whistleblowers will not be improperly handled due to whistleblowing.	None
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The "Ethical Corporate Management Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" adopted by the Company have been fully disclosed on the corporate website and the public information Observatory, and the implementation of good faith business promotion has been disclosed on the corporate website.	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5.If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has an " Ethical Corporate Management Practice Principles ", and its operation is not significantly different from the code.				
6.Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., promoting the Company’s determination and policies for ethical operation to the business partners, inviting business partners to educational sessions, review and amend its protocol for ethical operation, etc.). Integrity is an important corporate value of the Company; all employees are required to be practice work ethics and be responsible for the investors, clients, suppliers, shareholders, and the society, the employees can report any cases that violates the ethical principles or damages reputation of the Company through the Website and the designated Mailbox. Also, the Company generally has long-term relationship with the business partners. To maintain stable and long-lasting cooperation, the Company has contracts and designated for each project it executes.				

**3.4.7 If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.**

The Company has established the "Corporate Governance Practice Principles ", "Ethical Corporate Management Practice Principles", "Sustainable Development Practice Principles" and other relevant regulations, all of which have been publicized on the corporate website.

Company website: Corporate Governance - Major internal rules.

Market Observation Post System: Corporate Governance - Corporate Governance Structure - Relevant rules and regulations.

**3.4.8 Other significant information that will provide a better understanding of the state of the Company's implementation of**

**corporate governance may also be disclosed: None.**

**3.4.9 The state of implementation of the Company's internal control system:**

- 1.A Statement on Internal Control: please refer to page 62 of this Report
- 2.Report of review on the Internal Control System conducted by CPA: None.

**3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.**

**GSD Technologies Co., Ltd.**  
**Statement of Internal Control System**

Date: Feb. 25, 2022

Based on the results of self-assessment, the Company's internal control system in 2021 is hereby declared as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability, immediacy, transparency of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights"), the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system (and its supervision and management of the subsidiaries) on December 31<sup>st</sup>, 2021, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability, immediacy, and transparency of financial reporting, the compliance of applicable law and regulations, has been effective, and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Act.
7. This statement has been approved by the meeting of Board of Directors on Feb. 25, 2022, and those 7 directors in presence all agree at the contents of this statement.

GSD Technologies Co., Ltd.



Chairman: Hsieh, Hung-June



President: Hsieh, Hung-June



### 3.4.11 Important resolutions of the board of shareholders and the board of directors in the most recent year and up to the date of printing of the annual report

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
2021 Shareholders' Meeting	Jul. 8, 2021	1. Recognize the Company's 2020 annual business report and consolidated financial statements. <u>Implementation:</u> the resolution is passed, and the relevant forms and records have been submitted to the competent authority for recordation and public announcement in accordance with the Company law and other relevant provisions.
		2. Recognize the Company's 2020 earnings distribution plan. <u>Implementation:</u> the resolution is passed, and the board of directors has decided on the base date of dividend distribution on July 8, 2021, and issued cash dividends on August 27, 2021.
		3. By amending "Rules and Procedures of Shareholders' Meeting" of the Company. <u>Implementation:</u> the resolution is passed and the website information is updated simultaneously.
		4. By-election of the Company's fourth director. <u>Implementation:</u> Complete the by-election. The elected director is Lee, Tzuoh-Shou, and the Company had announced relative information in accordance with the regulations.
		5. By lifting the non competition restriction of directors. <u>Implementation:</u> The resolution is passed, and the rehearing announcement shall be made in accordance with the provisions.
The 7 <sup>th</sup> Session of the fourth session	Mar. 19, 2021	1. Adopt the Company's 2020 annual business report and consolidated financial statements. 2. Pass the Company's 2020 earnings distribution plan. 3. Pass earnings distribution plans of GSD (China) Co., Ltd. and Chuan Yuan Hydraulic Engineering Co., Ltd., the material subsidiaries. 4. Passed the Company's 2020 "Declaration on internal control system". 5. Approved the issuance of new shares through cash capital increase and the issuance of the first unsecured convertible bonds in the Republic of China. 6. Approved GSD Enviro Tech (Taiwan) Co., Ltd. to acquire the equity of Yuh Shan Environmental Engineering Co., Ltd. 7. Approved to increased investment in the subsidiary GSD Enviro Tech (Taiwan) Co., Ltd.. 8. Amendment of "Rules and Procedures of Shareholders' Meeting". 9. Amendments of "Procedures for the board of directors meeting" and "Codes of Ethical Conduct" 10. Amendments of "Rules for approval authority", "Procedures for financial business between related enterprise groups", "Rules for supervision and management subsidiaries", "Procedures for accounting professional judgment, accounting policies and changes accounting estimates" and "salary management Rules" 11. Approved the signing of a credit contract between GSD and Mega International Commercial Bank. 12. Approved the 2021 bank limit of GSD (China) Co., Ltd., a subsidiary

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
		<p>of GSD.</p> <p>13. Approved the renewal of directors' liability insurance of the Company.</p> <p>14. Approved the Company's 2020 directors' compensation and employee's compensation distribution plan.</p> <p>15. Approved the period of re-election of directors and acceptance of nomination of candidates for director, the number of directors to be elected and the place to accept the proposal.</p> <p>16. Approved the nomination of director the board of directors.</p> <p>17. Adopted the lifting of the prohibition of the directors from the competition.</p> <p>18. Approved relevant matters for the 2021 regular shareholders meeting of the Company.</p>
The 8 <sup>th</sup> Session of the fourth session	May. 6, 2021	<p>1. Approved the Company's consolidated financial statements for the first quarter of 2021.</p> <p>2. Approved GSD's loaning limit to its subsidiaries.</p> <p>3. Approved the appointment and appointment contract of the lead securities underwriter to assist GSD to comply with the laws of the Republic of China.</p> <p>4. Appointment of GSD's corporate government officer.</p> <p>5. Approved the signing of credit contracts between GSD, Taiwan Branch of GSD (British Cayman Islands GSD Technology Co., Ltd. Taiwan Branch) and Taiwan subsidiary (GSD Enviro Tech (Taiwan) Co., Ltd.) and Cathay United Bank.</p> <p>6. Amendments of "Work Rules" of Taiwan Branch.</p>
The 9 <sup>th</sup> of the fourth session	Jun. 9 2021	Approved to change the date and place of the 2021 general meeting of shareholders, due to the COVID-19.
The 10 <sup>th</sup> of the fourth session	Aug. 20, 2021	<p>1. Adopt the Company's consolidated financial statements for the second quarter of 2021.</p> <p>2. Approved the promotion of deputy general manager of GSD's Taiwan branch and GSD Enviro Tech (Taiwan) Co., Ltd..</p> <p>3. Approved the employee subscribing options allocation of the managers and the directors with employee status to participate in the 2021 cash capital increase.</p>
The 11 <sup>th</sup> of the fourth session	Nov. 10, 2020	<p>1. Adopt the Company's consolidated financial statements for the third quarter of 2021.</p> <p>2. Approved the ratio of employee bonus and director remuneration ratio listed in the Company's 2022 budget.</p> <p>3. Pass the Company's independent and competent assessment of certified public accountants and compensation case.</p> <p>4. Approved GSD (China) Co., Ltd. to acquire the equity of GSD Environmental Technology Co., Ltd..</p> <p>5. Amendments of GSD's internal audit cycle</p>
The 12 <sup>th</sup> of the fourth session	Dec. 23, 2021	<p>1. Approve the Company's 2022 operating plan and budget.</p> <p>2. Approved the Company's 2022 audit plan.</p> <p>3. Approved the work plan of the Company's remuneration committee in 2022.</p> <p>4. Approved the Company's employee and director remuneration proposal of 2021.</p> <p>5. Approved the Company and its Taiwan Branch to sign a credit contract</p>

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
		<p>with CTCB Bank Co., Ltd.</p> <p>6.Approved the 2022 bank limit of GSD (China) Co., Ltd., a subsidiary of GSD.</p> <p>7.Amendments of “Corporate Governance Practice Principles” and “Sustainable Development Practice Principles”</p> <p>8.The Company's 2021 manager compensation and year-end bonus proposal.</p>
The 13 <sup>th</sup> of the fourth session	Feb. 25, 2022	<p>1.Approved the Company's 2021 annual business report and consolidated financial statements.</p> <p>2.Approved the Company's 2021 earnings distribution plan.</p> <p>3.Approved the earnings distribution plans of GSD (China) Co., Ltd. and Chuan Yuan Hydraulic Engineering Co., Ltd., the major subsidiaries of GSD.</p> <p>4.Approved the Company's 2021 directors' compensation and employee's compensation distribution plan.</p> <p>5.Approved the Company's 2021 "Internal Control System Statement".</p> <p>6.Approved to increased investment, NT\$30 million, in the subsidiary GSD Enviro Tech (Taiwan) Co., Ltd. and GSD Enviro Tech (Taiwan) Co., Ltd. reinvest Vietnam subsidiary, GSD ENVIRO TECH (VIETNAM) CO., LTD..</p> <p>7.Approved GSD (China) Co., Ltd. to dispose 30% of the equity of GSD Environmental Technology Co., Ltd..</p> <p>8.Approved GSD (China) Co., Ltd. to invest in Beijing Chuanneng Environmental Technology Co., Ltd. (tentative name)</p> <p>9.Amendment of “Memorandum and Articles of Association”.</p> <p>10.Amendments of “Rules for Election of Directors” and “Regulations Governing the Acquisition and Disposal of Assets”.</p> <p>11.Approved the renewal of directors' liability insurance of the Company.</p> <p>12.Approved relevant matters for the 2022 regular shareholders meeting of the Company.</p>
The 14 <sup>th</sup> of the fourth session	Apr. 19, 2022	<p>1.Amendment of “Memorandum and Articles of Association”.</p> <p>2.Amendments of “Rules and Procedures of Shareholders' Meeting”</p> <p>3.Amendments of “Corporate Governance Practice Principles”.</p> <p>4.Approved to change the CPA of GSD</p> <p>5.Approved updated matters for the 2022 regular shareholders meeting of the Company.</p> <p>6.Approved the signing of credit contracts between GSD, Taiwan Branch of GSD (British Cayman Islands GSD Technology Co., Ltd. Taiwan Branch) and Taiwan subsidiary (GSD Enviro Tech (Taiwan) Co., Ltd.) and Cathay United Bank.</p>

**3.4.12 If the directors or supervisors have different opinions on the important resolutions passed by the board of directors in the most recent year and up to the date of printing of the annual report, and there are records or written statements, the main contents are as follows: No such case.**

**3.4.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, President, principal accounting**



**officer, principal financial officer, chief internal auditor, and principal research and development officer: No such case**

### **3.5. Information on CPA professional fees**

#### **3.5.1 The audit and non-audit service fee paid to Certified Public Accountants, Accountant firm hiring the CPAs, and the affiliated Companies.**

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche	Huang, Yao-Lin	Jan. 1, 2021 to Dec. 31, 2021	3,364	647	4,011	-
	Wu, Mei-Hui					

Notes: The above mentioned fee includes the fee of NT\$1,346, for Deloitte Shanghai.

The content of non-audit fee includes tax compliance audit, review for annual report, matters for issuing convertible bond and cash capital increase.

#### **3.5.2 If the Company changes the CPA firm and the audit fee has decreased compared with the previous year, the amount of audit fees before and after that change as well as the reason should be disclosed: none.**

#### **3.5.3 If the audit fee decreased by as much as 10 percent compared with the previous year, the amount, proportion, and reason of the decrease should be disclosed: None.**

### **3.6. Information on replacement of certified public accountant**

#### **3.6.1 Former Accountant**

Replacement Date	Apr. 19, 2022 (Approved by the board of directors)		
Replacement reasons and explanations	Because of the internal adjustment of Deloitte & Touche, starting from 2022Q1, GSD's certified public accountant would change from accountants Huang, Yao-Lin and Wu, Mei-Hui to accountants Wu, Mei-Hui and Chen, Zhi-yuan.		
Company termination or the CPA did not accept the appointment	Parties		CPA
	Status		The Company
	Termination of appointment		NA
	No longer accepted (continued) appointment		NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		

Differences with the company	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	V	
	Remark :		
Other revealed Matters	None		

### 3.6.2 Successor Accountant

Name of Accountant Firm	Deloitte & Touche
Name of CPA	Wu, Mei-Hui and Chen, Zhi-yuan.
Date of appointment	April 19, 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

The reply from the former CPA on items 1 and 2-3 of Article 10, subparagraph 6 of Regulations Governing Information to be Published in Annual Reports of Public Companies : NA

### 3.7. Any of the Company's chairperson, president, or managers in charge of finance or accounting held a position in the CPA's firm or its affiliates in the most recent year: None.

### 3.8. Changes in Shareholding and share pledge of Directors, Supervisors, Managers and Major Shareholders

Changes in equity transfer and pledge of directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the date of printing of the annual report. Where the counterpart of the equity transfer or pledge is a related party, the name of the related party, the relationship with the Company, directors, supervisors, shareholders holding more than 10% of the shares, and the number of shares acquired or pledged shall be disclosed.

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders possessing more than 10% of the shares

Title	Name	Unit: Shares			
		2021		As of Apr. 10, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and President	Hsieh, Hung-June	97,966	0	0	0
Directors	Li Yi Co., Ltd.	288,093	0	0	0
Directors	Chang, Chi-Fa	14,946	0	0	0
Directors	Lee, Tzuoh-Shoou	46,886	0	0	0
Independent Director	Chang, Yuan- Lung	0	0	0	0
Independent Director	Chou, Shan-Shan	0	0	0	0
Independent Director	Chen, Chun-Kuei	0	0	0	0
Assistant Vice President of the Sales Department	Chen, Shin-Hsien	26,000	0	0	0
CFO	Wu, Wu-Hsiung	49,773	0	(30,000)	0
Corporate governance officer	Tsai, Tzu-Ju	6,000	0	0	0
Major shareholders	H.J. Hsieh International Co., Ltd.	377,430	0	0	0

(2) Information about related persons as parties in transfer of equity:

Name	Transfer reason	Transfer date	Counterpart	The relationship of counterpart with the Company, directors, supervisors, shareholders holding more than 10% of the shares	Shares	Price
Wu, Wu-Hsiung	Disposal (Gift)	2022/3/30	Wu,○-Ci	Adult son or daughter	30,000	-

(3) Information about related persons as parties in pledge of stock rights: None.

### 3.9. Relationship among the Top Ten Shareholders

Information on the top ten shareholders who have a shareholding ratio and are relatives or relatives within spouse, second parent, etc.

2022/4/10 Unit: Shares

Name	Shares Held		Shares Held by Spouse and Minor Children		Total Shares Held in the Name of Others		The names and relationships of the top ten shareholders who have related persons or are spouses or relatives within the second degree		Remark
	No. of Shares	Share holding %	No. of Shares	Share holding %	No. of Shares	Share holding %	Name	Relationship	
H.J. Hsieh International Limited	5,645,736	15.26%	-	-	-	-	Hsieh, Hung-June	Major shareholders	-
Li Yi Co., LTD Rep.: Lin, Ming-Tzu	3,411,892	9.22%	-	-	-	-	-	-	-
CDIB Venture Capital Corp.	2,650,603	7.16%	-	-	-	-	-	-	-
Advantech Corporate Investment	2,568,358	6.94%							
LTS International Limited	1,755,632	4.74%	-	-	-	-	-	-	-
He, Ri- Guang	1,425,283	3.85%	-	-	-	-	-	-	-
Lin, Mei-Lan	1,162,198	3.14%	-	-	-	-	-	-	-
Chen, Shin-Hsien	1,149,161	3.11%	-	-	-	-	-	-	-
Chen, Li-Jiao	1,082,192	2.92%	-	-	-	-	-	-	-
Hsieh, Hung-June	923,776	2.50%	-	-	5,645,736	15.26%	H.J. Hsieh International Limited	As the major shareholder of the Company	-

### 3.10. Number of shares held and shareholding percentage of the Company, the Company' s directors, supervisors, managers and directly or indirectly controlled entities on the same investee

#### Consolidated Shareholding Ratio

Mar. 31, 2022 ; Unit: shares %

Affiliated Enterprises	Ownership by The Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chuan Yuan Hydraulic Engineering Co., Ltd. (BVI)	3,932,735	100%			3,932,735	100%
GSD Enviro Tech (Taiwan) Co., Ltd.	18,000,000	100%	-	-	18,000,000	100%

GSD (China) Co., Ltd.	(Note 1)	100%			(Note 1)	100%
GSD Enviro Tech (Yangzhou) Co., Ltd.	(Note 1)	100%			(Note 1)	100%
Shanghai GSD Industrial Co., Ltd.	(Note 2)	100%			(Note 2)	100%
GSD Environmental Technology, Co., Ltd.	(Note 3)	100%			(Note 3)	100%

Note 1: It is an indirect investment by the subsidiary Chuan Yuan Hydraulic Engineering Co., Ltd. as a limited company; no shareholding of the Company was involved.

Note 2 : It is an indirect investment by GSD (China) Co., Ltd. as a limited company; no shareholding of the Company was involved.

Note 3 : It is an indirect investment by GSD (China) Co., Ltd. as a limited company; no shareholding of the Company was involved.

## IV. Capital Overview

### 4.1. Capital and Shares

#### 4.1.1 Source of Capital

##### (1) Type of Shares

Apr. 10, 2022 Unit: Shares

Type of Shares	Authorized Capital Stock			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Stock	37,000,000	113,000,000	150,000,000	Listed Stock

##### (2) Process of Capital Formation

Apr. 10, 2022 Unit: Shares/NT\$ dollar

Year & Month	Issuing Price	Authorized Capital Stock		Paid-In Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Amount of Contributions with properties other than cash	Others
Oct. 2013	USD 0.1	200,000,000	USD 20,000,000	1	USD 0.1	Capital Established	—	—
Dec. 2013	USD 0.1	200,000,000	USD 20,000,000	20,000,000	USD 2,000,000	Cash Capital Increase NTD 1,999,999	—	—
Jan. 2014	USD 0.1	200,000,000	USD 20,000,000	31,378,660	USD 3,137,866	Exchange of Shares (Note 1)	—	—
Mar. 2014	USD 0.1	200,000,000	USD 20,000,000	141,000,000	USD 14,100,000	Cash Capital Increase NTD 10,962,134	—	—
Apr. 2015	USD 0.12	200,000,000	USD 20,000,000	175,000,000	USD 17,500,000	Cash Capital Increase NTD 3,400,000	—	—
Jun. 2015	NTD 10	150,000,000	NTD 1,500,000,000	30,000,000	NTD 300,000,000	Capital Exchange to NTD (Note 2)	—	—
Sep. 2018	NTD 75	150,000,000	NTD 1,500,000,000	34,000,000	NTD 340,000,000	Cash Capital Increase (Note 3) NTD 40,000,000	—	—
Oct. 2021	NTD 50	150,000,000	NTD 1,500,000,000	37,000,000	NTD 370,000,000	Cash Capital Increase (Note 4) NTD 30,000,000	—	—

- Note 1 : To obtain 9.57% (376,428 shares) of equity issued by Chuan Yuan Hydraulic Engineering Co., Ltd.(Hereinafter GSD-BVI), this Company has reached agreements with 4 individual shareholders of GSD-BVI Hsieh, Hung June, Lee, Tzouh Shouu, Chang,Wan-Te, and Ho, Zih-Kuang on transfer of the said equity owned by these shareholders by offering a newly issued 11,378,660 shares in exchange.
- Note 2 : This Company had obtained a resolution by the board of directors on changing the issued and received 175,000,000 shares to 30,000,000 shares, with book value of USD 0.1 to NTD 10 per share and paid-in capital from USD 17,500,000 to NTD 300,000,000, on April 16, 2015 for applying listing (OTC trading) in Taiwan and for cooperation with the amendment of this Company's Articles of Incorporation. The changes were subsequently resolved by the shareholders' meeting on June 18,2015 and the record date of exchange of shares was set to June 30, 2015.
- Note 3 : A listed 4,000,000 shares were underwritten publicly in September, 2018 with the approval of TWSE-Securities-Listing-II-1071725561 issued by Taiwan Stock Exchange, and the record date of capital increase has been set to September 19, 2018.
- Note 4 : Issuing 3,000,000 shares for cash capital increase with the approval of FSC letter (No. 1100339036 dated April 21, 2021and No. 1100345651 dated June 8, 2021). The subscription base date was determined as at October 5, 2021.

### (3) General Information of Filing : Not Applicable

#### 4.1.2 Status of Shareholder

Apr.10, 2022 Unit: Person(s); Share(s)

Item	Government Agencies	Financial Institutions	Other Juristic Persons	Domestic Natural Persons	Foreign Institutions & Nature Persons	Total
Number of Shareholders	-	3	17	1,763	20	1,803
Shareholding (shares)	-	11,056	6,128,868	18,951,861	11,908,215	37,000,000
Percentage (%)	-	0.03%	16.56%	51.22%	32.19%	100.00%

Shares held by Mainland-invested of the Company: 0%

Note: the first listed (or OTC) Company and the emerging company shall disclose their shareholding ratio of land assets, which refers to the people, legal persons, organizations, other institutions in the mainland or the companies invested by them in the third region as stipulated in Article 3 of the measures for the approval of people's investment in Taiwan in the mainland.

#### 4.1.3 Shareholding Distribution Status

##### (1) Common Stock

Apr. 10, 2022 Unit: Person(s); Share(s); %

Level of Shareholding	Number of Shareholders	Shares Held	Ratio of Shareholding
1 to 999	302	49,220	0.13
1,000 to 5,000	1,175	2,110,333	5.70
5,001 to 10,000	144	1,097,052	2.97
10,001 to 15,000	50	630,479	1.70
15,001 to 20,000	22	391,813	1.06
20,001 to 30,000	32	786,708	2.13
30,001 to 40,000	14	478,931	1.30
40,001 to 50,000	12	566,512	1.53
50,001 to 100,000	16	1,001,620	2.71
100,001 to 200,000	6	796,385	2.15
200,001 to 400,000	12	3,398,201	9.18
400,001 to 600,000	8	3,917,915	10.59
600,001 to 800,000	0	0	0
800,001 to 1,000,000	1	923,776	2.50
1,000,001 to 6,000,000	9	20,851,055	56.35
Total	1,803	37,000,000	100.00

(2) Preferred Shares: The Company doesn't issue preferred shares.



#### 4.1.4 List of major shareholders

Name, number of shares held and ratio of shares held by shareholders holding more than 5 percent of shares or top ten shareholders:

Apr. 10, 2022 Unit: Shares; %		
Shareholders' Name	Shares Held (shares)	Percentage (%)
H.J. Hsieh International Co., Ltd.	5,645,736	15.26%
Li Yi Co., LTD	3,411,892	9.22%
CDIB Venture Capital Corporation	2,650,603	7.16%
Advantech Corporate Investment	2,568,358	6.94%
LTS International Ltd.	1,755,632	4.74%
Ho, Zih-Kuang	1,425,283	3.85%
Lin, Mei-Lan	1,162,198	3.14%
Chen, Shih-Hsien	1,149,161	3.11%
Chen, Li-Chiao	1,082,192	2.92%
Hsieh, Hung-June	923,776	2.50%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share for the past 2 fiscal years.

			Unit: NTD; thousand shares		
Year			2020	2021	As of Mar. 31, 2022 (Note 5)
Items					
Market Price per Share	Highest		73.30	79.20	65.10
	Lowest		46.50	54.80	59.90
	Average		64.09	64.22	62.25
NAVPS	Before Distribution		38.50	40.61	-
	After Distribution		34.00	36.10(Note 1)	-
EPS	Weighted-Average Shares		33,667	34,223	-
	Earnings Per Share		6.52	6.30	-
Dividend per Share	Cash Dividend		4.5	4.5(Note 1)	-
	Bonus Shares	Stock Dividend from Retained Earnings	None	None	-
		Additional Paid-In Capital Distribution	None	None	-
	Dividends in Arrears		None	None	-
ROI Analysis	Price / Earnings Ratio (Note2)		9.83	10.19	-
	Price / Dividend Ratio (Note3)		14.24	14.27(Note 1)	-

Year		2020	2021	As of Mar. 31, 2022 (Note 5)
Items				
	Cash Dividend Yield Rate (Note 4)	7.02%	7.01% (Note 1)	-

Note 1 : 2021 Retained Earnings Distribution is pending resolution by the meeting of shareholders.

Note 2 : Price / Earnings Ratio (PER) = Average closing price per share of the year / Earnings per Share.

Note 3 : Price / Dividend Ratio = Average closing price per share of the year / Cash Dividends per Share.

Note 4 : Cash Dividend Yield Rate = Cash dividend per Share / Average closing price per share of the year.

Note 5: The net value per share and the earnings per share are filled in with the information audited (reviewed) by the accountant in the most recent quarter up to the printing date of the annual report; the rest of the fields are filled with information for the year up to the printing date of the annual report. The publication date of this annual report is 2022/4/30, and the financial report reviewed by the accountants for the first quarter of 2022 has not yet been announced.

#### 4.1.6 Dividend Policy and Implementation Status

##### (1) Dividend Policy

In accordance with this Company's Articles of Incorporation as adopted in the shareholders' meeting on June 23, 2020: During the listing period, unless as otherwise regulated in the laws and regulations of Cayman Islands, Instructions on Listing (OTC trading) or in this Articles of Incorporation, or as otherwise regulated in the rights warranted to shares, where this Company have surplus profits after an accounting year has ended, all relevant taxation, compensation for deficit (including the deficit and adjusted undistributed earnings, if any), and legal reserve (however, where such legal reserve to the total paid-in capital, this provision shall not apply) in pursuant to Instructions on Listing (OTC trading) will be reserved, followed by special reserve (if any), the remainder (including reversed special reserve) shall be distributed with dividends/bonus by no less than 10 percent of distributable surplus, plus all or part of the undistributed surplus of the previous year (including adjustment of undistributed surplus) as adopted by ordinary resolutions of this Company's shareholders' meeting to shareholders based on shareholding ratio, which cash dividend/bonus shall not be lower than 10 percent of this distribution of dividend/aggregate bonus.

## **(2) Proposed Distribution of Dividend**

This Company's 2021 earnings distribution has yet to be resolved by the shareholders' meeting. The cash dividend to be distributed is NTD 4.5 per share, in accordance with the resolution as adopted by the board of directors on Feb. 25, 2022.

### **4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting**

No stock dividend was distributed.

### **4.1.8 Compensation of Employees, Directors, and Supervisors (The Company has no Supervisor)**

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

If there is a profit in the current year, this Company shall reserve 3 to 5 percent of the profit as employees' compensation, distributed in form of shares and/or cash after a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and a proportion of no higher than 3 percent shall be reserved as directors' compensation, after a resolution adopted by a majority of votes at a meeting of board of directors attended by two-thirds of the total number of directors. However, if there's still losses, the amount to make up for the losses shall be made first before distributing the compensation in the ratio hereof. The distribution of employees' and directors' compensation shall be submitted to the shareholders' meeting for report. Unless as prescribed in the Instructions on Listing (OTC trading). "Profit" as used in this paragraph refers to the profit before tax without deduction of distributable employees' compensation and directors' compensation.

B. The estimation base for the distribution of employee compensation and remuneration to directors and supervisor, the calculation base of the number of employees' remuneration shares distributed by stock, and the accounting process for the differences between the actual amount distributed and the estimated amount:

If there is a difference between the actual amount and the estimated amount, the difference shall be handled in accordance with changes in accounting estimates and

booked in the profit and loss of the following year.

C. Status of distribution of compensation passed by the board of directors:

(1) The distribution of employees' cash compensation, stock compensation and compensation amount for directors and supervisors. If there's a discrepancy between the recognized expense and distributed amount, the difference, reason and handling status shall be disclosed:

The board of directors meeting held on February 25, 2022 has adopted resolutions of distribution of employees' cash compensation RMB 1,660,000 (NTD 7,211,000) and directors' compensation RMB 735,000 (NTD 3,193,000); no difference has been found between the distributed amount and the estimated compensations for employees and directors.

(2) The ratio of proposed distribution of employees' stock compensation to aggregate of net profit after tax and employees' compensation: NA

(3) Imputed earnings per share after consideration to the proposed compensation to employees, directors and supervisors: NA

D. If there's a discrepancy between actual distribution status of compensation to employees, directors and supervisors in the preceding year (including shares, amount and price of share distributed) and the recognized compensation to employees, directors and supervisors, the difference, reason and handling status shall be specified:

No difference has been found between the distributed amount and the estimated compensations to employees and directors.

#### 4.1.9 Buyback of Treasury Stock

A. Buyback had been completed :

April 30, 2022

Item	1 <sup>th</sup> round
Buyback Purpose	To transfer to employees
Buyback Period	2020/4/1~2020/5/28
Price range	NT\$41~NT\$90 per share
Type and quantity of shares repurchased	500,000 Common Shares
Amounts of repurchased shares	NT\$32,858,381

Ratio of the quantity repurchased to the scheduled buyback shares (%)	50%
Number of repurchased shares that had been voided/ transferred	None
Accumulated number of shares held by the company	500,000 shares
Ratio of accumulated shares held by the company to total shares issued (%)	1.35%

B. Buyback has not been completed : None

#### 4.2. Bonds:

April 10, 2022

Types of corporate bonds	The first unsecured convertible bonds in R.O.C.
Date of issue	May 17, 2021
Denomination	NT\$100,000
Place of issue and transaction	Over the counter stock exchange of Taiwan (R.O.C)
Issue price	104.64
Total amount	NT\$300 million
interest rate	Coupon rate 0%
Term of validity	The term of validity is five years Maturity date: May 17, 2026
Guarantee Agency	None
Trustee	Trust Department of SinoPac Commercial Bank Co., Ltd.
Underwriters	SinoPac Securities Co., Ltd.
Certified Lawyer	Chien Yeh Law Office Name of Lawyer : Hong, Shao-Heng
Certified Public Accountant	Deloitte & Touche Limited Name of CPA: Huang, Yao-Lin & Wu, Mei-Hui
Repayment method	Except for redemption by the company, selling back or conversion by bondholders, the bonds shall be paid in cash at maturity.
Outstanding principal	NT\$300 million
Terms of redemption or prepayment	Please refer to the issuance and conversion rules
Restrictive clause	None
Name of credit rating institution, date of rating and result of corporate bond rating	None

Additional rights	Amount of common stock, overseas depository receipts or other securities converted (exchanged or subscribed) as of the date of publication of the annual report	No conversion up to April 10, 2022
	Issuance and conversion (exchange or subscription) rules	Please refer to the information on bond issuance in the credit zone of the Market Observation Post System.
The possible dilution of equity and the impact on the existing shareholders' equity by the issuance and conversion, exchange or subscription methods and issuance conditions		According to the current conversion price is NT70.0, if all the bonds are converted into common shares, 4,285,714 shares need to be issued, and the dilution effect on shareholders' equity is 10.50% (note)
Name of the entrusted depository of the subject matter of exchange		Not applicable

Note: dilution effect = 1 - (number of shares current outstanding / expected number of outstanding shares after converting)

### Convertible corporate bond information

Types of corporate bonds			The first unsecured convertible bonds in R.O.C.	
Item	Year		2021	For the year ended March 31, 2022
	Max.	Min.		
Market value of convertible bonds	Max.	Min.	109.80	105.00
	Min.	Average	100.20	101.95
	Average		104.76	103.84
Conversion price			70.0	70.0
Date of issue and conversion price at the time of issuance			Issue date: 2021/5/17 conversion price at the time of issuance : 76.0	
How to fulfill the obligation of conversion			Issue of new shares	

**4.3. Preferred shares:** None.

**4.4. Global Depository Receipts:** None.

**4.5. Employee Stock Options:** None.

**4.6. Restricted employee shares:** None.

**4.7. Status of New Shares Issuance in Connection with Mergers and Acquisitions:** None.

### 4.8. Financing Plans and Implementation

#### 4.8.1 Plan Content

In 2021, the Company issued the 1st unsecured convertible bonds in R.O.C. and new shares for cash capital increase, raising a total of NT\$463,930,900. The raised

funds would be used to build factories, purchase machinery and equipment, and reinvest in new investments. It is expected to be completed before the end of 2022. As of the first quarter of 2022, the Company has not issued or private placement of marketable securities that has not been completed or has been completed within the last three years but the benefits of the plans have not been significant.

#### **4.8.2 Implementation**

As of the first quarter of 2022, the implementation of each project is as follows.

(1) Build new factory of GSD Yangzhou

As of the first quarter of 2022, the estimated expenditure was NT\$138,230,000, and the actual expenditure was NT\$87,123,000. The estimated implementation progress was 74.46% and the actual progress was 46.93%. The delay in progress is mainly due to the change in the auction procedure of the land for the construction of the factory, which resulted in a delay of about 2 months compared to the plan. In addition, due to the epidemic, Yangzhou was closed from August to early September in 2021, that also effect the construction of the new factory. The progress in the first quarter of 2022 is similar to the forecast, but due to the difficulty of rushing to work during the Spring Festival holiday, the progress will be gradually improved in the future.

(2) Build the second factory in Pinghu and purchase machinery and equipment for it

As of the first quarter of 2022, the estimated expenditure was NT\$198,114,000, and the actual expenditure was NT\$156,202,000. The estimated implementation progress was 78.42% and the actual progress was 61.83%. The main building of the second factory in Pinghu has been completed. However, the acceptance check be postponed to April, due to the impact of COVID-19. The Company expects to carry out the interior decoration and equipment installation at the same time in 2022Q2, and the progress will be gradually improved in the future.

(3) Invest Yuh Shan Environmental Engineering Co., Ltd.

The estimated expenditure was NT\$83,070,000, and the actual expenditure was the same with the estimated and investment was completed on second quarter of 2021.

## V. Operational Highlights

### 5.1. Business Activities

#### 5.1.1 Scope of Business

##### A. Main contents of business

The Company mainly performs research and development, production, sales, installation and maintenance of equipment for environmental protection and technology services for environmental protection; in addition, the Company is also an agent of environmental protection related products such as sewage treatment related chemicals and consumables. The main types of products include water pump, blower, mixer and others.

##### B. Percentage of Sales Revenue of Main Products

Unit: NTD thousands; %

Year	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
Water Pump	1,097,049	55.07	1,138,671	61.66	1,130,537	57.67
Blower	395,382	19.85	313,497	16.98	302,771	15.44
Mixer	182,604	9.17	199,597	10.81	195,171	9.96
Others	317,016	15.91	194,909	10.55	332,039	16.94
Total	1,992,051	100.00	1,846,674	100.00	1,960,518	100.00

##### C. Items of the Company's Current Products (Services)

Type of Product	Product Description
Water Pump	Water pump is a mechanical device for transport of liquid or compression of liquid. It converts mechanical energy from the motor or other external energy to the liquid in order to increase energy to the liquid. The main function of a water pump is for transport of liquid including water, oil, acid and alkaline liquid, emulsified liquid, sludge suspension liquid, liquid metal, etc.
Blower	A blower intakes, compresses and displaces air by change of volume between blades in the rotor slots caused by eccentric rotation of biased rotor in the cylinders. The main function of a blower is to transmit gas.
Mixer	The mixer involves rotation of blades for thrust of currents, facilitating liquid circulation in the septic tank, enabling oxygen to be fully absorbed by activated sludge and avoid deposit of matters in water.
Others	Service revenue from other types of products and parts or repair.



#### D. New Products (Services) Planned for Development

In recent years, environmental, social and corporate governance (ESG) has gradually become a universal value, and energy conservation and carbon reduction has become the key word of national policies. In order to more effectively achieve the purpose of precise and scientific pollution control, informatization and resource-recycling have become one of the important trends in the development of environmental protection industry. Smart water, water resource recycling, sludge harmless and recycling, and the promotion of various energy-saving and carbon reduction schemes will become the highlights of the development of the industry.

The shift from "resolutely doing a good job" to "completely doing a good job" in pollution prevention and control means that the problems involved in pollution prevention and control are deeper, broader and more demanding. The water industry will gradually shift from focusing on assets to focusing on services to provide better services for environmental governance. With the change of operation mode, the trend of deepening the integration of the industry will be more obvious.

In order to meet the trend of industry development, the Company takes BAIEI (Bio: microorganism, AI: artificial intelligence, IOT: Internet of things, Equipment: equipment, Integrated: integration and integration), as the key core technology of research and development; with the means of Internet of things and artificial intelligence (AIOT), the utility company has the ability to provide a complete set of equipment and have the advantages of environmental technology, and combine it with functionality. The research of microbial detection effectively integrates and develops related products and services to help customers to effectively save energy and reduce carbon and reduce costs. The relevant specific plans include:

##### (1) Smart water related projects

###### Launch SaaS platform

In order to accelerate the promotion of smart water, the Company cooperates with Taiwan Water Industry Development Association to launch the "Smart Waterops Service Platform", which will provide member Water AI related services in SaaS mode, so as to promote the application of artificial intelligence and Internet of things in the water industry. The service platform has the function of ML ops. Users can analyze data, integrate domain expert knowledge, create models, so as to have AI, build AI and operate AI. There is no need to recruit a data team in the whole process, and the whole cycle

management of intelligent water affairs can be realized through the platform service.

The Company is a design and provider of smart water solutions. With environmental engineering as the core, the Company uses Internet of things (IOT) and artificial intelligence (AI) technology to provide customers with complete solutions. The scheme can be divided into "To Smart Equipment" and "AIoT Process Control", to help customers build, operate and maintain more adaptive and sustainable water treatment facilities, so as to help owners make more effective use of water resources and save energy, and further improve their ESG performance for owners.

To Smart Equipment: it includes intellectualization of single machine, unit and system. It is expected to achieve effective management of equipment efficiency and energy consumption, equipment health management, intelligent patrol inspection (including personnel safety) and other functions through the IoT monitoring of equipment, so as to further assist customers in energy conservation and consumption reduction. At present, most of the Company's main equipment has been intellectualized. In the future, relevant functions will be continuously optimized according to the customer's use situation and big data analysis. GSD can also provide IoT services to assist other equipment manufacturers to complete the design of their intelligent products.

AIoT Process Control: it is to intelligentize the sewage treatment process or process. This part of the product development adopts modular design to subdivide and modularize the sewage treatment process, and then stack the functional modules in a honeycomb manner according to the customer's needs. The relevant modules include "biological treatment program", "physical treatment program", and "chemical treatment program". By intelligentizing the sewage treatment process, in addition to effectively ensuring that the sewage treatment results meet the standards, combined with the data analysis of water quality and quantity, also combined with appropriate equipment operation and reagent addition, it will be able to effectively control the energy consumption and reagent cost, effectively reduce the amount of sludge, assist customers to reduce the costs of reagent, sludge treatment and energy, and achieve their environmental control indicators.

## (2) Related technology of microorganism in sewage treatment field

Microorganisms often play an important role in the process of waste water treatment, but in the past, environmental workers could only judge the situation of microorganisms in water through experience. Unreasonable

operation often led to high cost of chemicals, sludge and electricity. GSD cooperated with National Cheng Kung University of Taiwan to set up the "NCKU-GSD Hydrotech Research Center (HTRC)". It plans to develop a number of research topics in three to five years, including the further establishment of functional microbial gene and expert system database of sewage biological treatment system. It is expected that the microorganism can be further screened and identified by big data analysis, and this research achievement is of great significance to sewage treatment. It is likely to have a significant impact on the effectiveness and efficiency of the system.

At present, relevant R&D achievements, combined with AIoT related technologies, can be applied to cyanobacteria early warning in lakes, water sources and receiving pools. The company's mainland subsidiary, GSD (China), has cooperated with Zhejiang Tongji University to monitor the waters of Taihu Lake, and will establish standards based on relevant data and results, so as to gradually complete commercialization and help protect water ecological environment.

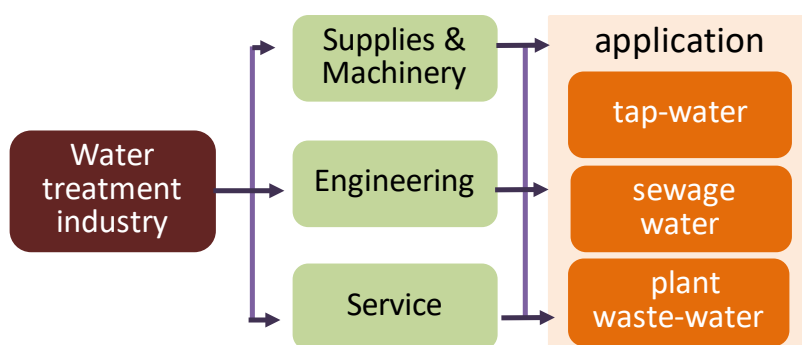
### (3) Continue to develop energy-saving and efficient products

Energy saving and carbon reduction is the common goal of mankind. Sewage treatment is a high energy consuming industry. Therefore, it is very important to continuously develop energy-saving products for the development of the industry. Our Company can assist customers in energy saving and carbon reduction through mechanical energy saving, sewage treatment process improvement and AIoT management. The former can be achieved through the development of energy-saving equipment, while the latter two can be achieved through the improvement of environmental technology and intellectualization. The Company will continue to optimize relevant schemes and launch energy-saving, consumption reduction, carbon reduction and resource utilization schemes to help customers achieve the performance objectives of ecological and environmental protection. Many products manufactured by the Company have obtained energy-saving certification, and the sales revenue of energy-saving products has exceeded 40% of the revenue. In addition to energy-saving pumps, the Company also introduced air suspension and magnetic levitation blowers. The board of directors decided to establish a new company to invest in the sales of sludge drying equipment, sludge disposal and recycling, and energy management related markets.

### 5.1.2 Overview of the industry

(1) The current situation and development of the industry

GSD mainly involves supplying of water pump, blower, aerator, mixer and solid-liquid separator needed for water treatment. Global Water Treatment Market Analysis Research report prepared by ITRI Industrial Economics and Knowledge Center (hereinafter “ITRI IEK”) in February 2012 indicates that services of water treatment environmental protection is of the scope of water treatment industry, moreover, it defines water treatment industry as manufacturing of facilities and equipment, constructions and services involved in conveying suitable water resources to users; based on the sector of application, it can be divided into three major sectors of water (running water), public utilities for livelihood water and industrial sewage treatment, and wastewater treatment, as shown below:



Source : Global Water Treatment Market Analysis Report issued by IEK in February,2012.

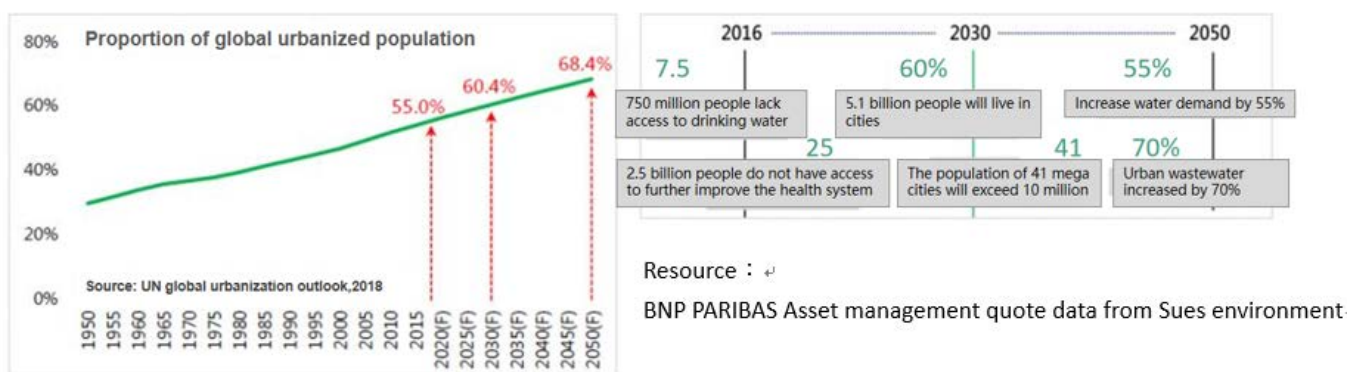
The shortage of water resources has plagued the whole world. According to the United Nations, by 2025, there will be an absolute shortage of water resources in the countries or regions where 1.8 billion people in the world's total population live, and 2 / 3 of the people on earth may survive under the condition of water shortage. By 2030, 47% of the world's population will live in areas with severe water shortages. At present, most of the global population growth occurs in developing countries, which are now suffering from water shortage and lack of full access to safe drinking water.

Although the 6th item of "clean water and sanitation" (SDG 6) of the "sustainable development goal" established by the United Nations hopes to achieve access to water for all and sanitation facilities by 2030, the shortage of water resources is increasing. Water security and climate change are two major crises facing the world in the coming decades. The UN report outlines a series of adaptation and mitigation measures, including reducing damage through natural technologies, effective measures to limit greenhouse gas emissions and protect the environment,

and "reuse" untreated wastewater in agriculture and industry.

According to the GWI data quoted by the water resources department of the Ministry of economy in the report of the "2020 Taiwan Water Industry Development Seminar", the overall industrial output value in 2020 is estimated to be US \$834.1 billion. In response to the SDG 6 goal, the market of water treatment (including reclaimed water) technology and equipment is expected to flourish.

According to the statistics of the United Nations, by 2015, the proportion of global urbanization was about 55%. It is estimated that the proportion of urbanization will rise to 60.4% in 2030 and 68.4% in 2050. While big cities (mega cities) are gradually taking shape, the demand for clean water and urban wastewater treatment will be significantly higher than the current planning, bringing more investment opportunities in water resources.

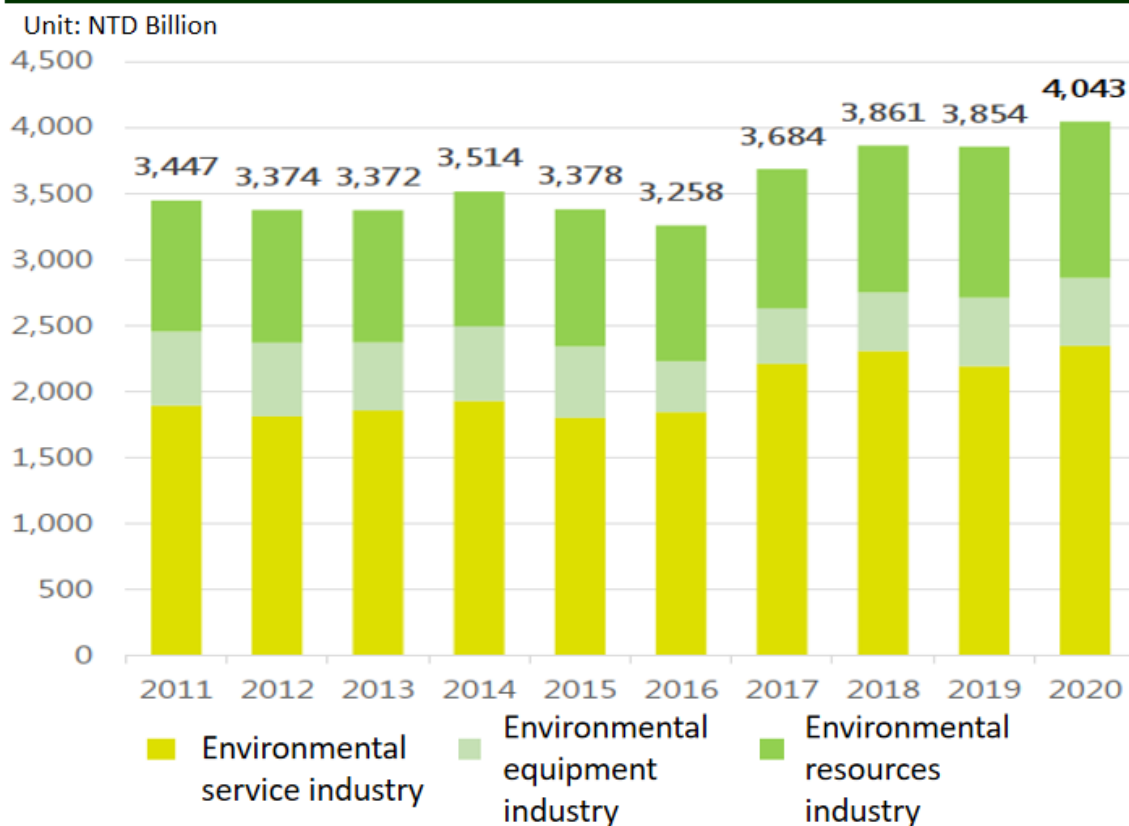


## A. Taiwan water treatment market

According to the investigation and analysis report of Taiwan's biomass energy and environmental protection industry, there were 12,277 environmental protection industry manufacturers in Taiwan in 2019, of which 9,864 were environmental protection service manufacturers and 357 were environmental protection equipment manufacturers. In 2020, the output value of Taiwan's environmental protection industry was NT \$404.3 billion, with an annual growth rate of about 4.9%. Among them, the environmental protection service industry ranks first, accounting for 54.05% of the overall environmental protection industry, and the environmental protection equipment industry accounts for 14.60%. In 2020, Taiwan's environmental protection output value will rise with economic growth. Enterprises' increased investment in environmental protection equipment, the gradual shortage of water resources, the demand for energy conservation and carbon reduction, and manufacturers' increase of high-efficiency and recycling equipment may be the reasons for

industrial growth.

### Taiwan's environmental protection industry output value (2011-2020)



Source : Environmental Protection Industry (Biomass Energy and Environmental Protection Industry Information Network)

### Taiwan's expenditure on pollution prevention and control

Function	2020		2019 (100 million)	2020 to 2019	
	Amount (100 million)	Structure ratio (%)		Comparsion amount (100 m.)	ratio (%)
<b>Expenditure on pollution prevention and control</b>	1778.3	100	1754.6	23.7	1.4
Air pollution prevention and control	458.7	25.8	464.1	-5.4	-1.2
Greenhouse gas reduction	24	1.3	26	-2	-7.8
Prevention and control of water pollution	438.7	24.7	426.3	12.4	2.9
Waste disposal	619.5	34.8	588.2	31.3	5.3
Noise and vibration control	14.5	0.8	14.6	-0.1	-0.5
Prevention and control of soil and groundwater pollution	17.9	1	16	1.9	11.9
Reaserch development	91.8	0.5	11.2	-2.1	-18.8
Other	196	11	208.3	-12.3	-5.9

Source: EPA

In addition, according to the survey and statistics of pollution prevention and control expenditure issued by the environmental protection agency in 2021, the total amount of pollution prevention and control expenditure in Taiwan in 2020 was about NT\$177.83 billion, an increase of NT\$2.37 billion (+ 1.4%) over the previous year's NT\$175.46 billion. Government departments accounted for

NT\$89.24 billion, an increase of NT\$5.17 billion (+ 6.2%) over the previous year; The industrial sector was NT\$88.59 billion , a decrease of NT\$2.8 billion (- 3.1%) over the previous year. Air pollution prevention and control, water pollution prevention and control, and waste disposal account for a relatively high proportion of various pollution prevention and control expenditures; In terms of growth rate, it has a high growth rate in water pollution prevention and waste treatment.

Taiwan's rainfall is 2.6 times the world average, but the rainfall time is uneven, coupled with the steep terrain, most of the rain flows into the sea quickly, making it difficult to use water resources. In recent years, with the intensification of global warming and climate change, water environment management has become an urgent topic. In April 2017, the government put forward the "prospective infrastructure design plan", in which "water environment construction" is expected to invest about NT \$250.8 billion in eight years, in order to create a high-quality water environment without water shortage, drinking water, flooding and close to water through inter ministerial integration of resources. Benefiting from the above environmental protection policy adjustment, it will drive the sustainable development of water treatment market business in Taiwan.

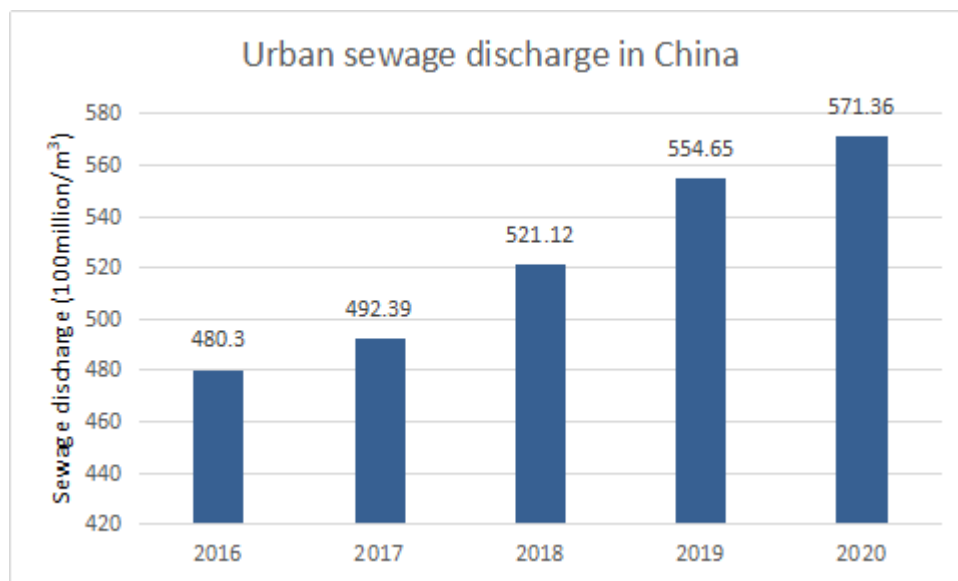
#### B. China water treatment market

In order to strengthen the prevention and control of water pollution, the State Council of mainland China issued the "action plan for prevention and control of water pollution" (water 10 items) in April 2015. With the improvement of water environment quality as the core, it is proposed to comprehensively control pollutant emissions, promote the transformation and upgrading of economic structure, and strive to save and protect water resources, so as to strive for the overall improvement of China's water environment quality by 2030.

According to the statistics of China's Ministry of housing and urban rural development, with the development of economy, China's wastewater discharge has increased year by year, from 48.03 billion cubic meters in 2016 to 57.136 billion cubic meters in 2020, with a growth rate of 18.95%.

## Urban sewage discharge in China

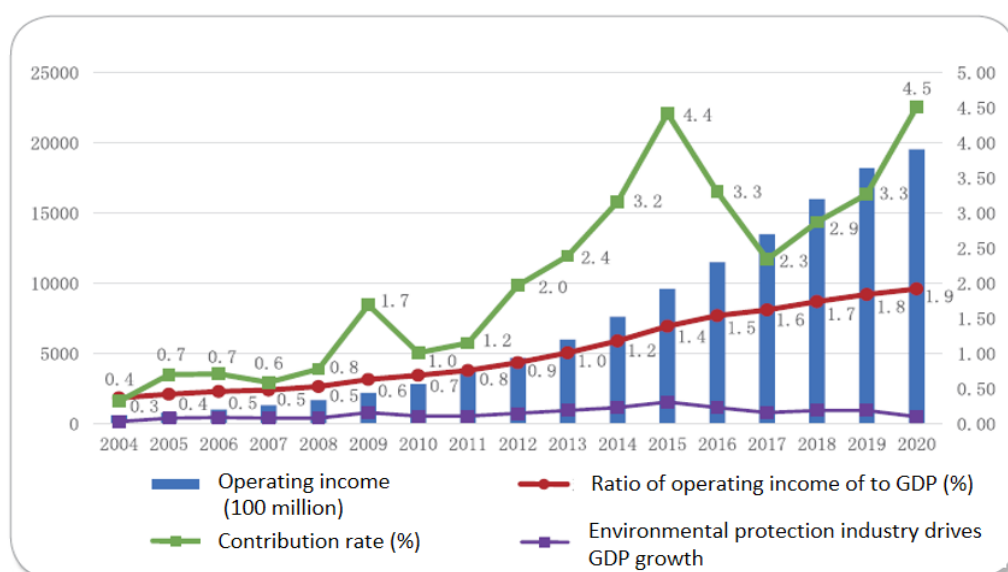
Unit: Billion (RMB)



Source: Data from the Ministry of housing and urban rural development of the people's Republic of China

According to the relevant report statistics of China's Ministry of ecology and environment, the ratio of operating income of China's environmental protection industry to GDP exceeded 1% for the first time in 2013, and then continued to grow every year, reaching 1.9 by 2020. However, there is still a considerable gap from the ratio of developed countries to about 3%, indicating that China's environmental protection market will still have a lot of room for development in the future.

## Development of China's environmental protection industry in 2020

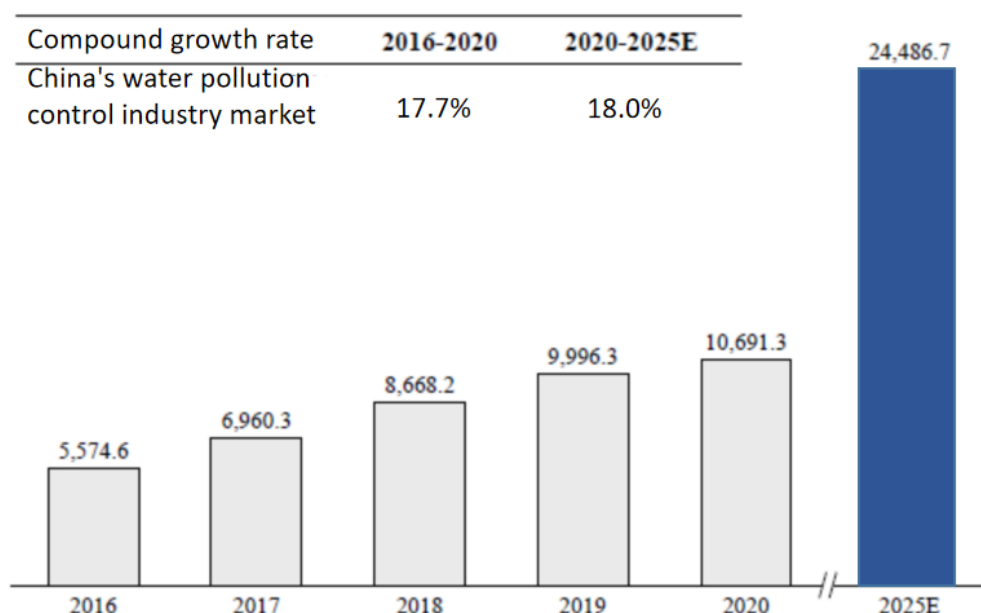


Source: Report on the development of China's environmental protection industry in 2021



Since the 12th Five Year Plan, China has clearly regarded energy-saving and environmental protection industry as a strategic emerging industry, and the government has intensively formulated various environmental protection policies (such as "Water Ten"), which has led to the continuous scale of sewage treatment in China, the continuous enhancement of sewage treatment capacity, and the continuous increase in the number of sewage treatment plants. According to statistics, the market scale of China's water pollution control industry is estimated to have a compound annual growth rate of about 18% from 2020 to 2025.

**Market scale of China's water pollution control industry  
(100 million yuan, 2016-2025 forecast)**



Source: [www.leadleo.com](http://www.leadleo.com)

## (2) Relevance of upstream, midstream and downstream in Business

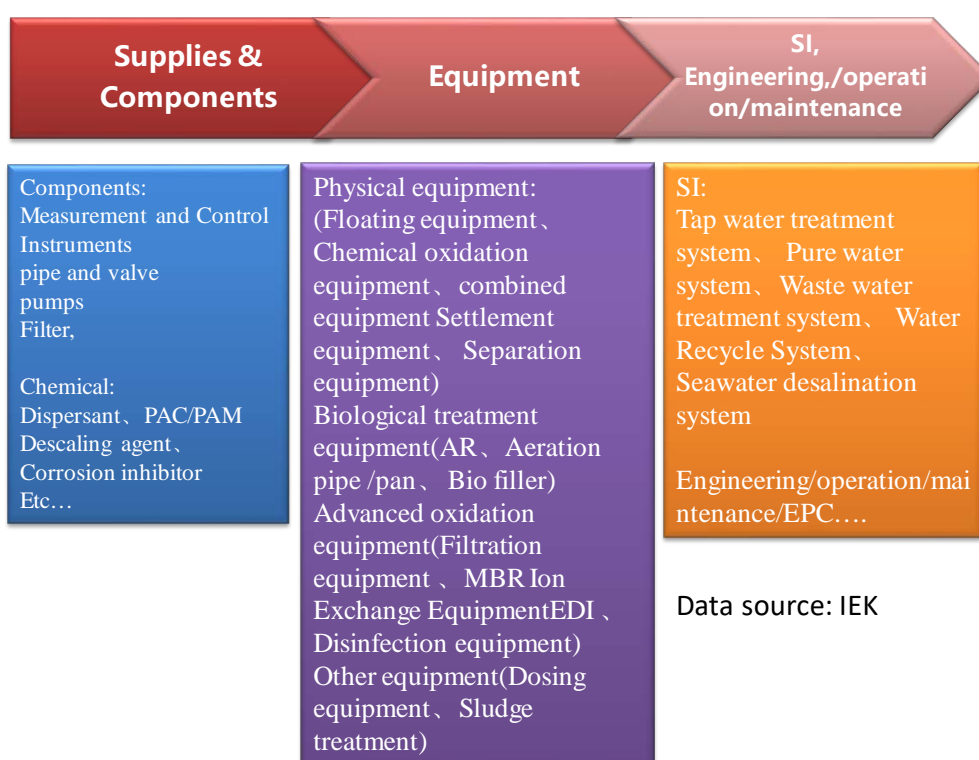
GSD focuses on environmental protection market, taking wastewater treatment as the main business development goal. According to IEK research report, the water treatment industry can be roughly divided into:

Upstream: generic compartments and materials, including compartments (e.g. Pipes and vaults), functional materials (e.g. filter membrane and filtering mediums) and chemicals (e.g. coagulant and antiscaling), etc.

Midstream: supply of equipment, including physical and chemical treatment (sedimentation equipment and separation module), biological treatment and peripheral systems (aeration machine and biofouling filler), advanced treatment

(filtering device and EDI equipment) and other equipment (agent pump and sludge treatment equipment)

Downstream: System Integration and construction service / operation / maintenance, including system integration (wastewater and sewage treatment system and water reclaiming system) and construction service/operation/maintenance (construction counselling and substitution operation), etc. The relations of the industry are as follows:



### (3) Development Trends of Products

#### A. Product development toward energy saving and high efficiency

At present, energy conservation and carbon reduction has become the key word of national policies. Therefore, it has become one of the industrial development trends to achieve accurate and scientific pollution control through informatization or intelligence; In addition, due to the abnormal climate caused by global warming, water resources management in various countries has become an important topic, and water resources is also a necessary development direction of the industry.

Waste water treatment process is energy consuming, the burden of power cost is one of the important costs of water companies (may exceed 40%), so energy saving of products has become one of the important trends of industrial development. Generally speaking, energy saving of products can be started

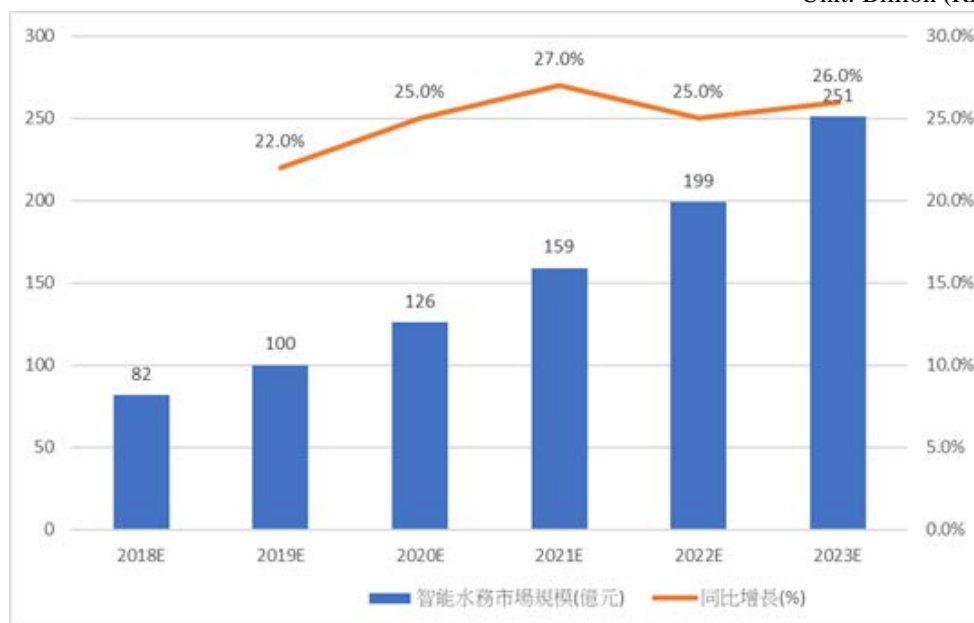
from the aspects of machinery and environmental processes. The former focuses on the development of energy-saving equipment, while the latter can reduce unnecessary equipment startup through the design of environmental technology process, so as to save power cost. In addition, it is also an important product development direction to effectively monitor the operation of equipment through the AIoT, or adjust the use of equipment according to the change of water quality and quantity. The Company continues to promote product energy-saving certification, while strengthening R & D investment in environmental technology and intelligent products, through the introduction of energy-saving products and services, to help customers solve the problem of energy consumption.

#### B. Application of Internet of things and artificial intelligence (AIoT) technology

Under the background of the 13th five year environmental protection policy upsurge and the mature application of IoT technology, China's intelligent environmental protection industry is developing rapidly. At present, most water affair companies in the mainland are still in the stage of information. With the increase of water investment scale, intelligent water will usher in a golden period of development. According to the survey, it is estimated that by 2023, the scale of the mainland's intelligent water industry will reach about RMB 25.1 billion with an average annual growth rate of more than 25%. The Company is a smart water platform design and provider. With environmental engineering as the core, the Company uses Internet of things (IoT) and artificial intelligence (AI) technology to provide customers with complete services. From the "Smart Water Service Platform", help customers build, operate and maintain more adaptive and sustainable water treatment facilities, so as to help owners make more effective use of water resources and save energy, and further improve their ESG performance.

## 2018-2023 China's Intelligent Water Market Scale and Forecast

Unit: Billion (RMB)



Source: <https://kknews.cc/finance/oe9nm66.html>

### C. Water resources

Improper construction of sewage pipeline is easy to cause pollution in the process of sewage transmission and increase the cost of sewage treatment. The high cost of sewage pipeline construction in villages and towns also contributes to the necessity of sewage source treatment and development. As for the source separation treatment system, it can reduce the dependence on the sewage transportation pipe network and comply with the direction of circular economy and sustainable development of source reduction and recycling. At present, it is normal to use sewage after regeneration for circulating cooling water. With the lack of water resources and the improvement of environmental protection awareness, the demand for MBR (model process) and one-stop small sewage treatment integration equipment is also increasing. The Company's integrated sewage treatment equipment has been successively used in projects in China, Russia and Israel, and MBR equipment has also been put into experiment or practical application in the field of reclaimed water in Taiwan. It is believed that the future development of relevant products can be expected. The board of directors has decided to set up the Company's sludge drying and disposal equipment and put them into the new energy market. If the sludge is dried to a certain extent, usually when the moisture content is about 20%, the dried sludge can be used as fuel to achieve the goal of resource utilization.

#### D. Competitiveness of Products

The Company's main sales territories are in China, and the main water treatment equipment companies and its business items are as follows:

Products	Competitors
Water Pump	Kaiquan, ITT, Grundfos, East, Liancheng, Nanfang, KSB, EBARA
Blower	Heng Rong, Zhanghuang, Longtech, Fu Yang, B-Tohin, Feng Yuan, Jingjin, Trundean, Sanniu, Zhangqiu
Mixer	Blue & Clean, ITT, Beite, Lanshen, Dingheng
Dewatering Machine	Wideco, Haibar, Xinhuan, Wei Shi, Andritz, Qilee, Wuxi Kinghope, Huizhou Jintian, Boeep, MingKun, Gloden Drangan, Tron Yuan, Ton Yong, Blue & Clean, Qing Yu, Qidong Wanton, Jingjin.

The Company is mainly engaged in the provision of water pumps, blowers, aerators, agitating pushers (mixers) and solid-liquid separation (dewatering machines) required for water treatment in China, and also provides consultation services such as customized products for customers, upgrade plan and technical diagnosis of processes, and the sale of various environmental protection equipment such as pumps, water supply and water treatment systems bases on the plan and diagnosis results.

The Company's operation and development strategy has expanded from providing only single equipment to the supply of a full range of environmental protection equipment. According to the needs of customers, GSD can provide special design of sewage treatment plant, after-sales maintenance and AIoT services. The environmental protection equipment provided has a comprehensive layout and diversified types, and has been widely used in urban sewage treatment, industrial sewage treatment, rural sewage treatment, paper-making, textile, pharmaceutical, food, construction, chemical and other fields. Most of the competitors in the above table focus on the sales of single equipment. In contrast, the Company has a full range of sewage treatment product lines, which can provide more choices for engineering companies / water companies. At the same time, the environmental protection department set up by the company can also put forward more efficient solutions for the current upgrading and transformation or the new sewage treatment process. The Company will gradually put intelligent elements into its equipment or services, which will have more advantages in industrial competition.

### **5.1.3 Overview of the Company's technologies and its R&D.**

#### **A. Technical level and R&D**

The Company is a comprehensive service provider providing environmental protection equipment and technical services, with key technologies such as equipment, environmental technology and AIoT; The Company's R & D focuses on BAIEI (Bio: microorganism, AI: artificial intelligence, IOT: Internet of things, equipment: equipment, integrated: integration and integration); By means of Internet of things and artificial intelligence, taking advantage of the Company's ability to provide a full set of equipment and environmental technology, combined with functional microbial detection technology, effectively integrate and develop relevant products and services, and help customers effectively save energy, reduce carbon and reduce costs with all-round services.

##### **(A) Bio: Microorganism**

Microorganisms often play an important role in the process of wastewater treatment, but in the past, environmental workers could only judge the situation of microorganisms in water through experience. Unreasonable operation often led to high cost of chemicals, sludge and electricity. The Company cooperated with National Cheng Kung University to set up the NCKU-GSD Hydrotech Research Center (HTRC). It is planned to develop a number of research topics in three to five years. Through the progress of molecular biotechnology and the establishment of rapid screening method, it can establish a set of rapid screening mechanism for various functional microorganisms in water and sewage, so as to complete the screening in water within short time. This research result may have a significant impact on the efficiency and efficiency of sewage treatment.

At present, relevant R & D achievements, combined with AIoT related technologies, can be applied to cyanobacteria early warning in lakes, water sources and receiving pools. The Company's mainland subsidiary has cooperated with Zhejiang Tongji University to monitor the waters of Taihu Lake, and will establish standards based on relevant data and results, so as to gradually complete commercialization and help protect water ecological environment.

##### **(B) Internet of things and artificial intelligence (AIoT)**

In order to accelerate the promotion of smart water, the Company cooperates with Taiwan Water Industry Development Association to launch the "Smart Waterops Service Platform", which will provide related services in SaaS mode, so as to promote the application of artificial intelligence and Internet of things in the water industry. The platform has ML ops service. Users can analyze data,

integrate domain expert knowledge, create models, so as to have AI to build and operate. There is no need to recruit a data team in the whole process, and the whole cycle management of intelligent water affairs can be realized through the platform service.

The Company's intelligent water research and development route is divided into two aspects:

#### To smart equipment

It includes intelligent single machine, unit and system equipment, and expects to achieve effective management of equipment efficiency and energy consumption, equipment health management, intelligent inspection (including personnel safety) through the Internet of things monitoring of equipment, so as to further assist customers in energy saving and consumption reduction.

#### AIoT process control

It is to intelligitize the sewage treatment process or process. This part of the product development adopts modular design to subdivide and modularize the sewage treatment process, and then stack the functional modules in honeycomb according to the customer's needs to meet the customer's needs. The relevant modules include "biological treatment process", "physical treatment process", and "chemical treatment process".

#### (C) Equipment

The sewage treatment plant is moving towards the era of lean management. Stable operation, cost reduction and efficiency increase will become the key competitiveness of the operation of the sewage treatment plant.

#### (I) Continuous development of high efficient products

The Company will continue to optimize relevant schemes and launch energy-saving, consumption reduction, carbon reduction and resource utilization schemes to help customers achieve the performance objectives of ecological and environmental protection. Many products manufactured by the company have obtained energy-saving certification, and the sales revenue of energy-saving products has exceeded 40% of the revenue. In addition to energy-saving water pumps, the Company also continues to introduce energy-saving products such as air suspension and magnetic levitation blowers and sludge drying equipment.

#### (II) Professional Matching Solutions Design

The Company has the ability to provide a full set of sewage treatment equipment, which has advantages in the integration and supporting of

equipment. In recent years, the Company has successfully developed special water pumps for evaporative cooling, special submersible pumps for integrated sewage treatment equipment and special aeration systems supporting MBR, so as to help customers solve problems and improve the competitiveness of their products.

(D) Integrated

At the same time, the Company has the competitive advantage of "Equipment, Process, AIoT" as key technologies. Because of the comprehensive technology, the Company has the ability to comprehensively provide the scheme design required by customers through equipment integration, equipment and environmental process integration, plus AIoT technology.

In recent years, the Company has successfully integrated and developed intelligent integrated sewage treatment equipment, sludge drying system, Fenton system, MBR system, environmental IOT system, intelligent water management system, equipment health management system and other project / scheme services to help customers solve problems and improve their product competitiveness.

## B. R&D Personnel and their Education Background

Year		2020	2021	Mar. 31, 2022
Academic Background Distribution (%)	Master and Over	11.54%	12.28%	10.71%
	University (College)	88.46%	85.96%	83.93%
	High School (and under)	0	1.75%	5.36%
Average Years of Service (Years)		4.92	5.52	6.18

Most of the R&D personnel are environmental engineering, mechanical engineering, mold design and manufacturing, computer application and other product design and development, environmental engineering and other related education, as well as with relevant industry work experience. The structure of R & D personnel's academic experience meets the needs of the company's development.



**C. R&D Expense in the recent years as of the date of Annual Report Publication**

Unit: NTD thousands; %

Items \ Year	2020	2021
R&D Expense	62,388	82,473
Net Value of Consolidated Operating Revenue	1,846,674	1,960,518
Ratio of R&D Expense for Net Value of Consolidated Operating Revenue (%)	3.38%	4.20%

**D. Technologies or products successfully developed in the most recent year and the current year up to the date of publication of the annual report**

Period	Item	Description
2020.1-2021.6	Design and development of sleeve type energy saving centrifugal pump	This project is in line with the category of advanced manufacturing and automation (V) new machinery / 2. General machinery and equipment manufacturing technology: new high-performance fluid mixing, separation and transportation machinery manufacturing technology. Purpose: Optimize centrifugal pump.
2020.1-2021.8	Design and development of surface aerator with cutting function	This project is in line with the mainland "state key support of high-tech fields" 7. Resources and environment / (1) water pollution control and water resources utilization technology / 5. Water saving and unconventional water resources comprehensive utilization technology: water environment restoration technology category. Purpose: Optimize the aerator, effectively reduce the situation of debris winding impeller.
2020.1-2021.10	Research and development on sludge drying of sludge treatment equipment	This project is in line with the category of advanced manufacturing and automation (V) new machinery / 2. General machinery and equipment manufacturing technology: new high-performance fluid mixing, separation and transportation machinery manufacturing technology. Purpose: Sludge drying.
2020.4-2021.12	Research and development of rapid molecular biological detection technology for harmful algae and microorganisms in water	This project is in line with the mainland "state key support of high-tech fields" 7. Resources and environment / (1) water pollution control and water resources utilization technology / 5. Water saving and unconventional water resources comprehensive utilization technology: water environment restoration technology category. Purpose: detection of harmful algae in water source.

Period	Item	Description
2020.7-2021.12	Design and development of automatic flushing submersible sewage pump	This project is in line with the category of advanced manufacturing and automation (V) new machinery / 2. General machinery and equipment manufacturing technology: new high-performance fluid mixing, separation and transportation machinery manufacturing technology. Purpose: To optimize the function of submersible sewage pump.
2020.10-2021.12	Development and application of intelligent operation program optimization module for wastewater biological treatment	This project is in line with the mainland "state key support of high-tech fields" I. electronic information / (I) software / 2. Embedded software: embedded device interconnection technology category. Purpose: Intelligent biological treatment process.
2021.04-2022.06	Test and development of MBR plate membrane flux with different layer combinations	Focus on the design of multi-layer MBR module, establish a standardized manufacturing mode for the pressure change corresponding to the effluent flux, make up for the gap of industry standards, and establish complete and reasonable process specifications and standards from the three aspects of membrane components, design and operation.
2021.7-2022.12	Design and development of cantilever energy-saving centrifugal pump	The product efficiency reaches the energy-saving index in GB 19762-2007 standard and maintains stable performance. The research on non overload design method is carried out. Within the full flow working range, the pump will not overload and cause the motor to burn out, so that it can operate within the full head range and improve the reliability of the product.
2021.9-2022.12	Design and development of stainless steel pontoon surface aerator	The utility model relates to a surface aerator with a stainless steel buoy, which comprises a buoy, a water guide plate and an electric motor with a water absorbing channel. The lower part of the buoy is connected with a water inlet pipe which is connected with the suction channel, and the buoy comprises a shell made of stainless steel, a supporting rib net supporting the shell, and a foaming foam filled inside the shell.
2021.10-2023.5	Research and development of rapid detection technology for multi category algae	The implementation of the development project focuses on the research on the rapid detection method of odorous algae in water bodies, so as to realize the real-time monitoring of the water environment safety of water sources, rivers and lakes.

#### **5.1.4. The Company's long- and short-term business development plans**

##### **A. Short-term development strategies and plans**

The Company focuses on the environmental protection market and supplies a full range of environmental protection equipment; moreover, it also established Environmental Engineering department to promote the “Manufacturing + Service” operation model in 2004. In the beginning of 2019, the Company established GSD Environmental Technology Co., Ltd to invest in the development of intelligent water related systems, and extend the Company's services to intelligent water related fields. The Company's short-term goal is to continue this strategy and facilitate to become a comprehensive service provider that integrates "Equipment + Process solutions +AIoT”.

##### **(1) Marketing Strategy**

###### **(1.1) Strengthen the Business Expansion of Large Water Affairs Groups**

In response to the market opportunities for the 14th five policy, double-carbon policies, the marketing activities will be promoted from the old products, upgrade to the foreign industry, to promote sludge drying, magnetic floating fan, smart water plant construction, and strengthen Industrial wastewater treatment plant customers development, integrated cooperation unit units, in the new trend and industrial dynamic bottoming position. Redefine and expand customer scope, and have a win-win in combination with strategic partners, establish an information center and resource platform. And restrict market channels of district cadres, specialists and external water companies, research institutes, environmental protection companies, and provide customers with better services to master market opportunities.

###### **(1.2) Promote Project-based Business**

With the large-scale development of customers, the Company has a full set of equipment supply capacity, and can provide environmental technology and technical services. With a good technical service and AIOT team, the Company will seize the opportunity of water treatment industry entering the transformation era. Following the trend, the Company will take the lead in promoting the development of project transformation business. The project transformation will drive equipment sales and environmental IoT sense to provide customers with system services.

###### **(1.3) Integrating Taiwan resources and expanding Taiwan market**

The Company has successively established a Taiwan Branch, R & D center and subsidiary in Taiwan, obtained 23.52% equity of Yuh Shan Environmental Engineering Co., Ltd., and the subsidiary obtained the license

of "professional construction industry of Environmental Engineering" at the end of 2021. At the beginning of 2022, the Company cooperated with Taiwan Water Industry Development Association to launch "smart water service platform" to provide member water AI related services.

The Company will continue to integrate resources in Taiwan, combine resources such as consultants, engineering companies, agent operators, SI and AI system manufacturers, comprehensively expand the Company's business orientation, and actively strive for various bids from public departments and enterprises.

## (2)R&D Orientation

In order to match the development trend of the industry, BAIEI (Bio: microorganism, AI: artificial intelligence, IoT: Internet of things, Equipment: equipment, Integrated: integration and integration) is the key core technology of research and development; By means of Internet of things and artificial intelligence (AIoT), taking advantage of the Company's ability to provide a full set of equipment and environmental technology, combined with the research in the field of Microbiology, the Company hopes to effectively integrate and develop relevant products and services, so as to help customers effectively save energy, reduce carbon and reduce costs.

### (2.1) Continuously strengthen intelligent water products

The Company pioneered SaaS (software as a service) in the water treatment industry to provide member water AI related services to promote the application of artificial intelligence and Internet of things in the water industry. The platform has mlops function, which can help users have AI, to build and operate it more quickly and effectively, so as to realize the whole cycle management of intelligent water affairs.

The Company is a design and provider of smart water solutions. With environmental engineering as the core, the Company uses Internet of things (IOT) and artificial intelligence (AI) technology to provide customer intelligent solutions. The scheme is divided into "To smart equipment" and "AIoT process control". The Company will continue to improve and expand the functions of intelligent devices. And continuously optimize and add system functions such as "biological treatment program", "physical treatment program" and "chemical treatment program". To help customers achieve their environmental control targets.

### (2.2) Microorganism related technology in the field of sewage treatment

The company would continue to cooperate with National Cheng Kung

University and Zhejiang Jiaxing Institute of Technology to analyze functional microbial gene for sewage biological treatment systems and establish expert data base, and further to screen and identify microorganisms through big data analysis. Further, the research result combined with AIoT technologies, and are used in the cyanobacteria warning of rivers, lakes, water sources and receiving ponds, etc.

### (2.3) Development of energy-saving and high-efficiency products

Energy conservation and carbon reduction has become the common goal of mankind. Sewage treatment is a high energy consuming industry. Therefore, the sustainable development of energy-saving products is very important for the development of the industry. The Company assists customers in energy conservation and carbon reduction by means of mechanical energy conservation, sewage treatment process improvement or standard upgrading transformation and AIoT management. The former is completed through the development of energy-saving equipment, and the latter two can be achieved through the improvement of environmental technology and intelligence. The Company will continue to optimize relevant schemes and launch energy-saving, consumption reduction, carbon reduction and resource utilization schemes to help customers achieve the performance objectives of ecological and environmental protection. Many products manufactured by the Company have obtained energy-saving certification. In addition to energy-saving water pumps, the company also continues to import energy-saving products such as air suspension and magnetic levitation blowers, sludge drying equipment and so on.

### (3) Production Strategy

In order to continuously optimize the integration of the information system between the company and the supply chain, the Company has introduced MES (Manufacturing Execution System). In the production process, with the help of real-time and accurate information, the company can take rapid actions to deal with abnormal changes, reduce non value-added production activities and improve the efficiency of operation process, so as to promote the improvement of product quality and control costs.

With the introduction of ESG, the Company expects to incorporate various indicators of ESG into the supplier evaluation system to continuously evaluate and improve the physique of the supply chain from the aspects of friendly environment, safety compliance, quality and cost optimization. The Company's Pinghu Plant II will be put into operation in the second half of 2022. The

construction of the new plant will integrate green energy, intelligence, lean and other aspects, continuously improve the physique of the Company's internal production system, develop green products with green management and fully meet the needs of business development.

## **B. Long-term Development Plan**

The Company is positioned as the integrated service provider of the most valuable environmental protection equipment and technical services. The goal of the long-term development plan is to become a company as most valuable integrated service provider in the field of environmental protection.

### **(1) Marketing Strategy**

From product research and development, strategic cooperation, capital cooperation and other aspects of investment, all-round expansion of business, for expand the six target markets of large equipment replacement, standard transformation, equipment maintenance, consumables and chemicals, intelligent equipment, supporting products. The Company participate in the operation management of various environmental engineering and sewage treatment plants after using various possible cooperation methods to develop this Company into a water treatment professional service provider that provides all-round (one-stop) service. Geographically, the Company will increase investment in Taiwan and Southeast Asia to drive the growth of performance outside China.

### **(2) Investment strategy**

At present, the Company focuses on the environmental protection water treatment market. In the future, the company will continue to invest in the environmental, social and corporate governance (ESG) fields. The investment focuses on environmental protection and circular economy. The Company will base itself on the mainland China, invest in Taiwan and move forward to Southeast Asia, so as to achieve the goal of diversified operation, implement the Company's development strategy of expanding the Company by means of intelligence, and enhance the competitiveness of the Company. The Company has set up GSD Environmental Technology Co., Ltd. and GSD Technologies Co., Ltd. Taiwan Branch in 2019, and set up a subsidiary GSD Enviro Tech (Taiwan) Co., Ltd. in 2021 in Taiwan to expand the business related to intelligent water. In the middle of 2021, it will invest in Yuh Shan Environmental Engineering Co., Ltd. to enter the recycling economy field of

soil pollution market and mechanical biological treatment in Taiwan. It will take Vietnam as an outpost to advance the Southeast Asian market in 2022. Through cross regional and cross market investment, the development of the Company can be rapidly improved.

### (3) R&D Strategy

The Company's long-term technology R&D route focuses on "BAIEI" and its main development axis is as follows:

B (bio): integrate the research of "Aeration + Microorganism + Rapid Screening + Bio-pharmaceutical" to achieve the goal of "Microbial Control".

A (AI): integrate "Big Aata + Mode + Expert System" to achieve the goal of "system optimization".

I (IoT): make full use of IoT technology in the environment of "Working Condition + Health inspection + Prediction + Preventive Maintenance" to achieve the goal of "Intelligent Operation".

E (equipment): to achieve the goal of "equipment IoT" through the integration of equipment, equipment and sensing and IOT components.

I (integrated): integrate the multi product service mode of "Equipment + Environmental Engineering + AIoT" to achieve the goal of "Service Integration".

The Company will integrate all resources and accelerate the development of various research and development through capital cooperation, different business strategy cooperation and industry and learning cooperation, so as to assist customers to further reduce operating costs and meet the policy objectives of scientific supervision, so as to make the Company a professional service provider providing all-round services.

### (4) Production Strategy

The Company's production strategy is to build a smart factory by using digital technology while developing smart water services, so as to support the diversified development of the Company's business. At present, the second phase of Pinghu plant in mainland China will be completed and put into operation in the second half of 2022; The new plant in Yangzhou has been started and is expected to be put into operation in 2023. Through capacity expansion and production efficiency improvement, it is expected to meet the Company's future business expansion. The company will continue to improve the product supply chain and reduce the risks increased by the company's fixed costs through strategic cooperation and capital cooperation.

## 5.2. Market and Sales Overview

### 5.2.1 Market analysis:

#### A. Sales Areas of Main Products

Unit: NTD thousands; %

Year	2019		2020		2021	
Sales Areas	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	1,979,070	99.35	1,840,588	99.67	1,957,078	99.82
Others	12,981	0.65	6,086	0.33	3,440	0.18
Total	1,992,051	100.00	1,846,674	100.00	1,960,518	100.00

#### B. Market Share

The environmental protection equipment and technical services provided by this Company have been widely used in waste water treatment field, also applied in paper-making, textile, pharmaceutical, food, construction, chemical and many other fields. Due to the wide variety of products, there is no objective and publicly trusted information to be able to calculate the market size from each item, therefore calculation of the market share cannot be made yet.

The water industry in mainland China is highly fragmented, with a large number of enterprises and regional dispersion, so statistics are not easy. According to the report of the mainland forward looking Industry Research Institute, the scale of the top 10 influential enterprises in China's water industry accounted for 26% of the total scale in 2019. On average, each of the top 10 water companies has a share of about 2.6%, showing a highly decentralized trend.

#### C. Future Supply & Demand Status and Growth Potential of the Market

##### (A) Global regional water treatment market

The shortage of water resources is perplexing the whole world. According to the data of the United Nations, by 2025, the country or region where 1.8 billion people in the global total population live will have the problem of absolute water resources shortage, and about 2 / 3 of the people on earth may survive under the condition of water resources shortage. By 2030, 47% of the world's population will live in areas with severe water shortages. At present, most of the global population growth occurs in developing countries, which are now suffering from water shortage and lack of full access to safe drinking water.



According to the report of the water resources administration of the Ministry of economy in the "2020 Taiwan Water Industry Development Seminar", citing GWI data, the global overall industrial output value is estimated to be 834.1 billion US dollars in 2020. In response to the SDG 6th goal, the market of water treatment (including reclaimed water) technology and equipment is expected to flourish.

According to the statistics of the United Nations, by 2015, the proportion of global urbanization was about 55%. It is estimated that the proportion of urbanization will rise to 60.4% in 2030 and 68.4% in 2050. While mega cities are gradually taking shape, the demand for clean water and urban wastewater treatment will be significantly higher than the current planning, bringing more investment opportunities in water resources.

#### (B) Taiwan water treatment market

According to the statistical survey of pollution prevention and control expenditure issued by the environmental protection agency in 2021, the total amount of pollution prevention and control expenditure in Taiwan in 2020 was about NT \$177.83 billion, an increase of NT \$2.37 billion (+ 1.4%) over the previous year's NT \$175.46 billion. Government departments accounted for NT \$89.24 billion, an increase of NT \$5.17 billion (+ 6.2%) over the previous year; The industrial sector was NT \$88.59 billion, a decrease of NT \$2.8 billion (- 3.1%) over the previous year. Air pollution prevention and control, water pollution prevention and control, and waste disposal account for a relatively high proportion of various pollution prevention and control expenditures. In terms of growth rate, it has a high growth rate in water pollution prevention and waste treatment.

In April 2017, the Taiwan government put forward the "prospective infrastructure design plan", in which "water environment construction" is expected to invest about NT \$250.8 billion in eight years, in order to create a high-quality water environment without water shortage, drinking water, flooding and close to water through inter ministerial integration of resources. Benefiting from the above environmental protection policy adjustment, it will drive the continuous development and growth of the business in Taiwan of the water treatment market.

#### (C) China water treatment market

In order to increase the prevention and control of water pollution, the State Council of the mainland of China issued the "Action Plan for Water Pollution prevention and control" (Water 10) in April 2015, taking

improving the water environment quality as the core, and proposed to comprehensively control the discharge of pollutants, promote the transformation and upgrading of economic structure, and strive to save and protect water resources, and strive to improve the overall water environment quality in China by 2030.

According to the statistics of China's Ministry of housing and urban rural development, with the development of economy, China's wastewater discharge has increased year by year, from 48.03 billion cubic meters in 2016 to 57.736 billion cubic meters in 2020, an increase of 18.95%.

According to the relevant report statistics of China's Ministry of ecology and environment, the ratio of operating income of China's environmental protection industry to GDP exceeded 1% for the first time in 2013, and then continued to grow every year, reaching 1.9 by 2020. However, there is still a considerable gap from the ratio of developed countries to about 3%, indicating that China's environmental protection market will still have a lot of room for development in the future.

Since the 12th Five Year Plan, China has clearly regarded energy-saving and environmental protection industry as a strategic emerging industry, and the government has intensively formulated various environmental protection policies (such as the "water ten items"), which has enabled China's sewage treatment scale to have a certain scale and the sewage treatment capacity to be continuously enhanced.

According to statistics, the market scale of China's water pollution control industry is estimated to grow by 18% from 2020 to 2025.

#### D. Competitive Edge

##### (a) Experienced Management Team

The Company's main management team has been focusing on the water treatment industry for more than 20 years. The employees have accumulated considerable experience in equipment development, equipment integration and environmental engineering technology diagnosis. Meanwhile, the Company is highly sensitive to market strategy and industrial positioning and is able to effectively cooperate with upstream and downstream cooperative manufacturers to provide high-quality equipment and services for fully meeting customer needs.

##### (b) R&D and design capabilities and technical standards

Since its establishment, the Company has been committed to the design of

water treatment equipment, system integration and research and development of water treatment process and technology for a long time. Over the years, due to the continuous emphasis on R & D investment, the company has won a number of invention and utility model patents for the development of water treatment equipment and related processes and technologies. The subsidiary GSD (China) Co.,Ltd. has won the certificate of High Tech Enterprise" jointly issued by the Department of science and technology of Zhejiang Province, the Department of finance, the State Administration of Taxation and the Local Taxation Bureau of China, and has been selected as the "invisible enterprise" of Zhejiang Province in mainland China in 2019 The list of "Champion" cultivation enterprises. At the same time, in 2019, the Company cooperated with National Cheng Kung University of Taiwan to establish "NCKU-GSD Hydrotech Research Center (HTRC)". "Tongji-GSD (China) Research center of Environmental Microbiology" established with Tongji Environmental Research Institute and Zhejiang College of Tongji University respectively. Through industry university cooperation, the Company's technical level can be accelerated. In 2019, the mainland GSD Environmental Technology Co., Ltd. and the Taiwan Branch of GSD Technologies Co.,Ltd. Had been established, and the two sides of the Strait will set up intelligent R&D teams at the same time to advance the Company's competitive advantage of "Equipment + Environmental technology + AIoT".

(c) High brand and technology awareness

The Company has been deeply engaged in water treatment industry in mainland China for many years. Its brand products and technologies are widely used in landmark buildings in mainland China. Since its establishment, the Company has won the awards of "China's top 10 sewage treatment equipment brands", "China's top 50 water treatment enterprises", "China's most valuable environmental protection equipment brand - pump benchmark brand", "Star pump valve enterprise brand" and "sewage treatment equipment and service benchmark enterprise" for many years. Its products and technologies have been well received Besides, GSD (China) Co., Ltd. won the following Awards: Pinghu's "meritorious enterprise" in 2019, green Britain Award - excellent enterprise of environmental IOT technology innovation in 2020, Zhejiang's A-level "contract abiding and credit valuing" enterprise, and was selected into the second batch of "little giant" enterprises. In 2022, it also won the "innovation award of smart water service platform" and established a good brand image in the environmental protection industry. In the second half

of 2020, Taiwan Branch participated in the technical forum held by Taiwan Water Resources Department, environmental protection department, construction department and semiconductor association, which successfully established the name of intelligent water.

(d) Comprehensive product service and complete system integration

In the design of water treatment equipment system, the correct selection of equipment and the planning of appropriate process have great influence on the stable operation of the whole system. The Company has a deep industry background and has been engaged in water treatment for many years. It has the comprehensive professional ability of design, supporting, debugging, system management and technical service, and can effectively integrate all equipment and environmental process. The Company has the ability to provide customized equipment, proposal and transformation scheme and process diagnosis and other value-added services according to the needs of customers. According to the scheme and diagnosis results, the relevant water treatment equipment is sold, and the customer needs are met in all aspects with the advantages of "Equipment + Environmental Process +AIoT".

(e) Complete sales network providing instant after-sale services

China has a vast territory, and the Company's service network is complete, with local branches, district offices and distributors providing instant sales and after-sales services; the Company has a nationwide free consultation phone, which customers inquiries are immediately answered online. Cooperating with dealers, in addition to strengthening marketing capabilities for distributors, the Company will also carry out related training courses such as equipment maintenance and technical consultation to improve service quality and strengthen the trust of products. In 2019 and 2021, the Company established GSD Technologies Co., Ltd Taiwan branch and GSD Enviro Tech (Taiwan) Co., Ltd., provided customers with perfect services in combination with cross teams.

E. Advantages, Disadvantages and Contingency Plans for the Development of the Vision

(1)Favorable Factors

(a)The Global Water Crisis

The water supply crisis is one of the major risks facing the world in the

future, and the risk is increasing year by year. Human will face a decline in freshwater quality and water, and competition for resources such as water, food and energy will be derived. The causes and scope of the water crisis are extensive and interlinked. According to the relevant research reports and warnings issued by the United Nations in recent years, it is indicated that due to global warming, in the short-term, glacial melting will endanger the supply of fresh water in some areas, and the global rainfall intensity will change in the medium and long term. Frequency, increasing opportunities for drought and flooding, countries around the world have invested in water treatment infrastructure and operating expenses to strengthen their ability to manage water resources.

(b)Environmental Protection Policy Actively Promoted by the Chinese Government

With the advancement of the times, countries have paid more and more attention to environmental protection, and environmental regulations have become stricter. In recent years, the environmental regulations and standards related to governments and industries have gradually affected the development direction of the industry.

To properly add force to water pollution prevention and control, the State Council of the People's Republic of China printed the “Water Pollution Prevention & Control Action Plan” in April 2015, taking improving water environment quality as core and proposing an overall control over pollutant discharge, promotion of economic structure transformation and upgrade, and emphasis on conservation and protection of water resources; aimed to obtain a phase improvement on water environment quality in China in 2020. By 2030, the overall quality of China's water environment will be improved and preliminarily restore the functions of the water ecosystem.

According to China's 13th five year plan, by 2020, modern information technology will be applied to strengthen the construction of operation and supervision capacity of urban sewage treatment facilities to form a sewage treatment supervision system. The results of the 13th five year plan show that the expected goal of urban and rural sewage treatment has been achieved, and the Chinese government's attention to environmental protection policies will continue to be upgraded until the 14th five year plan, so as to promote and implement accurate and intelligent pollution control, scientific pollution control and pre-treatment It is estimated that

during the period of the 14th five year plan, the investment in the upgrading and reconstruction of sewage treatment will be increased.

(c) Enhanced ESG awareness

Environmental, social and corporate governance (ESG) has become universal value, and energy conservation and carbon reduction have become the key words of national policies; in September 2020, China proposed carbon neutralization proposal, which is expected to reach peak carbon in 2030 and carbon neutralization in 2060. Therefore, it is expected that energy conservation and carbon reduction will become a major policy in the 14th Five Year Plan period; the mainland will implement emission licensing system comprehensively, and promote emission right, energy use right, water right, carbon In the market-oriented transaction of emission rights, energy conservation and emission reduction will be the constraint index: comprehensively improve the efficiency of resource utilization, promote the total resource management, scientific allocation, comprehensive saving and recycling, and water resources will become rigid constraint indicators. In recent years, due to the climate abnormality caused by the warming of the earth, the difficulty of water resource management around the world has been improved, and the relevant demand is constantly improving, which is conducive to the development of the industry and the Company.

(d) Informatization of environmental protection industry

In the 13th Five Year Plan period, mainland China has achieved the expected goal of promoting pollution prevention and control. During the 14th Five Year Plan period, it will continue to upgrade to the construction of ecological civilization. Relying on information technology, it will promote and implement precise and scientific pollution control. It is estimated that during the 14th Five Year Plan period, the growth of intelligent water related investment will be better than that of the whole industry. The Company has set up intelligent teams in mainland China and Taiwan, and put forward the product line of TO SMART EQUIPMENT+ AIoT PROCESS CONTROL. After many discussions and demonstrations, it has successfully established GSD brand name. The Company proposes to use intelligence as a means, combined with the advantages of equipment and environmental technology, in line with the development trend of precise and scientific pollution control, which will

be conducive to the development of the company's intelligent business.

## (2) Unfavorable Factors

### (a) Increasingly Fiercer Market Competition

Due to the huge potential of water treatment industry, large domestic and foreign companies have entered the Chinese market, and even produced the phenomenon of national (government-owned enterprises and state-owned enterprises) entering and withdrawing from the people, and expanding the competitiveness of the industry. The scale of small and medium-sized water treatment enterprises in mainland China is different, which leads to the large price difference and easy to cause low price competition.

#### Solution :

With the advantages of stable product quality, customized technology, high coordination of delivery time, instant service and high performance, the Company deepens the cooperative relationship with customers to consolidate the source of orders. In addition, the Company also actively participate in R & D and design of water treatment equipment, equipment system integration, application of AIoT and environmental technology services, and diversify its product specifications to expand our product application and service scope, so as to strengthen GSD's competitiveness.

### (b) Increase in Raw Material Cost

The main raw materials of the components purchased by the Company are cast iron, stainless steel and other metal materials. If the international raw materials are in short supply or the price increases, the Company may be adversely affected.

#### Solution :

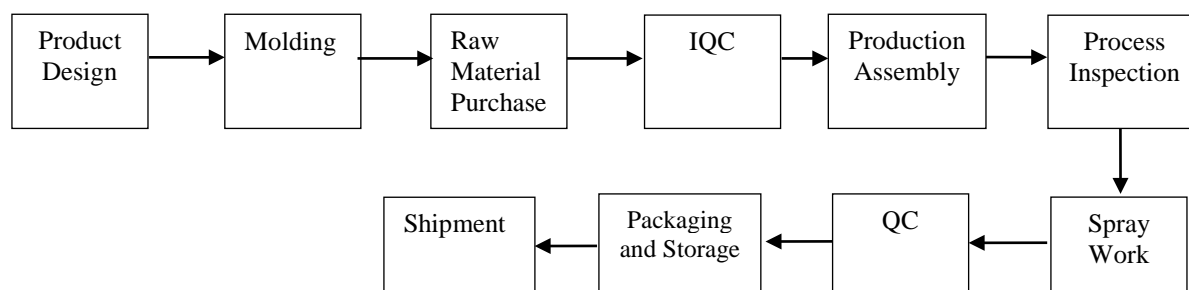
The Company determines the purchase price by signing a long-term contract with the supplier. In addition, the purchaser is required to check the market sale price every month. If the change range between the market quotation and the purchase price meets the negotiated range, the transaction price will be changed through agreement with the supplier. In addition to change the transaction price, the Company will also transfer the price difference to customers by adjusting the sales price to cover the raw material price fluctuation.

### 5.2.2 Usage and manufacturing processes for the Company's main products

#### A. Important Use of the Product

This Company mainly sells and produces environmental protection equipment, and provides related equipment installation and maintenance, environmental technology consulting, engineering design and other services. The main products include pumps, blowers, mixers and other full range of sewage treatment equipment, which are widely applied in sewage treatment in various industries. In addition to environmental protection, our products can also be used for air conditioning, cooling or firefighting equipment.

#### B. Product Production Process



### 5.2.3 Supply situation for the Company's major raw materials

The Company's main production bases are GSD (China)Co., Ltd. Pinghu Plant and GSD Shanghai Yangzhou Plant. This Company maintains a stable and long-term cooperative relationship with main raw material suppliers, and strictly controls quality and delivery to ensure that the main raw materials are supplied without any concern. This Company's main raw materials supply in 2021 is as follows:

Main Raw Materials	Main Suppliers	Supply Status
Motor	P01 company, Yue Fa, TAIBO, ZODA	Good
Body of Water Pump	P08 company , Wuxi shuangjun , Jin Ye, Yi Feng, Shunda	Good
Impeller	Lian Yuan 、Xing Hua LiYun, Guan Hua, Line Electric, Nuo De Mechanical	Good
Blower	Pinghu Hey-Wel, SeAH (Korea), Ya Zhi Jie, Hey-Wel(Taiwan), PM motor	Good
Mixer	P02 company	Good



## 5.2.4 List of any suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the 2 most recent fiscal years

1. The name, total amount and proportion of the supplier who has accounted for more than 10% of the total amount of purchases in one of the two recent years, and explanations for the increase or decrease.

Unit: NTD thousands

Item	2020				2021			
	Name	Amount	Ratio to the all year net purchase%	Relations to the issuer	Name	Amount	Ratio to the all year net purchase%	Relations to the issuer
1	P01 Company	204,310	21.02	None	P01	241,888	20.95	None
2	Pinghu Hey-Wel	167,921	17.28	Related Party (Note)	Pinghu Hey-Wel	141,143	12.23	Related Party (Note)
3	P02 Company	125,391	12.90	None	P02	124,885	10.82	None
	Others	474,196	48.80		Others	241,888	56.00	
	Net Purchase	971,818	100.00		Net Purchase	1,154,361	100.00	

Note: Chairman of Pinghu Hey-Wel is the juristic director's representative of this Company.

The Company's net operating revenue in 2021 is NT\$1,960,518 thousands, an increase of about 6.16% compared with NT\$1,846,674 thousands in 2020. Among the main suppliers, P01 company is the main motor supplier, and Pinghu Hei Wei is the main supplier of Roots blower. P02 company is the main supplier for mixer. Due to the trend of energy saving and carbon reduction, the sales volume of traditional Roots fans with poor energy efficiency declined slightly, which reduced the purchase amount from Pinghu Heiwei. The proportion and amount of purchase from the other two major suppliers have not changed much in the past two years.

2. Names of customers who have accounted for more than 10% of total sales in any of the last two years, their sales amount and proportion, and reasons for their increase or decrease:

The Company's sales customers are scattered and have not sold to the same customer for more than 10% of the total sales in the past two years.

### 5.2.5 Indication of the production volume for the 2 most recent fiscal years

Unit: PCS (pieces); NTD thousands

Main Products \ Year	2020			2021		
	Production Capacity	Production Quantity	Production Output	Production Capacity	Production Quantity	Production Output
Water Pump	Not Applicable	44,476	520,624	Not Applicable	42,385	581,149
Blower		308	21,951		177	12,589
Mixer		-	-		-	-
Others		40,053	80,934		36,566	91,563
Total		84,837	623,509		79,128	685,301

Note: The production of the Company is mainly based on assembly, and all kinds of products can be flexibly produced, therefore calculation of the production capacity of a single product cannot be calculated. Among the products sold by the Company, OEM model is mainly performed for blowers production, with less on-site production, and production of mixers is mainly outsourced.

In the Company's sales in 2021, the water pump decreased by about 0.71%, with little difference. The production quantity of water pump decreased, but the output value increased compared with 2020, mainly due to the impact of inflation and the increase of raw material cost. The Company's blower products are mainly outsourced. Submersible blowers are still produced for customers before April 2020, but not in 2021, so the output quantity and value decreases at the same time. The output quantity of other products decreased and the output value increased, mainly due to the increase of cost caused by inflation and the impact of product portfolio changes.

### 5.2.6 Indication of the volume of units sold for the 2 most recent fiscal years

Unit: Thousand PCS (Pieces); NTD thousands

Year	2020				2021			
	Export Sales		Domestic Sales		Export Sales		Domestic Sales	
Main Products	Q'ty	Value	Q'ty	Value	Q'ty	Value	Q'ty	Value
Water Pump	4,386	64,597	41,584	1,074,074	4,234	63,128	38,610	1,067,409
Blower	213	9,255	3,718	304,242	123	6,382	3,091	296,389
Mixer	124	6,269	2,646	193,328	133	6,974	2,256	188,197
Others	26,364	37,400	124,101	157,509	22,481	35,974	179,302	296,065
Total	31,087	117,521	172,049	1,729,153	26,971	112,458	223,259	1,848,060

The net operating income of the Company in 2021 was NT\$1,960,518 thousands, an increase of about 6.16% over the net operating income of NT\$1,846,674 thousands in 2020, of which the domestic sales mainly in China and Taiwan

increased by about 6.87% and the foreign sales mainly in Southeast Asia decreased by 4.31%. Compared with 2020, there is little difference in the domestic sales amount of water pumps in 2021, with blowers decreasing by 2.59% and mixers decreasing by 2.66%; Other categories increased by 87.96%, which was mainly due to the increase of project income in Taiwan by about NT\$50,500 thousands and the increase of sales of other equipment. In the amount of export sales in 2021, the water pump decreased by 2.28%, the blower decreased by 31.05%, the mixer increased by 11.24% and others decreased by 3.82%. The overall shipment in Southeast Asia was affected by the epidemic, especially the closure of Vietnam. Among them, the blowers decreased more, which was due to the large amount of individual cases in 2020.

### 5.3. Human Resources

The number of employees employed for the 2 most recent fiscal years, and the current fiscal year up to the date of publication of the annual report.

Year		2020	2021	Mar.31,2022
Number of Employees	Administration and sales personnel	340	348	349
	R&D personnel	52	57	56
	Production personnel	165	149	148
	Total	557	554	553
Average Age		36.26	38.24	37.92
Average Years of Service		7.68	8.74	8.82
Distribution of Education Background (Credential)	PhD	0.36%	0.36%	0.36%
	Master	2.87%	3.07%	3.07%
	Bachelor	61.58%	65.70%	65.29%
	High School	23.34%	21.84%	22.06%
	Below High School	11.85%	9.03%	9.22%

### 5.4. Environmental Protection Expenditure

In the most recent year and up to the date of publication of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, and shall list the date of punishment, the number of the punishment letter, the provisions of the statute violation, the content of the statute violation, and the content of punishment) and disclose the current and future estimated loss or expenditure and their corresponding measures, if it is impossible to reasonably estimate, it shall explain the fact that it cannot be reasonably estimated): None

## **5.5. Labor Relationship**

### **5.5.1 List the company's employee welfare measures, training, retirement systems and their implementation, as well as agreements between labor and management and various employee rights protection measures**

#### **A. Employee welfare measures**

The main operating individuals of the Company are the actual operating companies in mainland China. All employees of the Company pay social security and provident fund in accordance with the law. A labor union is established in accordance with the law. The labor union is responsible for providing and implementing various welfare measures for employees, including subsidies, education and training for birthdays, weddings and funerals. In addition, the company also provides travel subsidies, and encourages employees to participate in in-factory skill competitions and out-of-factory skill tests to strive for self-realization. Taiwan branch and subsidiary's employees also enjoy labor insurance and health insurance in accordance with the law, the company subsidizes weddings and funerals, three festival bonuses and other benefits. In addition to salaries, all employees of Taiwan and Mainland China have performance bonuses and year-end bonuses. They also have health checks and commercial insurance according to their duties and functions, and can participate in the subscription of company shares in accordance with regulations.

#### **B. Further study and training**

Each department of the Company's major operating enterprises has an annual training plan. Through the review process of the annual plan, the gap of staff's manpower and ability is checked, so as to formulate corresponding training courses, and through the implementation of the plan, to provide systematic training for staff, so as to improve staff's quality and working skills, and strengthen work efficiency and quality. The Company's altruistic spirit, to build a sound training system. It includes the soft culture system: the Company's mission, vision, culture, business philosophy, etc.; the general manager publishes an experience sharing article every week, the management department publishes the company's periodical from time to time, each department sets up a complete training course and film on the internal network, and the staff can independently study and leave assessment records as the basis for

promotion. The Company's vision for its employees is "a wonderful career, a complete life". The Company expects all employees to achieve extraordinary career.

#### C. Retirement system and its implementation

The retirement system of the Company's major operating business shall be handled in accordance with local laws and regulations. The Company's main operating business is located in China. It pays social insurance (including pension, unemployment, medical treatment, maternity and work-related injury) for its employees in accordance with the social insurance law of the people's Republic of China. The employees receive retirement allowance in accordance with the law when they retire at the age of one year, and the retired reemployed personnel are insured with commercial insurance. The ratio and standard of endowment insurance payment of subsidiaries in China are as follows:

GSD (China) Co., Ltd. and GSD Environmental Technology Co., Ltd.

Endowment Insurance	Basic Insurance	
	Individual	The Company
Payment Ratio	8%	14%/16% (Note)
Payment Base	Average monthly salary of employees in the previous year	

Note: According to the regulations of the location of the branch, the endowment insurance allocation ratio is 16% in Suzhou / Beijing / Qingdao / Shanghai Branch, and 14% in GSD (China), CYHK and Guangzhou branches. From 2022, the provision ratio of GSD (China), CYHK and Guangzhou branches will be adjusted to 15%, and it is expected to increase to 16% from 2023.

Shanghai GSD Industrial Co., Ltd

Endowment Insurance	Basic Insurance	
	Individual	The Company
Payment Ratio	8%	16%
Payment Base	Average monthly salary of employees in the previous year	

#### D. Labor-management coordination and various employee rights measures

The Company has always attached great importance to the rights and

interests of its employees. In addition to the relevant work rules prescribed by law to clearly regulate the working conditions, employees can reflect their opinions at any time through meetings, e-mails or mailboxes. The general manager's office conducts an annual employee satisfaction survey, formulates and adjusts relevant policies based on the survey results, and the labor-management communication channel is smooth. As of the publication date of the annual report, there have been no major labor disputes.

**5.5.2 State the losses suffered by labor disputes in the most recent year and up to the date of publication of the annual report, and disclose the estimated amount and corresponding measures that may occur at present and in the future. If it is unable to reasonably estimate, it shall state the fact that it is unable to reasonably estimate.**

The Company's labor relations are harmonious, and the company always respects the opinions of its colleagues. Employees can reflect their opinions at any time through complaint telephone, fax or email. The labor communication channel is unimpeded, so no major labor disputes have occurred so far.

**5.6. Information security management**

**5.6.1 Information security risk management framework, policies, specific management plans and resources invested in information security management, etc.**

**A. Risk Management Framework**

The authority and responsibility unit of the Company's information security risk management is the information division of the management department, which sets up an information supervisor and professional information personnel to be responsible for formulating the Company's internal information security policy, planning, promotion and implementation of information security policy, etc. The Company has formulated relevant regulations for information security, and through annual review and evaluation of its safety regulations and procedures to ensure appropriateness and effectiveness on information security.

**B. Information security policy**

**Regulation establishment:**

formulate information security management regulations and standardize information security management measures.

Software and hardware construction:

Build information security-related software and hardware equipment.

Personnel training:

Establish the awareness of information security of all colleagues.

C. Specific management measures

- (1) The information equipment shall be managed by the administrative department, and the fixed assets shall be checked regularly every year.
- (2) All the computers of the company are installed with anti-virus software, and the virus code is updated regularly.
- (3) Establish the "information system data backup and restore plan", and the system will automatically backup day by day, and there is a remote backup mechanism to ensure the normal operation of the information system and the integrity of data preservation, and reduce the risk of data loss caused by natural or man-made disasters without warning. The information division conducts a system restoration test once a year.
- (4) All information systems of the company adopt account management. Data access and application must be in accordance with the signing and approval process and can only be used and changed after being approved by the competent director; Each information system requires users to change their passwords regularly to maintain account security. When an employee's job or department changes, the account permissions are updated synchronously.
- (5) Establish "information system management measures" to standardize the handling procedures of asset security events to avoid the expansion of injury. If virus intrusion or virus mail is detected, an announcement shall be immediately issued on the employee information platform to prevent employees from opening virus mail or links by mistake.
- (6) The heads of all departments shall supervise the implementation of information security and strengthen the employee's information security awareness. The information division also regularly publicizes common phishing websites and extortion virus techniques to employees.
- (7) Network managers should always pay attention to information security and changes in network equipment, review and adjust firewall settings and adjust system access permissions to reflect the latest situation. A network warning system shall be established to give an immediate warning in case of abnormal conditions at important network endpoints, so that network management personnel can take effective preventive measures in case of specific abnormal events.

D. Resources invested in information security

In 2021, the Company expensed NT\$526 thousands in software and hardware related to information security.

### 5.6.2 As of the publication date of the annual report, the possible impacts and countermeasures suffered due to major information security incidents:

In the most recent year and up to the date of publication of the annual report, the Company has not had any major information security incidents.

### 5.7. Important Contracts

Supply and marketing contracts, technical cooperation contracts, project contracts, long-term loan contracts, and other important contracts that are still valid and mature in the most recent year and are sufficient to affect the rights and interests of investors:

Agreement	Country Party	Period	Main Contents	Restriction
Supply Agreement	Shanghai Teco Motor Limited	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Supply Agreement	Pinghu Hey Wel Machine Limited	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Supply Agreement	Nanjing Beite Environmental Protection GE Manufacture Co., Ltd	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Project agreement	Jujiang Construction Group	2020/10/13~completed	Pinghu phase II plant project contract	None
Project agreement	Jiangsu Hanjian Group Co., Ltd	2021/10/13~completed	GSD Enviro Tech (Yangzhou) project contract	None
Investment agreement	Pinghu Economic-Technological Development Zone Management Committee	From October 3, 2019	Agreement on land investment of Pinghu phase II	None
Investment agreement	Yangzhou Beishan (automobile) Industrial Park Management Committee	From December 10, 2020	Agreement on land investment of Yangzhou new factory	None
Investment agreement	Yuh Shan Environmental Engineering Co., Ltd.	From March, 19, 2021	Agreed matters related to investment in Yuh shan environment	None
Loan contract	CTBC Commercial Bank	2021/12/24~2022/11/30	The rights and obligations of using loan line	None
Loan contract	Cathay United Commercial Bank	2021/05/16~2022/05/16	The rights and obligations of using loan line	None
Mortgage contract	Bank of Communications Jiaxing Pinghu Branch	2019/08/08~2022/08/08	The real estate content and the maximum amount of creditor's rights and related rights and obligations of the agreed mortgage guarantee	None



## VI. Overview of the Company's Financial Status

### 6.1. Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet and Comprehensive income statement

##### A. Consolidated Balance Sheet

Unit: NTD thousands

Year Items		Financial Information in the Recent 5 Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		1,117,321	1,413,444	1,505,395	1,639,692	1,901,175
Property, Plant and Equipment		147,504	134,688	160,819	171,867	278,667
Intangible Assets		53,240	56,189	55,401	57,179	55,850
Other Assets		76,443	106,983	147,466	145,365	282,941
Total Assets		1,394,508	1,711,304	1,869,081	2,014,103	2,518,633
Current Liabilities	Before Distribution	597,468	498,539	554,143	649,259	657,104
	After Distribution	687,599	627,739	707,143	800,009	(Note 2)
Non-Current Liabilities		36,957	40,744	72,690	75,191	379,466
Total Liabilities	Before Distribution	634,425	539,283	626,833	724,450	1,036,570
	After Distribution	724,556	668,483	779,833	875,200	(Note 2)
Equity attributable to owners of the parent		760,083	1,172,021	1,228,639	1,279,749	1,482,063
Ordinary shares		300,000	340,000	340,000	340,000	370,000
Capital surplus		262,254	531,555	531,555	531,555	651,213
Retained Earnings	Before Distribution	243,874	367,415	469,120	535,478	598,141
	After Distribution	153,743	238,215	316,120	384,728	(Note 2)
Other Equity		(46,045)	(66,949)	(112,036)	(94,426)	(104,433)
Treasury Shares		-	-	-	(32,858)	(32,858)
Non-controlling Equity		-	-	13,609	9,904	-
Total Equity	Before Distribution	760,083	1,172,021	1,242,248	1,289,653	1,482,063
	After Distribution	669,952	1,042,821	1,089,248	1,138,903	(Note 2)

Note 1 : The consolidated financial information from 2017~2021 are audited by CPAs.

Note 2 : Distribution of 2021 earnings pending resolutions from the meeting of shareholders.

## B. Consolidated Income Statement

Unit: NTD thousands

Item \ Year	Financial Information in the Recent 5 Years (Note)				
	2017	2018	2019	2020	2021
Operating Revenue	1,622,684	1,867,639	1,992,051	1,846,674	1,960,518
Gross Profit	635,387	739,292	771,093	739,951	751,949
Operating Income	189,557	263,642	240,532	262,105	203,227
Non-Operating Income and Expenses	13,199	16,857	42,099	28,844	52,899
Pre-Tax Income	202,756	280,499	282,631	290,949	256,126
Net profit before tax of Continued Business	144,433	213,672	227,154	215,511	212,274
gain(loss) from discontinued operations	-	-	-	-	-
Net Income	144,433	213,672	227,154	215,511	212,274
Other comprehensive income and loss	(6,191)	(20,904)	(45,087)	17,752	(10,089)
Total comprehensive income and loss for the year	138,242	192,768	182,067	233,263	202,185
Net profit attributable to Owners of the Company	144,433	213,672	230,905	219,358	215,623
Net profit attributable to Non-controlling equity	-	-	(3,751)	(3,847)	(3,349)
Total comprehensive income and loss to: Owners of the parent company	138,242	192,768	185,818	236,968	205,616
Total comprehensive income and loss to: Non-controlling equity	-	-	(3,751)	(3,705)	(3,431)
EPS	4.81	6.86	6.79	6.52	6.30

Note: The consolidated financial information from 2017~2021 are audited by CPAs.

### 6.1.2 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPAs	Audit Opinion
2017	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2018	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2019	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2020	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2021	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions

## 6.2. Five-Year Financial Analysis

### 6.2.1 Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial Structure%	Debt Ratio	45.49	31.51	33.54	35.97	41.16
	Ratio of long-term capital to property, plant and equipment	540.35	900.43	817.65	794.13	668.01
Solvency%	Current ratio	187.01	283.52	271.66	252.55	289.33
	Quick Ratio	161.43	241.39	243.07	229.39	257.61
	Interest earned ratio (Times)	3,073.06	158.05	305.23	312.84	98.02
Operating performance	Average Collection Turnover (Times)	4.89	4.54	4.45	4.29	4.45
	Average Collection Days	75	80.4	82	85	82
	Average Inventory Turnover (Times)	7.80	6.93	7.30	8.20	9.41
	Average Payables Turnover (Times)	3.62	3.96	4.36	3.38	3.36
	Average Inventory Turnover Days	47	53	50	45	39
	Property, Plant and Equipment Turnover Rate (Times)	10.61	13.24	13.48	11.1	8.7
	Total Asset Turnover Rate (Times)	1.31	1.2	1.11	0.95	0.87
Profitability	Return on Total Assets (%)	11.63	13.86	12.73	11.14	9.47
	Return on Equity (%)	20.43	22.12	18.82	17.02	15.32
	Per-Tax Income to paid in capital (%)	67.59	82.5	83.13	85.57	69.22
	Profit ratio (%)	8.90	11.44	11.40	11.67	10.83
	Earnings per share (NT\$)	4.81	6.86	6.79	6.52	6.3
Cash Flow	Cash Flow Ratio (%)	17.68	21.74	83.21	69.58	4.66
	Cash Flow Adequacy Ratio (%)	266.33	168.34	198.68	224.25	138.29
	Cash Re-Investment Ratio (%)	7.81	1.33	22.4	19.36	(5.84)
Leverage	Operating Leverage	1.97	1.68	1.90	1.68	1.9
	Financial Leverage	1.00	1.01	1.00	1.00	1.01

Reasons for changes in financial ratios in the last two years :

1. Interest earned ratio→ In 2021, because of the issuance of convertible bonds, the Company recognized interest expenses of approximately NT\$1,509 thousands for amortization of corporate bonds discount, resulting in an increase of 183% in interest expenses compared with 2020, thus reducing the interest earned ratio.
2. Property, Plant and Equipment Turnover Rate→ In 2021, due to the simultaneous investment in the construction of the Pinghu Phase II plant, the purchase of equipment and the construction of the new plant in Yangzhou, the unfinished construction and the equipment to be inspected increased by 502% compared with 2020, resulting in a decrease in the turnover rate of property, plant and equipment.
3. Cash Flow Ratio→ The net cash flow from operating activities in 2021 decreased by 93% compared with 2020. The reasons for the decrease in net cash flow from operating activities are analyzed as follows :
  - (1) Pre-Tax Income decline : The 15% increase in operating expenses in 2021 is mainly due to the fact that in 2020, the Chinese government reduced social security expenses borne by enterprises due to the epidemic of approximately NT\$33,460 thousands. No social security reduction in 2021, resulting in an increase in operating expenses. In addition, R&D expenses also increased by approximately NT\$20,085 thousands.
  - (2) Inflow from receiving account receivable decline : The balance of accounts receivable and bills at the beginning of

2020 was relatively high, which led to a larger inflow in 2020, but there was no such situation in 2021, resulting in a 220% decrease in inflow from receiving account receivable in 2021 compared with 2020. There has been no significant change in the terms of payment from customers.

(3)Inventory balance increase : In 2021, there was shortage of raw materials and material prices rose. In order to maintain stable shipments, the Company increased the inventory stock, resulting in an increase in inventory balance.

(4)Inflow from financial assets at amortized cost decline : Due to no purchase or discharge of China financial management product.

4. Cash Flow Adequacy Ratio/Cash Re-Investment Ratio→The decrease in Net cash flow from operating activities in 2021, and the increase of capital expenditure by 172% due to the construction of the Pinghu Phase II plant, the purchase of equipment and the construction of a new plant in Yangzhou in 2021, resulting in a decline in cash flow adequacy ratio and cash re-investment ratio.

Note 1: Financial Analysis Ratio takes the consolidated financial report audits or certified and attested by CPAs as calculation basis

Note 2: Calculation Formula of each financial ratio come as follows:

1. Financial Structure

(1)Debt Ratio=Total Amount of Debt/Total Amount of Assets

(2)Long-Term Fund to Property, Plant and Equipment Ratio=(Total Amount of Equity+ Non-Current Debts)/Net Value of Property, Plant and Equipment

2. Solvency

(1)Working Capital Ratio=Current Asset/Current Debt

(2)Quick Ratio=(Current Asset – Inventory – Prepayment for Purchases)/Current Debt

(3)Interest earned ratio (Times)=Earnings before income tax and interest expenses/interest expenses for the current period

3. Operating Performance

(1)Average Collection(including accounts receivable and notes receivable incurred in business activities)Turnover=Net Sales/balance of average collection turnover in each period (including accounts receivable and notes receivable incurred in business activities)

(2)Average Collection Days=365/Average Collection Turnover

(3)Average Inventory Turnover=Sales Cost/Average Inventory

(4)Accounts Payable Turnover Rate(including accounts receivable and notes receivable incurred in business activities)=Sales Cost/Balance of Average Accounts Payable in Each Period(including accounts receivable and notes receivable incurred in business activities)

(5)Average Turnover Days=365/Inventory Turnover

(6)Property, Plant and Equipment Turnover Rate=Net Sales/Net Average of Property, Plant and Equipment

(7)Total Asset Turnover Rate=Net Sales/Total Amount of Average Asset

4. Profitability

(1)Return on Total Assets=[Profit and Loss after Tax + Interest Expense×(1 – tax rate)]/Total Amount of Average Asset

(2)Return on Equity=Profit and Loss after Tax/Total Amount of Average Equity

(3)Net Profit Margin=Profit and Loss after Tax/Net Sales

(4)Income before Tax to Paid-In Capital Ratio=Income before Tax /Amount of Paid-In Capital

(5)EPS=Profit or Loss Attributed to Stockholders of this Company) – Dividend of Preferred Shares)/weighted Average of Issued Shares

5. Cash Flow

(1)Cash Flow Ratio=Net Cash Flow in Business Activities/Current Debt

(2) Cash Flow Adequacy Ratio =  $\frac{\text{Net Cash Flow in Business Activities in recent 5 years}}{\text{recent 5 years}(\text{Capital Expense} + \text{Increase in Inventory} + \text{Cash Dividend})}$

(3) Cash Reinvestment Ratio =  $\frac{(\text{Net Cash Flow in Business Activities} - \text{Cash Dividend})}{(\text{Gross of Property, Plant and Equipment} + \text{Long-Term Investment} + \text{Other Non-Current Assets} + \text{Operating Funds})}$

6. Leverage

(1) Operating Leverage =  $\frac{(\text{Net Operating Revenue} - \text{Variable Operating Cost and Expense})}{\text{Operating Profit}}$

(2) Financial Leverage =  $\frac{\text{Operating Profit}}{(\text{Operating Profit} - \text{Interest Expense})}$

### **6.3. Supervisors' or Audit committee's Report in the Most Recent Year**

#### **GSD Technologies Co., Ltd. Audit Committee's Review Report**

The Board of Directors hereby submits tabulations of this Company's 2021 business report, consolidated financial statements and earning distribution proposal audited and attested by independent certified public accountants Mr. Yao-Lin Huang and Mei-Hui Wu. of Deloitte & Touche Taiwan. All tabulations have been reviewed by the audit committee and all are produced complying the relevant laws, therefore this report is prescribed in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of this Company Act. For your approval.

**Hereby presented to  
GSD Technologies Co., Ltd. 2022 Annual Shareholders' Meeting**

**GSD Technologies Co., Ltd.**

**Convener of Audit Committee:  
Chang, Yuan-Lung**

**Feb. 25, 2022**

**6.4. Financial statement for the most recent fiscal year**

Financial statement for the most recent fiscal year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices: please refer to Appendix 1.

**6.5. The audited individual financial statements for the most recent year**

The individual financial statement for the most recent fiscal year, certified by a CPA, but not including the statements of major accounting items: Not Applicable.

**6.6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2021 and as of the date of this annual report: None.**

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1. Analysis of Financial Status

Unit: NTD thousands

Items	2020	2021	Difference	
			Amount	%
Current Asset	1,639,692	1,901,175	261,483	15.95
Investments accounted for using the equity method	-	119,684	119,684	100.00
Property, plant and equipment	171,867	278,667	106,800	62.14
Intangible assets	57,179	55,850	(1,329)	(2.32)
Other assets	145,365	163,257	17,892	12.31
Total Assets	2,014,103	2,518,633	504,530	25.05
Current Liabilities	649,259	657,104	7,845	1.21
Non-Current Liabilities	75,191	379,466	304,275	404.67
Total Liabilities	724,450	1,036,570	312,120	43.08
Capital Stock	340,000	370,000	30,000	8.82
Additional Paid-In Capital	531,555	651,213	119,658	22.51
Retained Earnings	535,478	598,141	62,663	11.70
Other Equity	(94,426)	(104,433)	(10,007)	10.60
Treasury stock	(32,858)	(32,858)	-	-
Equity Attributed to owners of the Company	1,279,749	1,482,063	202,314	15.81
Non-Controlling Interests	9,904	-	(9,904)	(100.00)
Total shareholders' equity	1,289,653	1,482,063	192,410	14.92
Analysis and explanations of the changes of more than 20% whose amount reaches NTD 10 million in the most recent two fiscal years:				
1. The reason and effect of change on major items:				
(1) Investments accounted for using the equity method : Due to the acquisition of Yuh Shan Environmental Engineering Co., Ltd. shares.				
(2) Property, plant and equipment : Due to the investment in the construction of the Pinghu Phase II plant, the purchase of equipment and the construction of the new plant in Yangzhou.				
(3) Total Asset : Total assets increased by 25.05% due to the increase in investments accounted for using the equity method and property, plant and equipment.				
(4) Non-Current Liabilities/Total Liabilities : Due to the issuance of convertible bonds in 2021, resulting in bond payable amount increased NT\$289,287 thousands.				



2. If the effect is significant, the future plan should be explained

The above changes have no significant adverse effect on the Company, and there is no significant abnormality in the overall performance of the Company, so it is unnecessary to draw up a contingency plan.

## 7.2. Analysis of Operation Result

### 7.2.1 Financial Performance Comparison and Analysis Table

Unit: NTD Thousands

Item	2020	2021	Difference	
			Amount	%
Net Operating Revenue	1,846,674	1,960,518	113,844	6.16
Operating Cost	1,106,723	1,208,569	101,846	9.20
Operating Margin	739,951	751,949	11,998	1.62
Operating Expense	477,846	548,722	70,876	14.83
Other Profit and Net Expense and Loss	-	-	-	-
Operating Net Profit	262,105	203,227	(58,878)	(22.46)
Non-Operating Income and Expense	28,844	52,899	24,055	83.40
Income from continuing operations before income tax	290,949	256,126	(34,823)	(11.97)
Expense of Income Tax	(75,438)	(43,852)	31,586	(41.87)
Net Profit after Tax	215,511	212,274	(3,237)	(1.50)

Analysis and explanations of the changes of more than 20% whose amount reaches NTD 10 million in the most recent two fiscal years:

- (1) Operating Net Profit : In 2021, the gross profit margin decreased, resulting from raw material price raising, operating expense increased by NT\$70,876 thousands compared with 2020, resulting from the reduction/ exemption of social insurance expense about NT\$33,460 thousands caused by China governance's epidemic subsidy measures, and R&D expense increased by NT\$20,085 thousands, resulting in the operating net profit decreased 22.46% compared with the last year.
- (2) Non-Operating Income and Expense : Non-operating income and expenses in 2021 increased by NT\$24,055 thousands compared with 2020, mainly due to (a) Share of profit of associates and joint ventures accounted for using equity method increased by NT\$11,684 thousands caused by the investment of Yuh Shan Environmental Engineering Co., Ltd., (b) Government subsidy income increased by NT\$17,570 thousands, (c) Loss on financial instruments as fair value through profit or loss increased by NT\$6,452 thousands caused by the issuance of convertible bonds.
- (3) Expense of Income Tax : 2021 income tax expenses decreased by NT\$31,586 thousands compared with 2020, mainly due to (a) The income tax benefit of NT\$ 20,316 thousands generated by subsidiary of GSD-BVI surplus capital increase or

reinvestment in domestic enterprises in 2021. (b)The decrease in pre-tax net profit of enterprises in mainland China in 2021.

### 7.2.2 Expected Sales Volume and its Accordance

The main business entities of GSD are GSD (China) Co., Ltd. and Shanghai GSD Industrial Co., Ltd., which are mainly engaged in the manufacturing and sales of environmental protection equipment and provide relevant technical services. According to past experience, about 90% of the Company's operating revenue comes from domestic sales in China. China's environmental protection market has always been well developed due to policy support. 2021 is the first year of the 14th five year plan and the beginning of the construction of ecological civilization in mainland China. Mainland China has announced the goal of carbon peak and carbon neutralization to the whole world. It is estimated that the energy saving and consumption reduction of 250 million tons of sewage treatment plants during the 14th Five Year Plan period will be a huge market combined with the policy requirements of carbon emission, which is more confirmed this industry development direction of precise and scientific pollution control. According to the historical data of the company's operating revenue in the past year, with reference to the development trend of the future economic environment and the future forecast of the industry, the company expects that the sales volume and revenue in the next year will remain cautiously optimistic. In the future, we will continue to deepen the operation management and reasonable cost control of the subsidiaries, so as to promote the Company's business growth and improve its profitability.

## 7.3. Analysis of Cash Flow

Analysis of the changes in cash flow in the recent year, improvement plan for insufficient liquidity and analysis of cash flow in the next year.

### 7.3.1 Cash Flow Analysis for the Recent Years

Item	2020	2021	Difference	
			Amount	%
Cash Inflow by Operating Activities	451,724	30,627	(421,097)	(93.22)
Cash Inflow (Outflow) by Investment Activities	(15,100)	(237,606)	(222,506)	1,473.55
Cash Inflow (Outflow) by Fundraising Activities	(187,615)	285,895	473,510	(252.38)

Description of major changes (changes in the previous and future periods are more than 50% and the amount of changes is more than 5% of the paid in capital):

(1)The decrease in cash inflow from operating activities is mainly due to the following four reasons : (a)Pre-Tax Income decline : The 15% increase in operating expenses in 2021 is mainly due to the fact that in 2020, the Chinese government reduced social security expenses borne by enterprises due to the epidemic of approximately NT\$33,460 thousands. No social security reduction in 2021, resulting in an increase in operating expenses. In addition, R&D expenses also increased by approximately NT\$20,085 thousands. (b)Inflow from receiving account receivable decline : The balance of accounts receivable and bills at the beginning of 2020 was relatively high, which led to a larger inflow in 2020, but there was no such situation in 2021, resulting in a 220% decrease in inflow from receiving account receivable in 2021 compared with 2020. There has been no significant change in the terms of payment from customers. (c)Inventory balance increase : In 2021, there was shortage of raw materials and material prices rose. In order to maintain stable shipments, the Company increased the inventory stock, resulting in an increase in inventory balance. (d)Inflow from financial assets at amortized cost decline : Due to no purchase or discharge of China financial management product.

(2)The increase in cash outflow from investment activities is mainly due to the construction of the Pinghu Phase II plant, the purchase of equipment, the construction of the new plant in Yangzhou and the investment of Yuh Shan Environmental Engineering Co., Ltd.

(3)The increase in cash inflow from financing activities is mainly due to (a)The Company issued convertible bonds and increase cash capital in 2021, which increased cash inflow by NT\$458,016 thousands. (b)The repayment of bank borrowings increased the net cash outflow by NT\$11,000 thousands compared with 2020. (c)The purchase of non-controlling equity interests increased the cash outflow by NT\$8,683 thousands. (d)The repurchase of treasury shares in 2020, and there is no repurchase in 2021, so the cash outflow would be reduced by NT\$32,858 thousands.

### **7.3.2 Rectification plans for liquidity shortages**

The Company's business is in the growth and profit-making stage, and the demand for working capital is increasing, but the Company has sufficient capital and no lack of liquidity.

### 7.3.3 Analysis on the Cash Liquidity in the next year

Unit: NTD thousands

Beginning Cash Balance	Estimated cash inflow from operating activities for the entire year	Estimated cash outflow for the entire year	Estimated Amount of Cash Balance (Deficiency)	Compensation Measures under deficiency in estimated cash balance	
				Investment Plans	Financial Management Plans
1,202,548	1,837,794	(2,198,978)	841,364	—	—
<p>1. Analysis of expected changes in cash flows in 2021:</p> <p>(1) Cash inflow from operating activities: mainly from cash inflow of business income.</p> <p>(2) Cash outflow: mainly used for operating expenses, construction of plant, purchase of machinery and equipment.</p> <p>2. Remedial measures and liquidity analysis of expected cash shortage: not applicable.</p>					

### 7.4. Major Capital Expenditure Items

In 2021, the Company spent a total of NT\$137,348 thousands on the construction of the Pinghu Phase II plant and equipment and the new plant in Yangzhou, and invested a total of NT\$108,000 thousands in Yuh Shan Environmental Engineering Co., Ltd. Most of the above expenses were raised through the issuance of convertible bonds and cash capital increase. In terms of the benefits of capital expenditure, due to the investment in Yuh Shan Environmental Engineering Co., Ltd., the share of profit of associates and joint ventures accounted for using equity method recognized in 2021 amounted to NT\$11,684 thousands, and the benefits of the investment are gradually emerging. The construction of the Pinghu Phase II plant and the new plant in Yangzhou are expected to be completed in 2022. After the Pinghu Phase II plant starting operation, it would drive the Company's revenue growth.

### 7.5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

#### 7.5.1 The Company's Re-Investment Policy

Re-investment policy of GSD is based on the core business considerations. In China, the Company focuses on the water treatment field of environmental protection market. In Taiwan, the Company takes smart water affairs as the development strategy. However, the water treatment market in Taiwan is relatively small, so it is expected to use intelligence (AIoT) as the technology

foundation, by developing smart water affairs and involving into other environmental protection fields or the field of circular economy to expand AIoT technology usage scope. Therefore, in 2021, the Company's board of directors resolved to invest in Yuh Shan Environmental Engineering Co., Ltd., who is mainly engaged in soil remediation, biological waste treatment and other environmental protection fields. The Company could assist Yuh Shan to improve equipment efficiency with intelligent technology, and can also cooperate to expand business in China market to achieve the purpose of decentralizing the market and diversifying operations. Investing in Yuh Shan is in line with the Company's long-term development strategy.

Among the investment companies, except for CYHK, which suffered losses during the start-up period, all other investment companies were profitable. The Company has formulated "Investment Cycle", "Procedures for financial business between related enterprise groups", "Rules for supervision and management subsidiaries" and "Regulations Governing the Acquisition and Disposal of Assets", etc. and any relevant investment plan will be handled in accordance with the aforementioned rules and measures.

#### 7.5.2 Main Reasons of Profit or Loss in the Re-Investments in the Most Recent Year and Rectification Plans

Unit: NTD thousands

Invested Company	Direct (Indirect) Shareholding Ratio	Recognized Investment Profit or Loss in the Most Recent Year	Reasons for Profit or Loss	Rectification Plans
Chuan Yuan Hydraulic Engineering Co., Ltd.	100%	257,520	Great Operation Status	NA
GSD Enviro Tech (Taiwan) Co., Ltd.	100%	2,675	It is established on 2021/2/1, mainly to undertake the business of the Taiwan branch, and the current operating conditions are acceptable.	NA
Yuh Shan Environmental Engineering Co., Ltd.	23.53%	11,684	Great Operation Status	NA
GSD (China) Co., Ltd.	100%	265,697	Great Operation Status	NA
Shanghai GSD Industrial Co., Ltd.	100%	25,219	Great Operation Status	NA
GSD Environmental Technology Co., Ltd	100%	(5,739)	It is a newly established subsidiary in 2019,	In the future, it will actively

Invested Company	Direct (Indirect) Shareholding Ratio	Recognized Investment Profit or Loss in the Most Recent Year	Reasons for Profit or Loss	Rectification Plans
			resulting in losses during the period of start-up.	explore the market to improve the loss situation.
GSD Enviro Tech (Yangzhou) Co., Ltd.	100%	78	It was approved for establishment on 2020/12/29, the factory is currently under construction, but has not yet started operation.	NA

### 7.5.3 Investment Plans for the Next Year

The board of directors of the Company resolved on February 25, 2022 to establish a subsidiary in Vietnam, with an initial capital of US\$1 million, holding by GSD Enviro Tech (Taiwan) Co., Ltd.. This investment will be the first step for the Company to enter the Southeast Asian market. The Vietnam subsidiary would focus on equipment sales and technical services, and actively integrating the local business of agents.

In addition, in order to comply with the industry trend in the mainland and pursue sustainable development, the board of directors of the Company resolved on February 25, 2022 to establish a subsidiary in Beijing holding by GSD (China) Co., Ltd. The capital of the new subsidiary in Beijing is set at RMB 10 million. The initial operation will focus on sludge drying business. In the future, it will focus on low-carbon energy-saving product technology, and promote energy transformation and management and other related businesses.

The Company's board of directors decided to invest in GSD Enviro Tech (Yangzhou) Co., Ltd. in 2020. It has completed a capital investment of RMB 30 million in 2021. In 2022, it is expected to invest another RMB 20 million in accordance with the plant construction plan. Investment plans will be handled in accordance with relevant regulations.

## 7.6. Analysis of Risk Management

### 7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

Year Item	2019		2020		2021	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Interest income	18,944	0.95%	18,961	1.03%	21,787	1.11%
Interest expense	929	-	933	0.05%	2,640	0.13%

The interest income and interest expense of the company in the latest three years accounted for a very low proportion of the net sales of the current year, so the change of market interest rate will not have a significant impact on the financial and business conditions of the Company.

The Company's capital planning is conservative and steady, and the working capital allocation is the first priority for security. Idle funds are mainly deposit fixed-term deposits, guaranteed principle financial products and current deposits, so the interest income proportion is not high.

(2) Foreign exchange rates

Year Item	2019	2020	2021
	Amount	Amount	Amount
Exchange benefit (loss)	581	(3,102)	(2,941)
Proportion in Sales	-	(0.17%)	(0.15%)

The Company's exchange benefits (losses) in the last three years accounted for a very low proportion of sales. The main market of the Company is in China, with the main payment in RMB, the income ratio of other currencies is less than 20%, and the exchange rate risk is small; the Company also controls the differences as far as possible to achieve the natural hedging effect and minimize the impact of exchange rate fluctuation.

(3) Inflation

Under the rapid change of global economic environment, as of the date of publication of the annual report, the Company has not had any significant impact on profit and loss due to the above inflation or deflation crisis. In the future, the Company will continue to maintain a close and good relationship with suppliers and downstream customers, pay attention to the fluctuation of market price at any time, timely adjust the purchasing strategy and sales quotation, and reduce the impact of inflation on the Company's profit and loss.

### **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The Company has always been focused on the operation of the industry, and has not covered other high-risk industries. The financial policy is based on the principle of stability and conservatism, without making high leverage investment. The debt ratio in 2021 and 2020 is 41.16% and 35.97% respectively, with relatively low debt ratio and capital risk; the Company has only fund loan to 100% owned subsidiaries, but no endorsement guarantee and derivative commodity transaction in the last two years. In the future if necessary for transactions due to business operation, the relevant risks will be strictly controlled by handled in accordance with “Regulations Governing the Acquisition and Disposal of Assets”, “Rules for Loaning of Funds to others”, “Rules for Making of Endorsements/Guarantees” and “Procedures for dealing with derivative transactions”.

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

#### **(1) Future R&D plan**

In recent years, environmental, social and corporate governance (ESG) has gradually become a universal value, and energy conservation and carbon reduction has become the key word of national policies. Therefore, it has become one of the industrial development trends to achieve the goal of precise and scientific pollution control through informatization or intellectualization. In addition, due to the abnormal climate caused by global warming, water resources management has become an important issue in various countries, and water resource utilization is also a necessary development direction for the industry.

In order to adapt to the development trend of the industry, the Company's R&D development focus on BAIEI (Bio: microorganism, AI: artificial intelligence, IoT: Internet of things, Equipment: equipment, Integrated: integration and integration), and the Company provides a full set of equipment and has the advantages of environmental engineering technology, as well as the detection of functional microorganisms Technology, effective integration and development of related products and services to help customers effectively save energy and reduce carbon and reduce costs.

#### **(2) Expected R&D expenditure**

In the past three years, the Company's R&D expenditure accounted for about 3% ~ 5% of the total revenue. The R&D investment amount was adjusted



flexibly with the company's strategic development. In 2022, the R&D expenditure accounted for about 3% ~ 5% of the total revenue. As the Company's revenue grows year by year and the R&D expenses also increase year by year, it should be able to support future research plans and enhance the Company's industrial competitiveness.

#### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company is registered in the British Caymans and has no substantial economic activities. Its main place of operation is mainland China and Taiwan. The implementation of the Company's business is in accordance with the important policies and laws and regulations of the country where it is located. We should pay attention to the development trend of its important policies and the information of legal changes at any time. If there are any changes, we should consult lawyers, accountants and other relevant units or appoint them to make comments Evaluate and plan the corresponding measures, timely respond to changes in the market environment and take appropriate countermeasures. In the most recent fiscal year and up to the date of publication of the prospectus, there were no significant changes in policies and laws in the above regions that had a significant adverse impact on the company's financial business.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The application of Internet of things and artificial intelligence technology (AIoT) is one of the trends in the development of environmental protection industry. Originally, the Company focused on equipment manufacturing and sales. Since 2014, the Company set up the environmental engineering department and expanded its business to environmental engineering technical services. Compared with the general system industry, the Company knows more about the characteristics and requirements of environmental protection industry (equipment and water environment), and the technologies related to Internet of things developed can better meet the needs of customers. The Company has established an intelligent team in Taiwan and the mainland at the same time, and has the foundation to invest in the research and development of AIoT.

In recent years, there have been frequent ransomware attacks, and the importance of information security has gradually increased. Please refer to

page 119 for the Company's control measures for information security risks. In the most recent year and up to the date of publication of the annual report, technological changes and industrial changes have not had material adverse effects on the Company's operation.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The Company adheres to the business philosophy of “Green, Safe and Development”, and the enterprise spirit of “Implement Practice, Strive for Excellence” and altruism. Since its establishment, it has been operating in a formal manner and has a good corporate image. It has been repeatedly recognized by the local governments of this Company's locations. This Company will adhere to the business philosophy and continue to maintain a good corporate image. In the most recent year as of the date of annual report publication, there is no change in corporate image resulting in corporate crisis management.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no plans of merging other companies as of the date of annual report publication.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

The company has obtained the land use right of Pinghu II plant in December 2019. In 2021, the company officially start the construction of Pinghu II plant and purchase machinery and equipment. It is expected that after the construction is completed, the Company can improve its production capacity to undertake more orders, and thus increase revenue and profit. In addition, Yangzhou plant currently in use is a leased plant, which has been used for more than 20 years. Because the plant location has planned to demolish by governance, GSD-BVI signed the project contract with the Management Committee of Yangzhou Beishan (automobile) Industrial Park in December 2020, and established GSD Enviro Tech (Yangzhou) Co., Ltd. to build the plant. GSD Yangzhou has obtained the land use right of Yangzhou new plant in 2021, and the construction of the plant started in October 2021. The Yangzhou new plant is expected to be completed in 2022 and put into operation in the first quarter of 2023 to replace the capacity of Yangzhou old

plant.

After the evaluation process of the complete prudent and responsible unit, the Company has fully considered the recovery benefits and possible risks.

The company maintains a long-term cooperative relationship with outsourcing companies. It can also effectively respond to the changes of future prosperity cycle and product demand before the Pinghu phase II plant and GSD Enviro Tech (Yangzhou) Co., Ltd. can be put into operation.

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

##### **1. Risks and Countermeasures of centralized purchase**

The Company's purchasing objects are scattered according to the source and nature of raw materials. The proportion of the purchase to each supplier in the latest year and as of the date of publication of the annual report is less than 25%. The overall purchase is not concentrated on a single supplier, so there is no problem of centralized purchase.

##### **2. Risks and Countermeasures of sales concentration**

Nearly 90% of the Company's sales are in mainland China. Regardless of domestic and foreign customers, the proportion of sales to all customers in the latest year and up to the date of publication of the annual report has not exceeded 10%, so there is no problem of concentrated sales.

#### **7.6.10 Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.**

The election of the Fourth session Board of directors of GSD was completed on June 23, 2020. The members of the board of directors are the same as those of the third session. On July 7, 2020, CDIB Venture Capital Corporation, the legal person director and major shareholder of the company, transferred more than half of its shares due to its internal investment strategy, and removed the director in accordance with Article 197 of the Taiwan Company Law. The vacancy of director has been completed by the by-election of the annual shareholders' meeting on July 8, 2021. The transfer of shares and the removal of directors were carried out in accordance with relevant laws and regulations, and had no significant impact on the Company's finance and business.

**7.6.11 Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.**

No change of this Company's ownership has been made in the most recent year and as of the date of annual report publication.

**7.6.12 Litigation or non litigation**

The Company and its directors, supervisors, general manager, substantial principals, major shareholders with a shareholding ratio of more than 10% and subordinate companies shall be listed. If the results may have a significant impact on the shareholders' rights and interests or the securities price, the facts, the subject amount, the date of commencement of the lawsuit, the main contents of the dispute shall be disclosed. The parties involved and the handling of the annual report as of the date of publication: the Company has not yet had such dispute in the latest year and as of the date of publication of the annual report.

**7.6.13 Other important risks, and mitigation measures being or to be taken.**

Risk evaluation of COVID-19 :

Since the beginning of the epidemic, the Company has kept abreast of the changes of the epidemic to reduce the impact of the epidemic on the Company. As of the publication date of the annual report, it has no significant impact on the company's finance and business.

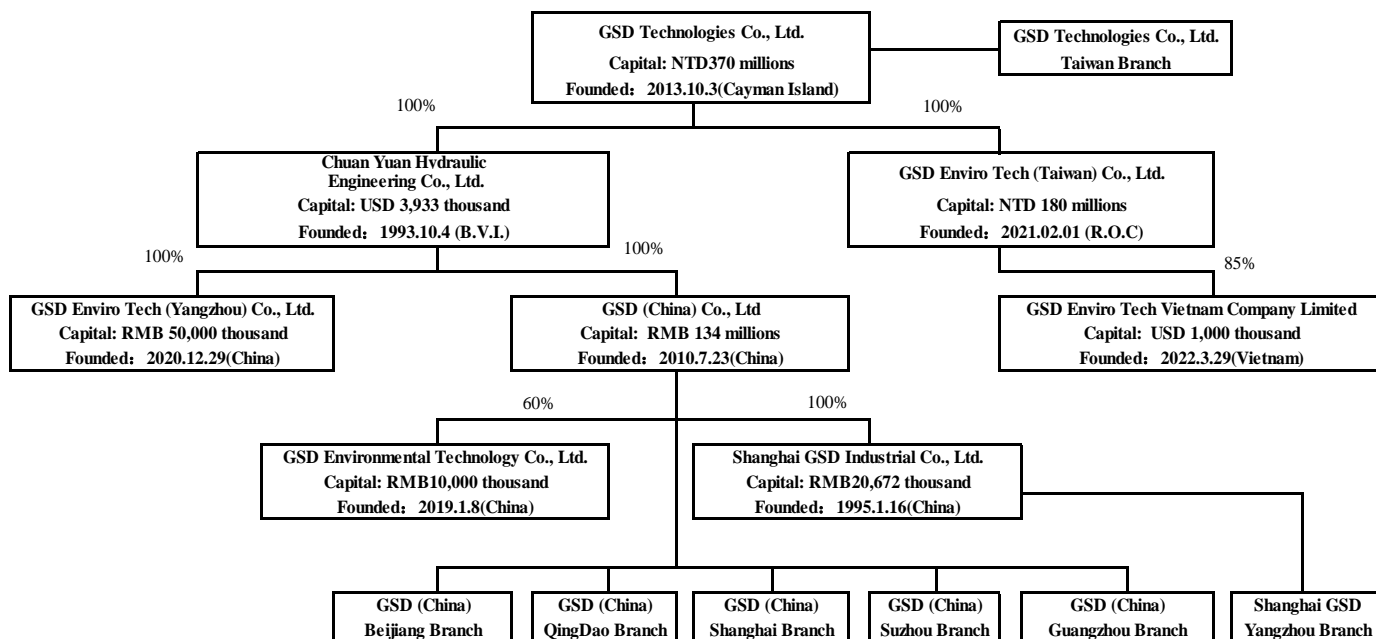
**7.7. Other important matters**

None

## VIII. Special Disclosure

### 8.1. Summary of Affiliated Companies

#### A. Organization



#### B. Brief Information of affiliates

Unit: Thousands				
Company	Founded	Address	Paid-in capital	Business
Chuan Yuan Hydraulic Engineering Co. ltd.	1993.10.4	Portcullis Chambers 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	USD12,223	Holding, re-investment
GSD Enviro Tech (Taiwan) Co., Ltd.	2021.2.1	NO.15,17,19,Minli St., Gushan Dist., Kaohsiung city 804, Taiwan (R.O.C)	TWD180,000	Mainly for re-investment, the sales, installation, maintenance and provision of related technical services for environmental protection equipment.
GSD (China) Co., Ltd.	2010.7.23	No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province	RMB134,000	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment and the agent of environmental protection related products such as pharmaceuticals and consumables.

Company	Founded	Address	Paid-in capital	Business
GSD Enviro Tech (Yangzhou) Co., Ltd.	2020.12.29	No.3-1 Weichai Avenue, Beishan Automobile Industrial Park, Hanjiang District, Yangzhou City, China.	RMB50,000	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment.
Shanghai GSD Industrial Co., Ltd.	1995.1.16	No.796, 1F, Yun Qiao Road, Pudong, Shanghai China ,201206	RMB20,672	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment and the agent of environmental protection related products such as pharmaceuticals and consumables.
GSD Environmental Technology Co., Ltd.	2019.1.8	No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province	RMB10,000	Mainly for technology development, technology transfer, technical consulting and technical services in the field of environmental protection technology, and related electronic and mechanical equipment and spare parts trading.
GSD Enviro Tech Vietnam Company Limited	2022.3.29	502 Huong Lo 2,Phuong Binh TRI Dong , Quan Binh Tan, Ho Chi Minh City, Viet Nam	USD 1,000	Mainly for the sales, installation, maintenance and provision of related technical services for aquaculture and environmental protection equipment.

**C. The same shareholders data for companies presumed to have a relationship of control and subordination : None.**

**D.Information of Directors, Supervisors, and Presidents of affiliates.**

Company	Title	Name	Holding shares	Holding percentage
Chuan Yuan Hydraulic Engineering Co. Ltd.	Chairman	Hsieh, Hung June (Legal representative of the Company)	3,932,735	100%
GSD Enviro Tech (Taiwan) Co., Ltd.	Chairman and President	Hsieh, Hung June (Legal representative of the Company)	18,000,000	100%
GSD (China) Co., Ltd.	Chairman	Hsieh, Hung June	- (Note)	100%
	Director	Lee, Tzouh shoou		
	Director	Chen, Shih Hsien		
	Supervisor	Lin, Ming Tzu		

	President	Wang, Qian		
GSD Enviro Tech (Yangzhou) Co., Ltd.	Chairman	Hsieh, Hung June	-	100%
	Director	Lee, Tzouh shoou		
	Director	Chen, Shih Hsien		
	Supervisor	Lin, Ming Tzu		
	President	Wang, Qian		
Shanghai GSD Co., Ltd.	Chairman	Hsieh, Hung June	-	100%
	Director	Lee, Tzouh shoou		
	Director	Chen, Shih Hsien		
	Supervisor	Lin, Ming Tzu		
	President	Wang, Qian		
GSD Environmental Technology Co., Ltd.	Chairman	Wang, Qian	-	60%
	Director	Hsieh, Hung June		
	Director	Chen, Shih Hsien		
	Supervisor	Wu, Wu Hsiung		
	President	Liu, Xiao		
GSD Enviro Tech Vietnam Company Limited	Chair of shareholders meeting	Hsieh, Hung June	-	85%
	Legal representative & President	Chen, Qingfa		

Note: Limited company type, so no shares and par value.

## E. Operating performance of affiliates

Dec. 31, 2021, Unit: NT\$ thousands

Company	Capital	Assets	Liabilities	Equity	Net sales	Operating profit	Net Profit	EPS
Chuan Yuan Hydraulic Engineering Co. Ltd.	372,432	1,352,700	43,710	1,308,990	0	(58)	259,741	N/A
GSD Enviro Tech (Taiwan) Co., Ltd.	150,000	164,836	12,161	152,675	13,252	(11,294)	2,675	N/A
GSD (China) Co., Ltd.	582,096	1,826,207	715,912	1,110,295	1,758,580	225,466	265,697	N/A
GSD Enviro Tech (Yangzhou) Co., Ltd.	130,320	131,623	1,225	130,398	- (Note)	(764)	78	N/A
Shanghai GSD Co., Ltd.	89,797	239,390	74,047	165,343	300,815	31,589	25,097	N/A
GSD Environmental Technology Co., Ltd.	43,440	16,328	849	15,479	1,745	(9,525)	(9,088)	N/A

The total amount of assets, liabilities and equity listed in this table are translated at the exchange rate at the end of 2021 (1 RMB: 4.344 TWD); the sales, operating profit and net profit of this period are translated at the

average exchange rate in 2021 (1 RMB: 4.341 TWD).

Note: GSD Enviro Tech (Yangzhou) Co., Ltd. was established on December 29, 2020, the factory is still under construction in 2021. It has not yet operated, so no operating income yet.

**F. Consolidated financial statements of subsidiaries: refer to appendix 1.**

**G. Report of affiliates: None.**

**8.2. Private Placement Securities in the Most Recent Years**

For the most recent year and up to the date of publication of the annual report, the handling of private placement of securities shall disclose the date and amount adopted by the shareholders' meeting or the board of directors, the basis and rationality of price setting, the method selected by the specific person, the necessary reasons for conducting private placement, the object of private placement, qualification conditions, the number of subscription, the relationship with the company, the operation of the company, the actual subscription (or conversion) price The difference between the actual subscription (or conversion) price and the reference price, the impact of private placement on shareholders' equity, the situation of fund utilization, the progress of plan implementation and the appearance of plan benefits of private placement of securities from the time when the funds or prices are fully received to the time when the fund utilization plan is completed: None

**8.3. The Shares of the Company Held or Disposed of by Subsidiaries in the Most Recent Years :None.**

**8.4. Other supplementary events: None**

**8.5. If any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one : None.**

**8.6. Major Difference Between the Company's Articles of Association and the Regulations on the Protection of Shareholders' Equity of Taiwan.**

The Company has stipulated the relevant contents for protecting the exercise of shareholders' rights and interests in accordance with the "checklist for the



protection of shareholders' rights and interests in the country of registration of foreign issuers" (hereinafter collectively referred to as the "checklist for the protection of shareholders' rights and interests") announced by Taiwan Stock Exchange Co., Ltd. on December 25, 2019. In addition, to comply with the amendments of the "checklist for the protection of shareholders' rights and interests", announced by Taiwan Stock Exchange Co., Ltd. on May 14, 2021 and March 11, 2022, respectively, the Company will revise the Articles of association at the annual shareholders meeting. In view of the differences between the Articles of association and the requirements of the "checklist for the protection of shareholders' rights and interests", the reasons, the provisions of the country of registration (if any) and the impact on the shareholders' rights and interests of the Republic of China are as follows:

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
Definition of "Special Resolution": means the shareholder meeting attended by two-thirds of the represented shareholders of total outstanding shares and resolved by half of the attending shareholders' voting. If the total shareholding of the attending shareholders is less than the above-mentioned quota, it can be attended by half of the represented shareholders of total outstanding shares and resolved by two-thirds of the attending shareholders' voting.	The Company Acts of the Cayman Islands regulated that in principle, a special resolution means the shareholder meeting attended by half of the represented shareholders of total outstanding shares and resolved by two-thirds of the attending shareholders' voting.	According to the Rule No. 0991701319 by Taiwan Stock Exchange on April 13, 2010, Article 39 and Article 2(1) of the Articles of Incorporation special resolution shall have half of the represented shareholders of total outstanding shares to attend the shareholding meeting in persons. For institutional shareholders, it shall authorize the legal representatives to attend the meeting. Or a resolution is made with the vote for of two-thirds shareholders attended by Power of Attorney. So it meets both the laws of the Cayman Islands and the Company Acts of Taiwan for the requirement of listing company's attendance and voting.
<p>1. Without the resolutions of the shareholder meeting for the capital reduction, a company shall not eliminate its shareholding. And capital reduction shall base on the proportion of shares held by shareholders to reduce the shares.</p> <p>2. For capital reduction, the payment of returned shares can be made by property other than cash. The property for returned shares and the amount of the offset shall be subject to the resolutions of the shareholding meeting and the consent of the shareholders who receive the property.</p> <p>3. The value of the foregoing property and the amount of the offset shall be sent by</p>	Article 14 to 18 of the Company Acts of the Cayman Islands stipulate the strict procedure and substantive rules for the capital reduction and the relevant rules are mandatory which can't be changed by the articles of the Incorporation.	Article 14 to 18 of the Company Acts of the Cayman Islands stipulate the strict procedure and substantive rules for the capital reduction and the relevant rules are mandatory which can't be changed by the Articles of the Incorporation. For the regulation of capital reduction, this has large differences from the checklist for shareholder rights protection measures on November 30 2018. For the avoidance of doubt, with the opinions of the Cayman Islands' lawyers, the Company has revised Article 14 of the Articles of Incorporation so that the capital reduction will comply with the procedure and conditions of the laws of the Cayman Islands and the applicable public company rules. For the regulation of capital reduction from the November 30 2018 checklist for shareholder rights protection measures, it has stipulated on Article

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
the board of the director to CPAs for audit before the shareholding meeting		24(1) of the Articles of Incorporation for local and foreign issuers that buy back the shareholding and eliminate it base on the proportion of the shareholding.
Companies adopt par value shares shall not convert them into no par value shares.	Section 8(1) of the Cayman Islands Company Act “Provided further that no exempted company shall divide its capital into both shares of a fixed amount and shares without nominal or par value.” stipulates that exempted companies shall not contain both par value shares and no par value shares in its capital at the same time.	All the GSD’s shares issued adopt par value currently, the specification requirements in the left column is inapplicable with GSD. However, to avoid doubt, the Company proposed to amend article 7(5) to “The Company shall neither issue Shares without par value nor convert its Shares from Shares with par value to shares without par value.”.
<p>1. All general meetings to be held in physical locations shall be held in the R.O.C. If the shareholder meeting held in physical locations is convened outside the Republic of China, it shall be declared to TWSE within 2 days of the resolution of the board of director meeting or the permission of the governing institution applied by shareholders.</p> <p>2. When a company convenes the shareholder meeting outside the Republic of China, it shall entrust professional stock agency in the territory of the Republic of China to handle the matters of shareholder voting.</p>	There are no relevant regulations from the laws of the Cayman Islands.	<p>The company's plan to amend the articles of association to require that a Member may participate in the general meeting through the medium of video conference call, the Article 31 of the company's articles of association will be revised at this year's general meeting to meet the normative requirements in the far left column;</p> <p>As stated on Article 31 of the articles of association: all general meetings to be held in physical locations shall be held in the R.O.C., the shareholder meeting in the territory of the Republic of China during the period of initial listing without exception. So it is not necessary to stipulate the additional procedure for permission or declaration of shareholder meeting held outside the Republic of the China. In addition, although the Company shall hold the shareholder meeting in the territory of the Republic of China during the initial public listing, the Company still entrust the relevant matters of the shareholders voting to the professional stock agency in the territory of the Republic of the China.</p>
If a shareholder holds more than 3% of the total number of issued shares for more than one year, he / she may record the proposed matters and reasons in writing and request the board of directors to convene an interim meeting of shareholders. Within 15 days after the request is made, if the board of directors fails to give notice of the meeting, the shareholders may, with the	There is no local authority in the Cayman Islands responsible for examining whether shareholders can convene a shareholders'	Since the Company is a company incorporated in accordance with the Company Law of the Cayman Islands, and there is no local authority in charge of examining whether shareholders can convene the shareholders' meeting on their own, referring to the intention of tssz No. 0991701319 of the Taiwan Stock Exchange on April 13, 2010, Article 32 of the articles of association of the Company stipulates: "for more than one year, the company

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
permission of the competent authority, convene the meeting on their own.	meeting on their own.	holds more than 3% of the total issued shares The shareholders of the above-mentioned shares may specify in writing the reasons and reasons for convening the meeting and request the board of directors to convene the shareholders' meeting. If the board of directors does not give notice of the shareholders' meeting within 15 days after receiving the request, the shareholders of the request may convene the shareholders' meeting by themselves. Without the permission of the competent authority.
Shareholders who exercise their voting rights in written or electronic form shall be deemed to attend the shareholders' meeting in person.	In accordance with the legal opinion of Cayman Islands lawyers, a shareholder who exercises voting rights in writing or electronically shall not be deemed to be present in person, but shall be deemed to have appointed the chairman of the shareholders' meeting as the proxy.	The latter paragraph of Article 57 of the Company's articles of association states: "when a shareholder exercises his or her voting rights in writing or by electronic means, it shall be deemed that he or she entrusts the chairman of the shareholders' meeting as his or her proxy to exercise his or her voting rights in accordance with the contents of the written or electronic document, but the chairman of the shareholders' meeting has no voting rights in respect of matters not mentioned or indicated in such contents, temporary motions or amendments to the original motion. For the avoidance of doubt, when the shareholders exercise their voting rights in the above-mentioned way, the temporary motion of the shareholders' meeting and the amendment to the original motion shall be deemed as abstention. Therefore, there is no significant difference between this article and the laws of the Republic of China in terms of actual operation, but in terms of interpretation, the chairman of the board of shareholders is the proxy of such shareholders who vote in written or electronic form, so as to meet the requirements of the Cayman Islands law that the resolution of the board of shareholders must be carried out by the participating shareholders in person or by the proxy at the same time on the spot.
<p>1. The charter may explicitly stipulate that the surplus earning distribution or loss off-setting proposal may be proposed at the close of each quarter or each half fiscal year.</p> <p>2. The proposal of surplus earning distribution or loss off-setting for the first three quarters or half fiscal year, together with the business report and financial statements, shall be forwarded to supervisors for their auditing, and afterwards be submitted to the board of directors for approval.</p> <p>3. When distributing surplus earning in accordance with the provision of the preceding paragraph the Company shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total</p>	There are no relevant regulations from the laws of the Cayman Islands.	According to article 100(3), GSD is not adopting the quarterly or semi-annually earning distribution or loss off-setting policy now and requirements set in the left column shall not apply.

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
<p>paid-in capital, this provision shall not apply.</p> <p>4. Distributing surplus earning in the form of new shares to be issued by the Company in accordance with the provision of Paragraph Two shall subject to resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the Company. If the total shareholding of the attending shareholders is less than the abovementioned quota, it can be attended by half of the represented shareholders of total outstanding shares and resolved by two-thirds of the attending shareholders' voting. Those who issue cash should be resolved by the board of directors.</p> <p>5. Earning distribution or loss off-setting proposal by the Company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.</p>		
<p>1. If the Company has setup the supervisors, they shall be elected by the shareholder meeting. At least one of the supervisors shall have a domestic residence.</p> <p>2. The term of the supervisor shall not exceed 3 years, but they can be reelected, but he may be eligible for reelection.</p> <p>3. When all supervisors are dismissed, the board of directors shall hold the interim shareholder meeting within 60 days to elect.</p> <p>4. The supervisors shall supervise the execution of the Company's business, investigate the situation of the operation and finance at any time, audit the booking and documents and ask board of direct or managers to submit the report.</p> <p>5. The supervisor shall audit the various records of shareholder prepared by the board of directors and report to the shareholder meeting.</p> <p>6. The supervisors can represent the Company to assign CPA and lawyers to audit the matters they are responsible for.</p> <p>7. The supervisor can attend the board of director meeting to state their opinions. Where the board of directors or directors conducts the operations in</p>	<p>There are no relevant regulations from the laws of the Cayman Islands.</p>	<p>The Company adopt the audit committee system and do not setup the supervisor, so the regulations of the leftmost column is not applicable for the Company</p>

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
<p>violation of laws, the articles or the resolutions of the shareholder meeting, the supervisors shall notify the board of director or director to stop their actions.</p> <p>8. The supervisors shall perform the right of supervision independently.</p> <p>9. The supervisor shall not serve as the director, manger or other employee of the Company.</p>		
<p>1. Shareholders who hold more than 1% of the total issued shares of the company for more than six months may request in writing the supervisor to file a lawsuit against the directors of the company, and the Taipei District Court of Taiwan may be the court of first instance.</p> <p>2. Within 30 days after the shareholder's request, if the supervisor does not file a lawsuit, the shareholder may file a lawsuit for the company, and the Taipei District Court of Taiwan may be the court of first instance.</p> <p>3. The Supervisor of the company may convene a general meeting of shareholders when necessary for the benefit of the company in this revised draft of the articles of association, and will submit the resolution of the annual general meeting of shareholders.</p>	<p>There are no relevant regulations from the laws of the Cayman Islands.</p>	<p>As the Company adopts the audit committee system and does not set up a supervisor, with reference to the provisions of paragraph 3, article 14-4 of the Taiwan Securities and exchange law , to replace the function of the supervisor in the leftmost column with an independent director, and Article 86 of the Company's articles of association provides that minority shareholders can request in writing any independence of the audit committee The Company shall file a lawsuit with a court of competent jurisdiction (including Taipei District Court of Taiwan) against a director who damages the Company in the performance of his / her duties or violates the laws of the Cayman Islands, the listing (OTC) regulations or the articles of association of the company. If the independent director does not file a lawsuit within 30 days from the date of receiving the aforesaid request, the shareholder of the request may file a lawsuit for the company to the extent permitted by the Cayman act.</p> <p>In addition, in order to comply with the specifications in the far left column, the company has removed the requirement that the independent directors of the audit committee may convene a general meeting of shareholders when necessary for the benefit of the company in this revised draft of the articles of association, and will submit the resolution of the annual general meeting of shareholders.</p>
<p>1. The articles of association of the company may stipulate that the shareholders' meeting shall be held by video conference or other methods announced by the competent authority of the company law of the R.O.C.. However, due to natural disasters, incidents or other force majeure events, the competent authority of the company law of the R.O.C. may announce that within a certain period of time, the company may hold a meeting by video conference or by way of public announcement without being stipulated in the articles of association.</p> <p>2. When a shareholders meeting is held, if it is a video conference, its shareholders who participate in the meeting by video are deemed to be present in person.</p>	<p>There are no relevant regulations from the laws of the Cayman Islands.</p>	<p>The articles of association of the company will be amended at this year's general meeting to meet the requirements of the leftmost column.</p>

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
3. For the shareholders meeting to be held by video conference, the conditions, operating procedures and other matters to be followed by the company shall comply with the securities laws and regulations of the R.O.C..		
In the event the Company's total paid-in capital as of the close of the most recent financial year reaches NT\$10 billion or more, or when the aggregate number of Shares held by the foreign investors and Mainland Chinese investors reached thirty percent (30%) or more as recorded in the Register at the time of holding of the general meeting in the most recent financial year, the Company shall upload the electronic files of the abovementioned manual and relevant materials thirty (30) days prior to the scheduled date of the relevant annual general meeting.	There are no relevant regulations from the laws of the Cayman Islands.	The articles of association of the Company will be amended at this year's general meeting to meet the requirements of the leftmost column.

It is found that the Company intends to adopt the amendment to the articles of association at the general meeting of shareholders in this year, so as to amend the articles of association in accordance with the protection of shareholders' rights and interests listed in the checklist of protection of shareholders' rights and interests; as for some differences, due to the stricter regulations or the substantive contents than those in Taiwan, which do not violate the contents of the checklist of protection of shareholders' rights and interests, it shall not produce any impact on the shareholders' rights and interests of the Company adverse effects.

**Appendix 1****Consolidated Financial Statements for the year 2021**

These financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

**GSD Technologies Co., Ltd.  
and Subsidiaries****Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
GSD Technologies Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of GSD Technologies Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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.



Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2021 are described as follows:

#### Revenue Recognition

The Group's sales revenue was \$1,960,518 thousand in 2021, which increase of 6.16% over 2020. The growth rate of sales revenue from certain sales customers was higher than the growth rate in 2021. Since the amount and proportion thereof are a matter of significance, we have deemed the occurrence of recognition of the sales revenue from the key customers to be a key audit matter for the year ended December 31, 2021.

Our key audit procedures performed in respect of the above matter included the following:

1. We understood and tested the design and operating effectiveness of the key controls over the revenue recognition from the key customers.
2. We sampled and inspected the invoices, bill of lading and cash collections to verify the accuracy of revenue from the key customers.
3. We reviewed the existence of sales returns, discounts and cash collections that occurred after the reporting period.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yao-Lin Huang and Mei-Hui Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2022

Notice to Readers

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

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

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,202,548	48	\$ 1,132,381	56
Notes receivable (Notes 8 and 21)	33,036	1	17,479	1
Notes receivable from related parties (Notes 4 and 29)	51,927	2	-	-
Trade receivables, net (Notes 4, 8 and 21)	379,836	15	319,621	16
Trade receivable from related parties (Notes 4 and 29)	11,187	1	11,779	1
Other receivables (Note 8)	5,522	-	4,334	-
Other receivable from related parties (Notes 4 and 29)	481	-	439	-
Current tax assets (Notes 4 and 23)	25	-	-	-
Inventories (Notes 4 and 9)	135,018	5	121,764	6
Prepayments	73,417	3	28,574	1
Other current assets (Notes 6 and 32)	8,178	-	3,321	-
Total current assets	<u>1,901,175</u>	<u>75</u>	<u>1,639,692</u>	<u>81</u>
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Note 11)	119,684	5	-	-
Property, plant and equipment (Notes 4, 12 and 32)	278,667	11	171,867	9
Right-of-use assets (Notes 4, 13 and 32)	120,147	5	104,221	5
Investment properties (Notes 4, 14 and 32)	15,389	1	16,588	1
Intangible assets (Notes 4 and 15)	55,850	2	57,179	3
Deferred tax assets (Notes 4 and 23)	23,136	1	22,842	1
Guarantee deposits paid	4,585	-	1,714	-
Total non-current assets	<u>617,458</u>	<u>25</u>	<u>374,411</u>	<u>19</u>
TOTAL	<u>\$ 2,518,633</u>	<u>100</u>	<u>\$ 2,014,103</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 5,000	-	\$ 8,000	-
Contract liabilities (Notes 21 and 29)	91,770	4	93,074	5
Notes payable	45,522	2	23,818	1
Trade payables	299,570	12	277,006	14
Trade payables to related parties (Note 29)	23,581	1	48,933	2
Other payables (Note 18)	160,585	6	158,757	8
Current tax liabilities (Notes 4 and 23)	23,106	1	33,225	2
Lease liabilities - current (Notes 4 and 13)	7,970	-	6,446	-
Total current liabilities	<u>657,104</u>	<u>26</u>	<u>649,259</u>	<u>32</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 17)	30,030	1	-	-
Bonds payable (Notes 4 and 17)	289,287	11	-	-
Deferred tax liabilities (Notes 4 and 23)	43,710	2	57,276	3
Lease liabilities - non-current (Notes 4 and 13)	16,199	1	17,675	1
Guarantee deposits (Note 29)	240	-	240	-
Total non-current liabilities	<u>379,466</u>	<u>15</u>	<u>75,191</u>	<u>4</u>
Total liabilities	<u>1,036,570</u>	<u>41</u>	<u>724,450</u>	<u>36</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Ordinary shares	370,000	14	340,000	17
Capital surplus	651,213	26	531,555	27
Retained earnings				
Legal reserve	66,393	3	44,458	2
Special reserve	94,425	4	112,036	6
Unappropriated earnings	437,323	17	378,984	19
Total retained earnings	598,141	24	535,478	27
Other equity (Note 4)	(104,433)	(4)	(94,426)	(5)
Treasury shares	(32,858)	(1)	(32,858)	(2)
Total equity attributable to owners of the Company	1,482,063	59	1,279,749	64
NON-CONTROLLING INTERESTS				
	-	-	9,904	-
Total equity	<u>1,482,063</u>	<u>59</u>	<u>1,289,653</u>	<u>64</u>
TOTAL	<u>\$ 2,518,633</u>	<u>100</u>	<u>\$ 2,014,103</u>	<u>100</u>

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

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 21 and 29)	\$ 1,960,518	100	\$ 1,846,674	100
OPERATING COSTS (Notes 4, 9, 22 and 29)	<u>1,208,569</u>	<u>62</u>	<u>1,106,723</u>	<u>60</u>
GROSS PROFIT	<u>751,949</u>	<u>38</u>	<u>739,951</u>	<u>40</u>
OPERATING EXPENSES (Notes 4, 22 and 29)				
Selling and marketing expenses	307,102	16	275,408	15
General and administrative expenses	163,187	8	145,798	8
Research and development expenses	82,473	4	62,388	3
Expected credit gain (Note 8)	<u>(4,040)</u>	<u>-</u>	<u>(5,748)</u>	<u>-</u>
Total operating expenses	<u>548,722</u>	<u>28</u>	<u>477,846</u>	<u>26</u>
INCOME FROM OPERATIONS	<u>203,227</u>	<u>10</u>	<u>262,105</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 29)				
Interest income	21,787	1	18,961	1
Other gains and losses (Note 29)	22,068	1	10,816	1
Share of profit of associates and joint ventures accounted for using equity method (Note 11)	11,684	1	-	-
Finance costs	<u>(2,640)</u>	<u>-</u>	<u>(933)</u>	<u>-</u>
Total non-operating income and expenses	<u>52,899</u>	<u>3</u>	<u>28,844</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	256,126	13	290,949	16
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(43,852)</u>	<u>(2)</u>	<u>(75,438)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	212,274	11	215,511	12
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 4)	<u>(10,089)</u>	<u>(1)</u>	<u>17,752</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 202,185</u>	<u>10</u>	<u>\$ 233,263</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 215,623	11	\$ 219,358	12

(Continued)

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Non-controlling interests	<u>(3,349)</u>	<u>-</u>	<u>(3,847)</u>	<u>-</u>
	<u>\$ 212,274</u>	<u>11</u>	<u>\$ 215,511</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 205,616	10	\$ 236,968	13
Non-controlling interests	<u>(3,431)</u>	<u>-</u>	<u>(3,705)</u>	<u>-</u>
	<u>\$ 202,185</u>	<u>10</u>	<u>\$ 233,263</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 6.30</u>		<u>\$ 6.52</u>	
Diluted	<u>\$ 5.86</u>		<u>\$ 6.49</u>	

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

(Concluded)

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	<u>Capital Stock - Common Stock</u>			<u>Retained Earnings</u>			<u>Other Equity</u> <u>Exchange</u> <u>Differences on</u> <u>Translating the</u> <u>Financial</u> <u>Statements of</u> <u>Foreign</u> <u>Operations</u>	<u>Treasury</u> <u>Shares</u>	<u>Total</u>	<u>Non-controlling</u> <u>Interests</u>	<u>Total Equity</u>
	<u>Share (In</u> <u>Thousands)</u>	<u>Amount</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u> <u>Earnings</u>					
BALANCE AT JANUARY 1, 2020	34,000	\$ 340,000	\$ 531,555	\$ 21,367	\$ 66,949	\$ 380,804	\$ (112,036)	\$ -	\$ 1,228,639	\$ 13,609	\$ 1,242,248
Appropriation of 2019 earnings											
Legal reserve	-	-	-	23,091	-	(23,091)	-	-	-	-	-
Special reserve	-	-	-	-	45,087	(45,087)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(153,000)	-	-	(153,000)	-	(153,000)
Buy-back of ordinary shares	-	-	-	-	-	-	-	(32,858)	(32,858)	-	(32,858)
Net profit for the year ended December 31, 2020	-	-	-	-	-	219,358	-	-	219,358	(3,847)	215,511
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	17,610	-	17,610	142	17,752
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	219,358	17,610	-	236,968	(3,705)	233,263
BALANCE AT DECEMBER 31, 2020	34,000	340,000	531,555	44,458	112,036	378,984	(94,426)	(32,858)	1,279,749	9,904	1,289,653
Issuance of shares	3,000	30,000	116,658	-	-	-	-	-	146,658	-	146,658
Share-based payments	-	-	3,000	-	-	-	-	-	3,000	-	3,000
Appropriation of 2020 earnings											
Legal reserve	-	-	-	21,935	-	(21,935)	-	-	-	-	-
Special reserve	-	-	-	-	(17,611)	17,611	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(150,750)	-	-	(150,750)	-	(150,750)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(2,210)	-	-	(2,210)	(6,473)	(8,683)
Net profit for the year ended December 31, 2021	-	-	-	-	-	215,623	-	-	215,623	(3,349)	212,274
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(10,007)	-	(10,007)	(82)	(10,089)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	215,623	(10,007)	-	205,616	(3,431)	202,185
BALANCE AT DECEMBER 31, 2021	<u>37,000</u>	<u>\$ 370,000</u>	<u>\$ 651,213</u>	<u>\$ 66,393</u>	<u>\$ 94,425</u>	<u>\$ 437,323</u>	<u>\$ (104,433)</u>	<u>\$ (32,858)</u>	<u>\$ 1,482,063</u>	<u>\$ -</u>	<u>\$ 1,482,063</u>

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

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 256,126	\$ 290,949
Adjustments for:		
Depreciation expenses	33,427	33,151
Interest income	(21,787)	(18,961)
Share of profit of associated and joint ventures accounted for using equity method	(11,684)	-
Loss on financial instruments at fair value through profit of loss, net	6,452	-
Expected credit gain recognized	(4,040)	(5,748)
Impairment losses (gain) recognized on non-financial assets	(3,016)	13,456
Share-based payment	3,000	-
Finance costs	2,640	933
Amortization expenses	2,480	2,032
Loss (gain) on disposal of property, plant and equipment	283	(51)
Changes in operating assets and liabilities		
Financial assets at amortized cost	-	25,830
Notes receivable	(15,629)	33,471
Note receivable from related parties	(51,927)	-
Trade receivables	(55,899)	68,792
Trade receivable from related parties	592	171
Other receivables	(1,658)	2,295
Other receivable from related parties	(42)	(867)
Inventories	(10,031)	12,531
Prepayments	(44,843)	(18,381)
Other current assets	(4,857)	(650)
Notes payable	21,704	23,818
Trade payables	22,564	30,963
Trade payables to related parties	(25,352)	(10,949)
Other payables	1,828	18,333
Contract liabilities	(1,304)	27,845
Cash generated from operations	99,027	528,963
Interest paid	(1,132)	(930)
Income tax paid	(67,268)	(76,309)
Net cash generated from operating activities	30,627	451,724
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(128,996)	(28,494)
Acquisitions of investments accounted for using the equity method	(108,000)	-
Interest received	22,260	16,433
Payments for right-of-use assets	(18,685)	-
Increase in guarantee deposits paid	(2,881)	(406)
Payments for intangible assets	(1,504)	(2,822)
Proceeds from disposal of property, plant and equipment	200	189

(Continued)



# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Net cash used in investing activities	<u>(237,606)</u>	<u>(15,100)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds	311,358	-
Dividends paid to owners of the Company	(150,750)	(153,000)
Proceeds from issuing shares	146,658	-
Repayments of the principle portion of lease liabilities	(9,688)	(9,757)
Changes in non-controlling interest	(8,683)	-
Proceeds from (Repayments of) short-term borrowings	(3,000)	8,000
Payments for buy-back of ordinary shares	<u>-</u>	<u>(32,858)</u>
Net cash generated from (used in) financing activities	<u>285,895</u>	<u>(187,615)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(8,749)</u>	<u>14,580</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	70,167	263,589
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,132,381</u>	<u>868,792</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,202,548</u>	<u>\$ 1,132,381</u>

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

(Concluded)

# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

GSD Technologies Co., Ltd. and its subsidiaries (“the Group”) was founded in the British Cayman Islands on October 3, 2013. The Group transferred cash and shares to acquire 100% of the shares of Chuan Yuan Hydraulic Engineering Co., Ltd., GSD (China) Co., Ltd. and Shanghai GSD Industrial Co., Ltd.. on March 21, 2014 based on acquisition method. The Group engages mainly in the manufacturing, and selling of environmental protection equipment and its consumables, and provides installation, repair, and technical support services.

The Group’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since September 21, 2018.

The functional currency of the Group is the China Yuan (CNY). For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the TWSE.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 25, 2022

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of above standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10, Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group from functional currencies to the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets separately

1) Intangible assets acquired

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment investment properties, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that internal or external information show the debtor is unlikely to pay its creditors that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## 2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method.

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

## 4) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values. Transaction costs relating to the derivative financial liability component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liability component are included in the carrying amount of the liability component.

## m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

### Revenue from the sale of goods

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### n. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

##### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

##### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

p. Share-based payment arrangements - employee share options

Employee share option

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications, climate change and related government policies and regulations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits	\$ 877,010	\$ 951,428
Demand deposits	175,148	145,424
Foreign deposit	150,210	35,073
Cash on hand	<u>180</u>	<u>456</u>
	<u>\$ 1,202,548</u>	<u>\$ 1,132,381</u>

As of December 31, 2021 and 2020, the interest rates of the time deposits were 1.75%-3.00% and 1.76%-3.20%, respectively.

As of December 31, 2021 and 2020, restricted demand deposits (bank acceptance bill deposit and warranty letter deposit) which were recognized as “other current assets” were \$5,160 thousand and \$2,746 thousand, respectively.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities - non-current</u>		
Held for trading		
Derivative (not-designated for hedging)		
Convertible corporate bond conversion right (Note 17)	<u>\$ 30,030</u>	<u>\$ -</u>

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 33,108	\$ 17,479
Less: Allowance for impairment loss	<u>(72)</u>	<u>-</u>
	<u>\$ 33,036</u>	<u>\$ 17,479</u>
<u>Trade receivables</u>		
Trade receivables	\$ 404,126	\$ 349,699
Less: Allowance for impairment loss	<u>(24,290)</u>	<u>(30,078)</u>
	<u>\$ 379,836</u>	<u>\$ 319,621</u>
<u>Other receivables</u>		
Other receivable	\$ 6,393	\$ 5,235
Less: Allowance for impairment loss	<u>(871)</u>	<u>(901)</u>
	<u>\$ 5,522</u>	<u>\$ 4,334</u>

The average credit period of sales of goods was 0-135 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that passed the evaluation process. Credit rating information is obtained from other publicly available financial information or from the Group's own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2021

	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
Gross carrying amount	\$ 389,844	\$ 32,282	\$ 8,477	\$ 6,631	\$ 437,234
Loss allowance (Lifetime ECLs)	<u>(7,102)</u>	<u>(4,985)</u>	<u>(5,644)</u>	<u>(6,631)</u>	<u>(24,362)</u>
Amortized cost	<u>\$ 382,742</u>	<u>\$ 27,297</u>	<u>\$ 2,833</u>	<u>\$ -</u>	<u>\$ 412,872</u>

December 31, 2020

	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
Gross carrying amount	\$ 311,576	\$ 27,837	\$ 18,798	\$ 8,967	\$ 367,178
Loss allowance (Lifetime ECLs)	<u>(5,821)</u>	<u>(4,201)</u>	<u>(11,089)</u>	<u>(8,967)</u>	<u>(30,078)</u>
Amortized cost	<u>\$ 305,755</u>	<u>\$ 23,636</u>	<u>\$ 7,709</u>	<u>\$ -</u>	<u>\$ 337,100</u>

The expected credit loss rates (after 100% bad debt provision for unusual items) for above maturity dates were 2%, 10%, 50% and 100%, respectively.

The movements of the loss allowance of note receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ -	\$ -
Add: Net remeasurement of loss allowance	<u>72</u>	<u>-</u>
Balance at December 31	<u>\$ 72</u>	<u>\$ -</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 30,078	\$ 35,396
Less: Net remeasurement of loss allowance	(4,089)	(5,608)
Less: Amounts written off	(1,472)	(169)
Foreign exchange gain (losses)	<u>(227)</u>	<u>459</u>
Balance at December 31	<u>\$ 24,290</u>	<u>\$ 30,078</u>

The movements of the loss allowance of other receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 901	\$ 1,027
Less: Net remeasurement of loss allowance	(23)	(140)
Foreign exchange gain (losses)	<u>(7)</u>	<u>14</u>
Balance at December 31	<u>\$ 871</u>	<u>\$ 901</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 94,536	\$ 71,851
Finished goods	<u>40,482</u>	<u>49,913</u>
	<u>\$ 135,018</u>	<u>\$ 121,764</u>

The item of the cost of goods sold is as follows.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventory sold	\$ 1,209,712	\$ 1,093,267
Loss on inventory write-downs (reversal of inventory loss)	(3,016)	13,456
Unallocated manufacturing expenses (Note)	<u>1,873</u>	<u>-</u>
	<u>\$ 1,208,569</u>	<u>\$ 1,106,723</u>



Note: Unallocated manufacturing expenses include expenses during the shutdown period due to the impact of COVID-19.

## 10. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2021	2020	
The Company	Chuan Yuan Hydraulic Engineering Co., Ltd.	Investment activities	100	100	a.
The Company	GSD Enviro Tech (Taiwan) Co., Ltd.	Selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	-	b.
Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD (China) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	100	c.
Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	-	d.
GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	100	e.
GSD (China) Co., Ltd.	GSD Environmental Technology Co., Ltd.	Manufacturing and selling of electronic and mechanical equipment and its components, also providing technical development, transfer, consulting and service in the domain of environmental protection technology	100	60	f.

The detail information of the subsidiaries was as follows:

- Chuan Yuan Hydraulic Engineering Co., Ltd, a wholly owned subsidiary of the Group, was founded in 1993 in the British Cayman Islands.
- GSD Enviro Tech. (Taiwan) Co., Ltd., a wholly owned subsidiary of the Group, was founded on February 1, 2021, mainly for selling of environmental protection equipment, and providing installation, repair, and technical support services.
- GSD (China) Co., Ltd., a wholly owned subsidiary of the Group, was founded 2010, mainly for manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services.
- GSD Enviro Tech. (Yangzhou) Co., Ltd., a wholly owned subsidiary of the Group, was founded on December 29, 2020, mainly for manufacturing and selling of environmental protection equipment, and providing installation, repair, and technical support services.

- e. Shanghai GSD Industrial Co., Ltd., a wholly owned subsidiary of the Group, was founded in 1995, mainly for manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services. Shanghai GSD Industrial Co., Ltd. became wholly subsidiary of GSD (China) Co., Ltd. in 2011.
- f. GSD Environmental Technology Co., Ltd., a 60% owned subsidiary of the Group, was founded in 2019, mainly for manufacturing and selling of electronic and mechanical equipment and its components also providing technical development, transfer, consulting, and service in the domain of environmental protection technology. In November 2021, the board of directors resolved to purchase 40% of the shares from a minority shareholder at RMB 2,000 thousand and become a 100%-owned subsidiary.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

			<b>December 31</b>	
			<b>2021</b>	<b>2020</b>
Investment in Associates				
Yuh Shan Environmental Engineering Co., Ltd.			\$ 119,684	\$ -
			<b>% of Ownership and Voting Rights Held by the Company</b>	
			<b>December 31</b>	
<b>Name of Associate</b>	<b>Principal Activities</b>	<b>Place of Operation</b>	<b>2021</b>	<b>2020</b>
Yuh Shan Environmental Engineering Co., Ltd.	Soil remediation projects and consulting or testing services, environmental protection equipment design and sales, mechanical biological treatment (MBT), etc.	Taiwan	23.53	-

On March 19, 2021, the board of directors of the Company resolved to acquire part of the equity of Yuh Shan Environmental Engineering Co., Ltd. through GSD Enviro Tech (Taiwan) Co., Ltd., GSD Enviro Tech (Taiwan) Co., Ltd. had subscribed 6,000 thousand shares, with a shareholding ratio of 23.53%, amount NT\$108,000 thousand, on June 30, 2021. Included in the cost of investment in associated is goodwill of 11,042 thousands recognized from the acquisition of the Company .

The share of profit of Yuh Shan Environmental Engineering Co., Ltd. was recognized based on the financial statements which have been audited for the same periods.

All the associates were accounted for using the equity method.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Yuh Shan Environmental Engineering Co., Ltd.

	<b>December 31, 2021</b>
Current assets	\$ 1,152,759
Non-current assets	233,200
Current liabilities	(895,366)
Non-current liabilities	<u>(97,679)</u>
Equity	<u>\$ 392,914</u>
Proportion of the Group's ownership	23.53%
Equity attributable to the Group	92,450
Premium representing the difference between fair value and book value of remaining equity investments	<u>27,234</u>
Carrying amount	<u>\$ 119,684</u>
	<b>For the Year Ended December 31, 2021</b>
Operating revenue	<u>\$ 910,824</u>
Net profit for the year	<u>\$ 36,812</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2021	\$ 243,918	\$ 31,110	\$ 16,265	\$ 34,994	\$ 23,633	\$ 349,920
Additions	993	1,345	3,081	4,818	118,759	128,996
Disposals	(191)	(730)	(588)	(1,663)	-	(3,172)
Effect of foreign currency exchange differences	<u>(1,819)</u>	<u>(235)</u>	<u>(119)</u>	<u>(237)</u>	<u>(96)</u>	<u>(2,506)</u>
Balance at December 31, 2021	<u>\$ 242,901</u>	<u>\$ 31,490</u>	<u>\$ 18,639</u>	<u>\$ 37,912</u>	<u>\$ 142,296</u>	<u>\$ 473,238</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ (120,500)	\$ (22,939)	\$ (9,748)	\$ (24,866)	\$ -	\$ (178,053)
Disposals	78	536	475	1,600	-	2,689
Depreciation expenses	(11,129)	(1,606)	(2,587)	(5,202)	-	(20,524)
Effect of foreign currency exchange differences	<u>897</u>	<u>172</u>	<u>70</u>	<u>178</u>	<u>-</u>	<u>1,317</u>
Balance at December 31, 2021	<u>\$ (130,654)</u>	<u>\$ (23,837)</u>	<u>\$ (11,790)</u>	<u>\$ (28,290)</u>	<u>\$ -</u>	<u>\$ (194,571)</u>
Carrying amounts at December 31, 2021	<u>\$ 112,247</u>	<u>\$ 7,653</u>	<u>\$ 6,849</u>	<u>\$ 9,622</u>	<u>\$ 142,296</u>	<u>\$ 278,667</u>

(Continued)

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 239,962	\$ 31,430	\$ 15,146	\$ 40,852	\$ -	\$ 327,390
Additions	-	470	1,211	3,692	23,121	28,494
Disposals	-	(1,407)	(388)	(9,911)	-	(11,706)
Reclassification	(15)	111	28	(124)	-	-
Effect of foreign currency exchange differences	3,971	506	268	485	512	5,742
Balance at December 31, 2020	<u>\$ 243,918</u>	<u>\$ 31,110</u>	<u>\$ 16,265</u>	<u>\$ 34,994</u>	<u>\$ 23,633</u>	<u>\$ 349,920</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ (107,673)	\$ (22,424)	\$ (7,161)	\$ (29,313)	\$ -	\$ (166,571)
Disposals	-	1,319	352	9,897	-	11,568
Depreciation expenses	(10,813)	(1,477)	(2,744)	(5,084)	-	(20,118)
Reclassification	13	21	(28)	(6)	-	-
Effect of foreign currency exchange differences	(2,027)	(378)	(167)	(360)	-	(2,932)
Balance at December 31, 2020	<u>\$ (120,500)</u>	<u>\$ (22,939)</u>	<u>\$ (9,748)</u>	<u>\$ (24,866)</u>	<u>\$ -</u>	<u>\$ (178,053)</u>
Carrying amounts at December 31, 2020	<u>\$ 123,418</u>	<u>\$ 8,171</u>	<u>\$ 6,517</u>	<u>\$ 10,128</u>	<u>\$ 23,633</u>	<u>\$ 171,867</u>
						(Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Main buildings of factory	3-20 years
Main buildings	20 years
Electricity distribution facilities	20 years
Hydrostatic test pump	10 years
Leased improvements	3-5 years
Machinery and equipment	10 years
Transportation equipment	4 years
Office equipment	3-5 years

Property, plant and equipment as for own use.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land use rights	\$ 94,858	\$ 78,717
Buildings	<u>25,289</u>	<u>25,504</u>
	<u>\$ 120,147</u>	<u>\$ 104,221</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		
Land use rights	\$ 18,685	\$ -
Buildings	<u>9,897</u>	<u>2,961</u>
	<u>\$ 28,582</u>	<u>\$ 2,961</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 9,936	\$ 10,291
Land use rights	<u>1,963</u>	<u>1,752</u>
	<u>\$ 11,899</u>	<u>\$ 12,043</u>

Except for the addition and recognition of depreciation expenses listed above, there was no major sublease or impairment of the right-of-use assets of the combined company in 2021 and 2020.

The Group has been subleasing its land use rights in China portion since 2012 under operating leases. The related right-of-use assets are presented as investment properties (as set out in Note 14). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

Right-of-use pledged as collateral for bank borrowings are set out in Note 32.

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	<u>\$ 7,970</u>	<u>\$ 6,446</u>
Non-current	<u>\$ 16,199</u>	<u>\$ 17,675</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	1.57%-4.35%	1.57%-4.35%

c. Material lease-in activities and terms

The Group leases plants and certain offices with lease terms of 1 to 5 years for offices and 15 years for plants. The Group does not have bargain purchase options to acquire the plants and offices at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 7,182	\$ 6,479
Expenses relating to low-value asset leases	\$ 659	\$ 623
Total cash outflow for leases	\$ 37,072	\$ 17,755

**14. INVESTMENT PROPERTIES**

	<b>Buildings</b>	<b>Land Use Rights</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 22,499	\$ 3,490	\$ 25,989
Effect of foreign currency exchange differences	<u>(170)</u>	<u>(26)</u>	<u>(196)</u>
Balance at December 31, 2021	<u>\$ 22,329</u>	<u>\$ 3,464</u>	<u>\$ 25,793</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ (8,690)	\$ (711)	\$ (9,401)
Depreciation expenses	(1,004)	-	(1,004)
Amortization expenses	-	(69)	(69)
Effect of foreign currency exchange differences	<u>65</u>	<u>5</u>	<u>70</u>
Balance at December 31, 2021	<u>\$ (9,629)</u>	<u>\$ (775)</u>	<u>\$ (10,404)</u>
Carrying amounts at December 31, 2021	<u>\$ 12,700</u>	<u>\$ 2,689</u>	<u>\$ 15,389</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 22,129	\$ 3,433	\$ 25,562
Effect of foreign currency exchange differences	<u>370</u>	<u>57</u>	<u>427</u>
Balance at December 31, 2020	<u>\$ 22,499</u>	<u>\$ 3,490</u>	<u>\$ 25,989</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ (7,551)	\$ (631)	\$ (8,182)
Depreciation expenses	(990)	-	(990)
Amortization expenses	-	(68)	(68)
Effect of foreign currency exchange differences	<u>(149)</u>	<u>(12)</u>	<u>(161)</u>
Balance at December 31, 2020	<u>\$ (8,690)</u>	<u>\$ (711)</u>	<u>\$ (9,401)</u>
Carrying amounts at December 31, 2020	<u>\$ 13,809</u>	<u>\$ 2,779</u>	<u>\$ 16,588</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20 years
Land use rights	50 years

The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value from valuation was \$28,275 thousand and \$28,333 thousand in 2021 and 2020, respectively.

The investment properties pledged as collateral for bank borrowing are set out in Note 32.

## 15. INTANGIBLE ASSETS

	<b>Trademark</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 45,476	\$ 21,083	\$ 66,559
Additions	-	1,504	1,504
Effect of foreign currency exchange differences	<u>(343)</u>	<u>(145)</u>	<u>(488)</u>
Balance at December 31, 2021	<u>\$ 45,133</u>	<u>\$ 22,442</u>	<u>\$ 67,575</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	\$ -	\$ (9,380)	\$ (9,380)
Amortization expenses	-	(2,411)	(2,411)
Effect of foreign currency exchange differences	<u>-</u>	<u>66</u>	<u>66</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (11,725)</u>	<u>\$ (11,725)</u>
Carrying amounts at December 31, 2021	<u>\$ 45,133</u>	<u>\$ 10,717</u>	<u>\$ 55,850</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 44,728	\$ 17,934	\$ 62,662
Additions	-	2,822	2,822
Effect of foreign currency exchange differences	<u>748</u>	<u>327</u>	<u>1,075</u>
Balance at December 31, 2020	<u>\$ 45,476</u>	<u>\$ 21,083</u>	<u>\$ 66,559</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ -	\$ (7,261)	\$ (7,261)
Amortization expenses	-	(1,964)	(1,964)
Effect of foreign currency exchange differences	<u>-</u>	<u>(155)</u>	<u>(155)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (9,380)</u>	<u>\$ (9,380)</u>
Carrying amounts at December 31, 2020	<u>\$ 45,476</u>	<u>\$ 11,703</u>	<u>\$ 57,179</u>

Management believes the Group will renew the trademark continuously to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Company, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually no matter there is an indication that it may be impaired.

Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

Computer software	2-10 years
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## 16. SHORT-TERM BORROWINGS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured borrowings	<u>\$ 5,000</u>	<u>\$ 8,000</u>

The range of interest rates on bank loans was 1.20% per annum at December 31, 2021 and 2020.

## 17. BOND PAYABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Domestic unsecured convertible bond	<u>\$ 289,287</u>	<u>\$ -</u>

On May 17, 2021, the Company issued 3,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal of \$300 million.

Each unit corporate bond holder is entitled to convert the bond into the Company common shares under the price of \$76 per share. After determination of the conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of December 31, 2021, conversion price is \$70 and conversion period starts from August 18, 2021 to May 17, 2026. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value will be made on May 17, 2026. In the event that condition is met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period starts from the next day after 3 months of issuance and unit 40 days before expiration of the issuance, in the event the Company common share closing price in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value up expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list at any time thereafter, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.



Respective expiration dates of 3-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company share agent within 40 days prior to aforementioned sell back record dates requesting the company to redeem bond held by them in cash and in 100.75% of face value.

The liability components of this convertible corporate bond include liabilities classified as embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument have been assessed at fair value of \$30,030 thousand (included in financial liabilities – noncurrent which are measured through profit/loss based on fair value) on December 31, 2021; non-derivative product liability have been measured on December 31, 2021 is \$289,287 thousand (included in corporate bond payable) based on amortized cost and its effective interest rate originally recognized is 0.8354%.

Issuance proceeds (less transaction cost of \$2,572 thousand)	<u>\$ 311,358</u>
Net liability components on issue day	<u>\$ 311,358</u>
Net liability components on May 17, 2021 (including \$287,778 thousand of corporate bond payable and \$23,580 thousand of financial liabilities at fair value - noncurrent)	\$ 311,358
Interest calculated in effective interest rate of 0.8354%	1,509
Gain on Valuation of Financial instrument	6,452
Effect of foreign currency exchange differences	<u>(2)</u>
Net liability components on December 31, 2021 (including \$289,287 thousand of corporate bond payable and \$30,030 thousand of financial liabilities at fair value - noncurrent)	<u>\$ 319,317</u>

As of December 31, 2021, the unsecured convertible bond has not yet been converted.

## 18. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries or bonuses	\$ 81,468	\$ 84,891
Payables for social insurance and housing fund	23,615	23,703
Payables for tax	13,715	17,124
Payables for employee benefits	7,211	7,353
Others	<u>34,576</u>	<u>25,686</u>
	<u>\$ 160,585</u>	<u>\$ 158,757</u>

## 19. RETIREMENT BENEFIT PLANS

The Company of the Taiwan Branch and Taiwan subsidiary adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>
Shares authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>37,000</u>	<u>34,000</u>
Shares issued	<u>\$ 370,000</u>	<u>\$ 340,000</u>

On March 19, 2021, the Company's board of directors resolved to issue 3,000 thousand ordinary shares with a par value of \$10, for a consideration of \$50 per share. On April 21, 2021, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be October 5, 2021.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Issuance of ordinary shares (1)	\$ 406,781	\$ 290,123
share capital and capital surplus (2)	250,373	250,373
Compensation costs of employee share options (3)	5,082	2,082
Adjustment of functional currency (4)	<u>(11,023)</u>	<u>(11,023)</u>
	<u>\$ 651,213</u>	<u>\$ 531,555</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) The use of such capital surplus arose from the effect of foreign currency exchange is the same as (1).
- 3) Capital surplus recognized from the employee share options may not be used for any purpose.
- 4) Since January 1, 2016, the Company had changed the functional currency from U.S. dollars to Chinese Yuan, the Company postponed the adjustments of capital surplus and exchange differences on translating the financial statements of foreign operations.

### c. Retained earnings and dividends policy

#### Dividends distribution and timing

The shareholders approved the amendments to the Company's Articles, about appropriations of earnings as follows:

- 1) As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wish to distribute.

- 2) During the shares listing period, subject to the Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than three percent (3%) and not more than five percent (5%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than three percent (3%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for such year before tax without deducting the amount of compensation distributed to the Employees and Directors as prescribed in this Paragraph (2) of this Article.
- 3) During the share listing period, subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company's total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than ten percent (10%) of the remaining balance (including the amounts reversed from the Special Reserve), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than ten percent (10%) of the total amount of dividends/bonuses to Members.
- 4) During the period of listing of the company, unless otherwise resolved by the general meeting of the Company, the dividends, bonuses or other forms of distributions payable to the Members shall be declared in NTD.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 8, 2021 and June 23, 2020, respectively, as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 21,935	\$ 23,091
Special reserve	(17,611)	45,087
Cash dividends	150,750	153,000
Cash dividends per share (NT\$)	\$4.5	\$4.5*

- \* Given the transfer of treasury shares to employees has not been implemented, the total number of issued and outstanding shares does not reflect the actual situation. Therefore, the cash dividend was adjusted to 4.57 per share.

The appropriation of earnings for 2021 had been proposed by the Company's board of directors on February 25, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 21,342	\$ -
Special reserve	10,008	-
Cash dividends	164,250	4.5

The appropriation of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 8, 2022.

d. Treasury shares

In order to transfer treasury shares to employees, the Company's board of directors planned to buy back its own shares. Therefore, in accordance with the board resolution dated March 30, 2020 and pursuant to Article 28-2 of the Securities and Exchange Act, the Company scheduled to buy back 1,000 thousand of its own shares during the period from March 31, 2020 to May 30, 2020 at the buy-back price range from \$40 to \$90 per share in accordance with Article 2 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, and will continue to buy back the Company's own shares in the event that the then-current price per share falls below the lower limit of such buy-back price range. The Company brought back its own shares with the value of \$32,858 thousand for the year ended December 31, 2020.

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at December 31, 2021 and 2020	<u>500</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 9,904	\$ 13,609
Non-controlling interests profit for the year	(3,349)	(3,847)
Other comprehensive income/(loss) during the year	(82)	142
Acquisition of non-controlling interests in subsidiaries (Note26)	<u>(6,473)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 9,904</u>

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from sale of goods	<u>\$ 1,960,518</u>	<u>\$ 1,846,674</u>

a. Contract information

### Revenue from sale of goods

The Group sells environmental equipment both to dealer and directly to customers, which are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Notes receivables and trade receivables (Note 8)	<u>\$ 437,234</u>	<u>\$ 367,178</u>
Contract liabilities	<u>\$ 91,770</u>	<u>\$ 93,074</u>

## **22. NET PROFIT FROM CONTINUING OPERATIONS**

### **Major Components of Net Profit from Continuing Operations**

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 21,787	\$ 18,429
Financial products	<u>-</u>	<u>532</u>
	<u>\$ 21,787</u>	<u>\$ 18,961</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidy	\$ 29,434	\$ 11,864
Loss on financial instruments as fair value through profit or loss, net	(6,452)	-
Net foreign exchange losses	(2,941)	(3,102)
Rental income	2,804	2,740
Others	<u>(777)</u>	<u>(686)</u>
	<u>\$ 22,068</u>	<u>\$ 10,816</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on convertible bond	\$ 1,509	\$ -
Interest on lease liabilities	858	896
Interest on bank loans	<u>273</u>	<u>37</u>
	<u>\$ 2,640</u>	<u>\$ 933</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 20,524	\$ 20,118
Right-of-use assets	11,899	12,043
Intangible assets	2,411	1,964
Investment properties	<u>1,073</u>	<u>1,058</u>
	<u>\$ 35,907</u>	<u>\$ 35,183</u>
An analysis of depreciation by function		
Operating costs	\$ 7,560	\$ 7,445
Operating expenses	24,863	24,716
Non-operating expenses	<u>1,004</u>	<u>990</u>
	<u>\$ 33,427</u>	<u>\$ 33,151</u>
An analysis of amortization by function		
Operating expenses	\$ 2,411	\$ 1,964
Non-operating expenses	<u>69</u>	<u>68</u>
	<u>\$ 2,480</u>	<u>\$ 2,032</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Defined contribution plans	\$ 34,973	\$ 4,071
Share-based payments	3,000	-
Other employee benefits	<u>396,578</u>	<u>371,095</u>
	<u>\$ 434,551</u>	<u>\$ 375,166</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 65,962	\$ 56,364
Operating expenses	<u>368,589</u>	<u>318,802</u>
	<u>\$ 434,551</u>	<u>\$ 375,166</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rate 3%-5%, and no higher than 3%, respectively, of net profit before deducting income tax, employees' compensation and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, approved by the Company's board of directors on February 25, 2022 and March 19, 2021, respectively, were as follows:

Accrual rates

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	3.18%	3.18%
Remuneration of directors	1.41%	1.43%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cash</u>	<u>Shares</u>	<u>Cash</u>	<u>Shares</u>
Employees' compensation	\$ 7,211	\$ -	\$ 7,353	\$ -
Remuneration of directors	3,193	-	3,294	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current period	\$ 57,341	\$ 75,013
Adjustments for prior periods	70	80
Deferred tax		
In respect of the current period	<u>(13,559)</u>	<u>345</u>
	<u>\$ 43,852</u>	<u>\$ 75,438</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 256,126</u>	<u>\$ 290,949</u>
Income tax expense calculated at the statutory rate	\$ 51,006	\$ 57,412
Unappropriated earnings of subsidiaries	5,975	26,267
Tax incentives of R&D expense	(10,993)	(6,618)
Unrecognized loss carryforwards	2,216	2,404
Others	<u>(4,352)</u>	<u>(4,027)</u>
Income tax expense recognized in profit or loss	<u>\$ 43,852</u>	<u>\$ 75,438</u>

Tax rates used by the Group are based on the tax laws in the local jurisdictions.

b. Current tax liabilities

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Prepaid income tax	<u>\$ 25</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 23,106</u>	<u>\$ 33,225</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Allowance for impairment loss	\$ 4,673	\$ (816)	\$ (36)	\$ 3,821
Provisional assessment payable	8,270	(181)	(62)	8,027
Allowance for inventory write-downs	4,237	(595)	(32)	3,610
Tax losses	5,628	2,041	(10)	7,659
Unrealized gross profit	34	(31)	-	3
Unrealized exchange loss	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>
	<u>\$ 22,842</u>	<u>\$ 434</u>	<u>\$ (140)</u>	<u>\$ 23,136</u>



<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Unappropriated earnings of subsidiaries	\$ (53,249)	\$ 13,125	\$ 411	\$ (39,713)
Adjustments for prior periods profit	<u>(4,027)</u>	<u>-</u>	<u>30</u>	<u>(3,997)</u>
	<u>\$ (57,276)</u>	<u>\$ 13,125</u>	<u>\$ 441</u>	<u>\$ (43,710)</u>

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Allowance for impairment loss	\$ 5,506	\$ (902)	\$ 69	\$ 4,673
Provisional assessment payable	7,136	992	142	8,270
Allowance for inventory write-downs	2,037	2,119	81	4,237
Tax losses	1,923	3,699	6	5,628
Unrealized gross profit	<u>1</u>	<u>32</u>	<u>1</u>	<u>34</u>
	<u>\$ 16,603</u>	<u>\$ 5,940</u>	<u>\$ 299</u>	<u>\$ 22,842</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
Temporary differences				
Unappropriated earnings of subsidiaries	\$ (46,055)	\$ (6,285)	\$ (909)	\$ (53,249)
Adjustments for prior periods profit	<u>(3,961)</u>	<u>-</u>	<u>(66)</u>	<u>(4,027)</u>
	<u>\$ (50,016)</u>	<u>\$ (6,285)</u>	<u>\$ (975)</u>	<u>\$ (57,276)</u>

d. Loss carryforwards as of December 31, 2021 comprised:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 9,310	2024
9,468	2025
8,863	2026
8,686	2029
18,473	2030
<u>11,136</u>	2031
<u>\$ 65,936</u>	

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
Expiry in 2024	\$ 9,310	\$ 9,310
Expiry in 2025	9,468	9,468
Expiry in 2026	<u>8,863</u>	<u>-</u>
	<u>\$ 27,641</u>	<u>\$ 18,778</u>

- f. Income tax assessments

The tax authorities have examined income tax returns of the company's Taiwan Branch through 2019.

## 24. EARNINGS PER SHARE

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 6.30</u>	<u>\$ 6.52</u>
Diluted earnings per share	<u>\$ 5.86</u>	<u>\$ 6.49</u>

The earnings used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Company	\$ 215,623	\$ 219,358
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds	<u>1,509</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 217,132</u>	<u>\$ 219,358</u>

The weighted average number of ordinary shares outstanding (in thousand shares) used in the computation of earnings per share was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	34,223	33,667
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	140	144
Convertible bonds	<u>2,689</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>37,052</u>	<u>33,811</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group

assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

### Cash capital increase reserved for employees

On March 19, 2021, the board of directors of the Company resolved to issue 3,000 thousand new shares with a denomination of NT\$10 per share, amounted to \$30,000 thousand. The subscription base date was determined as October 5, 2021. According to Article 267 of Taiwan's Company Act, there shall be 10% of new shares reserved for subscription by the employees. The right to subscription of new shares are reserved for full-time employees. According to IFRS 2 "Share-based Payment", approved by the FSC, the subscription is classified as equity-settled share-based payment.

The cash capital increase reserved for employees granted in September 6, 2021, was priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>September 6, 2021</b>
Grant-date share price (NT\$)	\$60.00
Exercise price (NT\$)	\$50.00
Expected volatility	26.29%
Expected life (in days)	24
Expected dividend yield	0.00%
Risk-free interest rate	0.1256%

Compensation cost recognized was \$3,000 thousand for the year ended December 31, 2021.

## 26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In November 2021, the Group purchase 40% of the shares from a minority shareholders of GSD Environmental Technology Co., Ltd., and increased its continuing interest from 60% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

**GSD  
Environmental  
Technology Co.,  
Ltd.**

Consideration paid	\$ (8,683)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	6,473
Differences recognized from equity transactions	<u>\$ (2,210)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (2,210)</u>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value  
The company believes that the book value of financial liabilities that are not measured at fair value is close to its fair value.
- b. Fair value of financial instruments measured at fair value on recurring basis

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	<u>\$ -</u>	<u>\$ 30,030</u>	<u>\$ -</u>	<u>\$ 30,030</u>

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,694,282	\$ 1,490,493
<u>Financial liabilities</u>		
Held for trading	30,030	-
Financial assets at amortized cost (2)	823,785	516,754

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, notes receivable - related parties, trade receivables, trade receivable - related parties, other receivables, other receivables - related parties, restricted demand deposits and guarantee deposits paid.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowing, notes payable, trade payables, trade payable - related parties, other payables, bonds payable and guarantee deposits received.

d. Financial risk management objectives and policies

The purpose of the financial risk management of the Group is mainly to manage exchange rate risk, interest rate risk, credit risk and liquidity risk related to operating activities. In order to reduce the related financial risks, the Group assesses the market uncertainty and, the financial risks related to the operation of the Group by analyzing the internal risk report particularly the degree and extent of the risk, including market risk (exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

a) Foreign currency risk

The subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 12% and 15%, of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currency of the Group entity making the sale.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the Chinese Yuan (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges at the end of the period, and assuming a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the Chinese Yuan strengthening 1% against the relevant currency. For a 1% weakening of the Chinese Yuan against the relevant

currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	U.S. Dollar Impact			
	For the Year Ended December 31			
	2021		2020	
	CNY	TWD	CNY	TWD
Profit or loss*	\$ 248	\$ 1,077	\$ 64	\$ 290

\* This was mainly attributable to the exposure on outstanding receivables, payables and bank deposit in U.S. dollar which were not hedged at the end of the reporting period.

## b) Interest rate risk

The Group is exposed to interest rate risk because the Group has financial assets and liabilities subject to fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
<u>TWD</u>		
Cash flow interest rate risk		
Financial assets	\$ 330,518	\$ 183,243
Financial liabilities	5,000	8,000
Fair value interest rate risk		
Financial assets	877,010	951,428
Financial liabilities	313,456	24,121

## Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$814 thousand and \$438 thousand, respectively, which was mainly attributable to the Group's variable-rate financial assets and liabilities.

## 2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Company is exposed to credit risk from operating activities, primarily trade receivables.

In order to maintain and improve the quality of trade receivables, the Group evaluates the credit status of peers and enterprises before the transaction, and establishes trade receivables follow-up mechanisms to reduce the risk of being unable to collect trade receivables.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

### 3) Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business operations and able to maintain adequate cash and cash equivalents and banking facilities.

The sales of the Group are mainly paid in the form of cash and remittance. Generally, the trade receivables are collected within 135 days, and the relative accounts payable and other payables are paid within 90 days. Since the Group has sufficient capital to fund its business, and adequate bank facilities, it is not expected to have liquidity risk.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$ 5,003	\$ -	\$ 5,003
Notes payables	45,522	-	45,522
Trade payables	299,570	-	299,570
Trade payables - related parties	23,581	-	23,581
Other payables	160,585	-	160,585
Lease liabilities	8,728	18,253	26,981
Guarantee deposits received	-	240	240
Bond payables	-	300,000	300,000
	<u>\$ 542,989</u>	<u>\$ 318,493</u>	<u>\$ 861,482</u>

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 8,728</u>	<u>\$ 11,308</u>	<u>\$ 6,945</u>	<u>\$ -</u>	<u>\$ 26,981</u>

December 31, 2020

	<b>On Demand or Less than 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$ 8,000	\$ -	\$ 8,000
Notes payables	23,818	-	23,818
Trade payables	277,006	-	277,006
Trade payables - related parties	48,933	-	48,933
Other payables	158,757	-	158,757
Lease liabilities	7,062	19,908	26,970
Guarantee deposits received	-	240	240
	<u>\$ 523,576</u>	<u>\$ 20,148</u>	<u>\$ 543,724</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 7,062</u>	<u>\$ 11,687</u>	<u>\$ 6,851</u>	<u>\$ 1,370</u>	<u>\$ 26,970</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>TWD</u>		
Bank loans and credit lines that will expire in the next year		
Amount used	\$ 49,933	\$ 32,434
Amount unused	<u>599,139</u>	<u>509,382</u>
	<u>\$ 649,072</u>	<u>\$ 541,816</u>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2021 and 2020, the face amounts of these unsettled bills receivable were \$177,768 thousand and \$155,182 thousand, respectively. The unsettled bills receivable will be due in 10 months and 9 months, respectively after December 31, 2021 and 2020. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.



During the years ended December 31, 2021 and 2020, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Pinghu Hey Wel Environmental Protection Equipment Co., Ltd. (Pinghu Hey Wel)	Related party in substance
Hey-Wel Mechanical Co., Ltd. (Hey-Wel Mechanical)	Related party in substance
Yuh Shan Environmental Engineering Co., Ltd. (Yuh Shan Environmental)	Associate

### b. Operating revenue

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Yuh Shan Environmental	\$ 76,162	\$ -
Pinghu Hey Wel	3,868	4,077
Hey-Wel Mechanical	<u>1,052</u>	<u>4,718</u>
	<u>\$ 81,082</u>	<u>\$ 8,795</u>

The transaction between the Group and the related parties, the transaction price and collection conditions are equivalent to the general non-related party transactions.

### c. Purchases

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Pinghu Hey Wel	\$ 141,143	\$ 167,921
Hey-Wel Mechanical	<u>4,080</u>	<u>5,081</u>
	<u>\$ 145,223</u>	<u>\$ 173,002</u>

The transaction between the Group and the related parties, the transaction price and payment terms are equivalent to the general non-related party transactions.

d. Lease arrangement - Group is lessor

Operating leases

The Group leases out its offices to its associate - Company Pinghu Hey Wel under operating leases with lease terms of 5 years. The rent is based on the general lease market price and received on the tenth of each month. As of December 31, 2021 and 2020, the gross lease payments to be received are \$935 thousand and \$3,769 thousand, respectively. Lease income recognized for the years ended December 31, 2021 and 2020 were \$2,804 thousand and \$2,740 thousand.

e. Operating costs

Related Party Name	For the Year Ended December 31	
	2021	2020
Pinghu Hey Wel	\$ 1,160	\$ 680

f. Other income

Related Party Name	For the Year Ended December 31	
	2021	2020
Pinghu Hey Wel	\$ 1,859	\$ 1,593

g. Other expenses

Related Party Name	For the Year Ended December 31	
	2021	2020
Pinghu Hey Wel	\$ 110	\$ 114

h. Receivables from related parties

Line Item	Related party Name	December 31	
		2021	2020
Trade receivables	Pinghu Hey Wel	\$ 8,425	\$ 10,481
	Yuh Shan Environmental	2,642	-
	Hey-Wel Mechanical	120	1,298
		<u>\$ 11,187</u>	<u>\$ 11,779</u>
Note receivable	Yuh Shan Environmental	\$ 51,810	\$ -
	Hey-Wel Mechanical	117	-
		<u>\$ 51,927</u>	<u>\$ -</u>
Other receivables	Pinghu Hey Wel	<u>\$ 481</u>	<u>\$ 439</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized on trade receivables from related parties.

i. Payables to related parties

Related Party Name	December 31	
	2021	2020
Pinghu Hey Wel	\$ 23,549	\$ 47,454
Hey-Wel Mechanical	<u>32</u>	<u>1,479</u>
	<u>\$ 23,581</u>	<u>\$ 48,933</u>

The outstanding trade payables to related parties are unsecured.

j. Guarantee deposits received

Related Party Name	December 31	
	2021	2020
Pinghu Hey Wel	<u>\$ 240</u>	<u>\$ 240</u>

k. Contract liabilities

Related Party Name	December 31	
	2021	2020
Yuh Shan Environmental	<u>\$ 4,696</u>	<u>\$ -</u>

l. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 37,553	\$ 43,043
Post-employment benefits	<u>276</u>	<u>315</u>
	<u>\$ 37,829</u>	<u>\$ 43,358</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 30. OTHER ITEMS

Due to the COVID-19 pandemic, the business bases and factories in China extended the Chinese New Year holiday to February 10, 2020. Although the Group resumed work immediately in February 2020, delivery was delayed as other suppliers and customers in China resumed their operation in different level. Such delay led to a sharp decrease in operating revenue from February to March 2020 and gradually returned to normal level since April 2020. During the period from January to September 2021, except for the Yangzhou plant that was suspended from August 2 to September 6 due to the lock down of Yangzhou City, there was no major impact on operations due to COVID-19. The Yangzhou plant was shut down for about one month, and most of the orders were delayed, and there was no significant impact on the annual revenue.

In response to the impact of the COVID-19 pandemic, the Group took the following actions:

a. Adjust operating strategies

1.) Establish an epidemic prevention team, which is working on prevention of COVID-19, testing the

way for those working from home and managing and monitoring online from time to time.

- 2) Strengthen the online promotion and online marketing model.
  - 3) Strengthen the promotion of project-based and environmental IoT businesses.
  - 4) Carefully evaluate customer projects, and manage and control account risks from receiving orders.
  - 5) Execute organizational restructuring to improve the response speed of the operation system for the new situation.
  - 6) Expand operating bases outside of China, including Taiwan.
- b. Government relief measures

In order to reduce the burden on enterprises and support the resumption of work, the Chinese government reduced and exempted basic pension insurance, unemployment insurance, employment injury insurance, and medical insurance for enterprises from February 2020 to December 2020. The government relief measures reduced operating costs and operating expenses in 2020 by 7,293 thousand and 26,167 thousand, respectively.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currencies</b>	<b>Unit: Foreign Currencies in Thousand Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,365	6.3757 (USD:CNY)	\$ 120,807
TWD	125,208	0.2302 (TWD:CNY)	125,208
<u>Financial liabilities</u>			
Monetary items			
USD	474	6.3757 (USD:CNY)	13,131
TWD	360,056	0.2302 (TWD:CNY)	360,056

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,574	6.5249 (USD:CNY)	\$ 44,851
TWD	23,439	0.2285 (TWD:CNY)	23,439
<u>Financial liabilities</u>			
Monetary items			
USD	558	6.5249 (USD:CNY)	15,869
TWD	29,985	0.2285 (TWD:CNY)	29,985

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gains and losses were \$2,941 thousand and \$3,102 thousand, respectively.

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December, 31</u>	
	<u>2021</u>	<u>2020</u>
Properties	\$ 68,514	\$ 74,353
Right-of-use assets	37,628	38,890
Investment properties	15,389	16,588
Other current assets (restricted demand deposits)	<u>5,160</u>	<u>2,746</u>
	<u>\$ 126,691</u>	<u>\$ 132,577</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 2
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - 9) Trading in derivative instruments: None
  - 10) Intercompany relationships and significant intercompany transactions: Table 5
  - 11) Information on investees: Table 6
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
    - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

### 34. SEGMENT INFORMATION

#### a. Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

Unit: New Taiwan Dollars in Thousands

For the Year Ended December, 31, 2021								
	GSD Technologies Co., Ltd.	GSD Enviro Tech (Taiwan) Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD (China) Co., Ltd.	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	GSD Environmental Technology Co., Ltd.	Internal Transfer Pricing
Revenue	\$ 186,857	\$ 13,252	\$ -	\$ 1,758,580	\$ -	\$ 300,815	\$ 1,745	\$ (300,731)
Expenditure	<u>224,459</u>	<u>24,546</u>	<u>58</u>	<u>1,527,416</u>	<u>764</u>	<u>268,092</u>	<u>11,291</u>	<u>(299,335)</u>
Gross profit/(loss)	<u>\$ (37,602)</u>	<u>\$ (11,294)</u>	<u>\$ (58)</u>	<u>\$ 231,164</u>	<u>\$ (764)</u>	<u>\$ 32,723</u>	<u>\$ (9,546)</u>	<u>\$ (1,396)</u>
Other gains and losses								22,068
Interest income								21,787
Finance costs								(2,640)
Share of profit of associates accounted for using equity method								11,684
Profit before income tax								\$ 256,126
Identified assets								
Notes and accounts receivable	\$ 87,071	\$ 5,120	\$ -	\$ 384,169	\$ -	\$ 171,805	\$ -	\$ (172,179)
Inventories	1,598	129	-	92,886	-	40,468	-	(63)
Property, plant and equipment	<u>3,135</u>	<u>490</u>	<u>-</u>	<u>241,658</u>	<u>21,305</u>	<u>7,509</u>	<u>849</u>	<u>3,721</u>
General assets	<u>\$ 91,804</u>	<u>\$ 5,739</u>	<u>\$ -</u>	<u>\$ 718,713</u>	<u>\$ 21,305</u>	<u>\$ 219,782</u>	<u>\$ 849</u>	<u>\$ (168,521)</u>
								\$ 1,628,962
								\$ 2,518,633
Identified liabilities								
Notes and accounts payable	\$ 63,126	\$ 5,976	\$ -	\$ 426,572	\$ -	\$ 45,180	\$ -	\$ (172,181)
General liabilities								667,897
								\$ 1,036,570
Depreciation and amortization	<u>\$ 4,796</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 24,789</u>	<u>\$ 187</u>	<u>\$ 3,243</u>	<u>\$ 942</u>	<u>\$ 2,385</u>
								\$ 35,907

Unit: New Taiwan Dollars in Thousands

For the Year Ended December, 31, 2020							
	GSD Technologies Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	GSD Environmental Technology Co., Ltd.	Internal Transfer Pricing	Total
Revenue	\$ 69,828	\$ -	\$ 1,788,573	\$ 373,651	\$ 622	\$ (386,000)	\$ 1,846,674
Expenditure	<u>122,748</u>	<u>159</u>	<u>1,520,687</u>	<u>313,619</u>	<u>11,073</u>	<u>(383,717)</u>	<u>1,584,569</u>
Gross profit/(loss)	<u>\$ (52,920)</u>	<u>\$ (159)</u>	<u>\$ 267,886</u>	<u>\$ 60,032</u>	<u>\$ (10,451)</u>	<u>\$ (2,283)</u>	<u>262,105</u>
Other gains and losses							10,816
Interest income							18,961
Finance costs							(933)
Profit before income tax							\$ 290,949
Identified assets							
Notes and accounts receivable	\$ 17,917	\$ -	\$ 329,537	\$ 145,113	\$ -	\$ (143,249)	\$ 349,318
Inventories	5,697	-	83,619	32,801	-	(353)	121,764
Property, plant and equipment	<u>4,201</u>	<u>-</u>	<u>150,826</u>	<u>9,490</u>	<u>1,596</u>	<u>5,754</u>	<u>171,867</u>
General assets	<u>\$ 27,815</u>	<u>\$ -</u>	<u>\$ 563,982</u>	<u>\$ 187,404</u>	<u>\$ 1,596</u>	<u>\$ (137,848)</u>	<u>642,949</u>
							1,371,154
							\$ 2,014,103
Identified liabilities							
Notes and accounts payable	\$ 18,300	\$ -	\$ 405,953	\$ 67,039	\$ -	\$ (141,535)	\$ 349,757
General liabilities							374,693
							\$ 724,450
Depreciation and amortization	<u>\$ 4,475</u>	<u>\$ -</u>	<u>\$ 24,233</u>	<u>\$ 3,235</u>	<u>\$ 887</u>	<u>\$ 2,353</u>	<u>\$ 35,183</u>

The consolidated financial information of the Group's operating department is based on the overall operating conditions of the consolidated entities and used by the management to make operational decisions. Therefore, the operating department information is disclosed on the basis of the consolidated statement.

The revenue reported above is generated from trading with external customers.

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The income of the Group is generated from the sale of environmental protection equipment.

No other single customers contributed 10% or more to the Group's revenue in 2021 and 2020.

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations is detailed below.

Revenue from External Customers	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 1,957,078	\$ 1,840,588
Others	<u>3,440</u>	<u>6,086</u>
	<u>\$ 1,960,518</u>	<u>\$ 1,846,674</u>



TABLE 1

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

LOAN PROVIDED TO OTHER PARTIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note2)	Ending Balance (Foreign Currencies in Thousands)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Note
													Item	Value			
0	GSD Technologies Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	Other receivables	Yes	\$ 86,880 (CNY 20,000)	\$ 86,880 (CNY 20,000)	\$ -	-	The need for short-term financing	\$ -	For counterparty to invest its subsidiary to construct factory and purchase equipment	\$ -	-	\$ -	\$ 592,825	\$ 592,825	
		GSD (China) Co., Ltd.	Other receivables	Yes	86,880 (CNY 20,000)	86,880 (CNY 20,000)	-	-	The need for short-term financing	-	For counterparty to construct factory and purchase equipment	-	-	-	592,825	592,825	

Note 1: Arabic numeral 0 represents GSD Technologies Co., Ltd., and the investee company is numbered in sequence starting from the Arabic numeral 1.

Note 2: Maximum balance and ending balance for the period are calculated based on exchange rate on December 31, 2021.

Note 3: The limit for lending to each borrower is as follows:

- a. Where the company loan funds to the subsidiary which GSD hold, directly or indirectly, 100% of voting shares, both the maximum amount permitted to a single borrower and the aggregate amount of loans shall not exceed 40% of the Company’s net worth.
- b. The restriction mentioned in preceding paragraph is not applicable to the fund loans between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the aggregate loan fund amount shall not exceed 60% of the net worth of the lender, and the amount loan to single borrower shall not exceed 30% of the net worth of the lender.
- c. Where the subsidiary in Taiwan loan funds to others, and where foreign subsidiary loan funds to the Company or the subsidiary in Taiwan, the maximum amount permitted to a single borrower and the aggregate amount of loans shall not exceed 40% of the net worth of the lender.

**TABLE 2**

**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Share	Amount	Share	Amount	Share	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
GSD Enviro Tech (Taiwan) Co., Ltd.	Common Stock of Yuh Shan Environmental Engineering Co., Ltd.	Investments accounted for using equity method	Yuh Shan Environmental Engineering Co., Ltd.	-	-	\$ -	6,000,000	\$ 108,000	-	\$ -	\$ -	\$ -	6,000,000	\$ 119,684

Note: The amount included the profit and loss of subsidiaries and joint ventures accounted for using the equity method.

**TABLE 3**

**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	Subsidiary	Purchase	\$ 285,609	25	30 days	The same with normal vendor	The normal payment term is 0-90 days	\$ (171,373)	46	Note
Shanghai GSD Industrial Co., Ltd.	GSD (China) Co., Ltd.	Parent company	Sale	(285,609)	15	30 days	The same with normal customer	The normal payment term is 0-90 days	171,373	36	Note
GSD (China) Co., Ltd.	PinGhu Hey Wel Equipment Co., Ltd	Related party in substance	Purchase	141,143	12	90 days	The same with normal vendor	The normal payment term is 0-90 days	(23,549)	6	-
GSD Technologies Co., Ltd.	Yuh Shan Environmental Engineering Co., Ltd.	Associate	Sale	(76,162)	4	Contractual payment	The same with normal customer	The normal payment term is 0-90 days	54,452	11	-

Note: The above amounts were eliminated in the consolidated report.

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Shanghai GSD Industrial Co., Ltd	GSD (China) Co., Ltd.	Parent company	\$ 171,373	-	\$ -	-	\$ -	\$ -

Note: The above amounts were eliminated in the consolidated report.

**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	GSD Technologies Co., Ltd.	GSD (China) Co., Ltd.	a	Revenue from sale of goods	\$ 2,092	30 days	-
		GSD (China) Co., Ltd.	a	Purchases	1,467	30 days	-
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Payables to related parties	171,373	30 days	7
		Shanghai GSD Industrial Co., Ltd	c	Revenue from sale of goods	10,073	30 days	1
		Shanghai GSD Industrial Co., Ltd	c	Purchases	285,609	30 days	15
		GSD Environmental Technology Co., Ltd.	c	Purchases	1,046	30 days	-

- Note 1: There are three types of relationships:
- a. Represents the transactions from parent company to subsidiary.
  - b. Represents the transactions from subsidiary to parent company.
  - c. Represents the transactions between subsidiaries.
- Note 2: The above amounts were eliminated in the consolidated report.
- Note 3: The transaction amounted to 1,000 thousand to expose the standard.

**TABLE 6****GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 1)		As of December, 31,2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 2)	Note
				December, 31, 2021	December, 31, 2020	Number of Shares	%	Carrying Amount			
GSD Technologies Co., Ltd.	Chuan Yuan Hydraulic Engineering	British Virgin Islands	Investment holding, investment	\$ 372,432 (US\$ 12,223 thousand)	\$ 372,432 (US\$ 12,223 thousand)	3,932,735	100.00	\$ 1,308,990	\$ 259,741	\$ 257,520	Subsidiary
	GSD Enviro Tech (Taiwan) Co., Ltd.	Taiwan	Investment holding, selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	150,000	-	15,000,000	100.00	152,675	2,675	2,675	Subsidiary
GSD Enviro Tech (Taiwan) Co., Ltd.	Yuh Shan Environmental Engineering Co., Ltd.	Taiwan	Soil remediation projects and consulting or testing services, environmental protection equipment design and sales, mechanical biological treatment (MBT), etc.	108,000	-	6,000,000	23.53	119,684	36,812	11,684	Associates

Note 1: It is based on the historical exchange rate of the original investment.

Note 2: Share of profit are recognized by their financial statements which were audited by international CPA firms.

Note 3: Except for Yuh shan Environment, share of profit, balances of investment and net worth are eliminated in full upon consolidation.

Note 4: Information on investments in mainland China please refer to Table 7.

TABLE 7

## GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outward	Inward							
GSD (China) Co., Ltd.	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment; and agent for environmental protection related products such as pharmaceuticals and consumables	\$ 582,096 (CNY 134,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	\$ -	\$ -	Not applicable	\$ 265,697	100%	\$ 265,697	\$ 1,110,295	-	-
Shanghai GSD Industrial Co., Ltd	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment; and agent for environmental protection related products such as pharmaceuticals and consumables	89,797 (CNY 20,672 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable	-	-	Not applicable	25,097	100%	25,219	165,343	-	-
GSD Environmental Technology Co., Ltd.	Manufacturing and selling of electronic and mechanical equipment and its components, also providing technical development, transfer, consulting and service in the domain of environmental protection technology	43,440 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable	-	-	Not applicable	(9,088)	100%	(5,739)	15,479	-	-
GSD Enviro Tech (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	130,320 (CNY 30,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	-	-	Not applicable	78	100%	78	130,398	-	-

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Not applicable	Not applicable	Not applicable

(Continued)

Note 1: Translated at December 31, 2021.

Note 2: The financial statements were audited by the auditors of Taiwan parent company.

Note 3: All share of profit (loss), balances of investment and net worth are eliminated in full upon consolidation.

(Concluded)



**TABLE 8****GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
H.J. Hsieh International Co., Ltd.	5,645,736	15.25
Li Yi Co., Ltd.	3,411,892	9.22
CDIB Venture Capital Corporation	2,823,603	7.63
Advantech Corporate Investment	2,568,358	6.94

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

**GSD Technologies Co. Ltd.**

**Chairman: Hsieh, Hung-June**

**April 30, 2022**