

**GSD Technologies Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six months Ended June 30, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Qualified opinion and Unqualified 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") as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and of cash flows for the six months then ended and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

Qualified opinion for the consolidated financial statements for the six months ended June 30, 2022

In our opinion, except as stated in the basis for qualified opinion and unqualified opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022, and its consolidated financial performance for the three months ended June 30, 2022, and its consolidated financial performance and cash flows for the six months ended June 30, 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Unqualified opinion for the consolidated financial statements for the six months ended June 30, 2021

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021, and its consolidated financial performance for the three months ended June 30, 2021, and its consolidated financial performance and cash flows for the six months ended June 30, 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Qualified opinion and Unqualified opinion

As disclosed in Note 11 of the consolidated financial statements, the aggregate carrying values of the investment accounted for using equity method were NT\$129,986 thousand as of June 30, 2022, and its share of profit of associates were NT\$4,748 thousand and NT\$10,302 thousand for the three months and for the six months ended June 30, 2022. We were unable to judge whether adjustments should be made to the carrying values and the share of profit of associates, because we did not have access to the financial information and management of the investee, and were unable to obtain

sufficient and appropriate audit evidence.

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 six months ended June 30, 2022. 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.

Except as stated in the basis for qualified opinion and unqualified opinion, we decided the key audit matters as follows:

Key audit matters of the Group's consolidated financial statements for the six months ended June 30, 2022 are described as follows:

Revenue Recognition

Sales revenue of \$900,299 thousand in the first half of 2022, a 3.66% increase from the first half of 2021. The sales revenue growth rate of some clients was higher than the average sales revenue growth rate in the first half of 2022, and the increase in amount and proportion is significant; therefore, the recognition of sales revenue from those clients has been identified as a key audit matter for the six months ended June 30, 2022.

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 those 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 Accounting Standard 34 "Interim Financial Reporting" 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 six months ended June 30, 2022 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 Mei-Hui Wu and Chih-Yuan Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 22, 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 (In Thousands of New Taiwan Dollars)

	June 30, 2022		December 31, 2021		June 30, 2021	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6)	\$ 1,153,977	43	\$ 1,202,548	48	\$ 1,241,366	53
Notes receivable (Notes 8 and 21)	46,136	2	33,036	1	39,534	2
Notes receivable from related parties (Notes 28)	20,742	1	51,927	2	-	-
Trade receivables, net (Notes 8 and 21)	346,733	13	379,836	15	291,046	13
Trade receivable from related parties (Notes 28)	8,460	-	11,187	1	9,691	1
Other receivables (Note 8)	7,240	-	5,522	-	7,512	-
Other receivables from related parties (Note 28)	519	-	481	-	382	-
Current tax assets (Note 4)	15	-	25	-	10	-
Inventories (Notes 9)	158,044	6	135,018	5	147,065	6
Prepayments	46,449	2	73,417	3	71,995	3
Other current assets (Notes 6 and 31)	45,292	2	8,178	-	6,925	-
Total current assets	1,833,607	69	1,901,175	75	1,815,526	78
NON-CURRENT ASSETS						
Investments accounted for using equity method (Notes 11)	129,986	5	119,684	5	108,000	5
Property, plant and equipment (Notes 12 and 31)	462,303	17	278,667	11	207,667	9
Right-of-use assets (Notes 13 and 31)	126,990	5	120,147	5	102,568	4
Investment properties (Notes 14 and 31)	15,177	1	15,389	1	15,798	1
Intangible assets (Notes 15)	56,384	2	55,850	2	56,551	2
Deferred tax assets (Notes 4)	26,124	1	23,136	1	24,336	1
Guarantee deposits paid	5,080	-	4,585	-	1,716	-
Total non-current assets	822,044	31	617,458	25	516,636	22
TOTAL	\$ 2,655,651	100	\$ 2,518,633	100	\$ 2,332,162	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ -	-	\$ 5,000	-	\$ 32,232	1
Contract liabilities (Note 21 and 28)	95,322	4	91,770	4	103,589	5
Notes payable	87,901	3	45,522	2	53,864	2
Trade payables	307,578	12	299,570	12	242,961	10
Trade payables to related parties (Note 28)	28,333	1	23,581	1	33,314	2
Other payables (Note 18)	289,446	11	160,585	6	124,007	5
Current tax liabilities (Note 4)	24,653	1	23,106	1	12,211	1
Lease liabilities - current (Notes 13)	9,150	-	7,970	-	7,372	-
Total current liabilities	842,383	32	657,104	26	609,550	26
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss- non-current (Note 7 and 17)	16,350	-	30,030	1	33,210	1
Bond payable (Note 17)	290,493	11	289,287	11	288,087	12
Deferred tax liabilities (Note 4)	23,755	1	43,710	2	37,929	2
Lease liabilities - non-current (Notes 13)	20,651	1	16,199	1	16,805	1
Guarantee deposits (Note 28)	244	-	240	-	236	-
Total non-current liabilities	351,493	13	379,466	15	376,267	16
Total liabilities	1,193,876	45	1,036,570	41	985,817	42
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20)						
Ordinary shares	370,000	14	370,000	14	340,000	15
Capital surplus	654,821	25	651,213	26	531,555	23
Retained earnings						
Legal reserve	87,735	3	66,393	3	44,458	2
Special reserve	104,433	4	94,425	4	112,036	5
Unappropriated earnings	328,344	12	437,323	17	458,361	19
Total retained earnings	520,512	19	598,141	24	614,855	26
Other equity	(76,159)	(3)	(104,433)	(4)	(115,119)	(5)
Treasury shares	(32,858)	(1)	(32,858)	(1)	(32,858)	(1)
Total equity attributable to owners of the Company	1,436,316	54	1,482,063	59	1,338,433	58
NON-CONTROLLING INTERESTS (Notes 20 and 25)	25,459	1	-	-	7,912	-
Total equity	1,461,775	55	1,482,063	59	1,346,345	58
TOTAL	\$ 2,655,651	100	\$ 2,518,633	100	\$ 2,332,162	100

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

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 21 and 28)	\$509,063	100	\$506,872	100	\$900,299	100	\$868,544	100
OPERATING COSTS (Notes 9, 22 and 28)	<u>338,119</u>	<u>66</u>	<u>295,249</u>	<u>58</u>	<u>601,488</u>	<u>67</u>	<u>511,279</u>	<u>59</u>
GROSS PROFIT	<u>170,944</u>	<u>34</u>	<u>211,623</u>	<u>42</u>	<u>298,811</u>	<u>33</u>	<u>357,265</u>	<u>41</u>
OPERATING EXPENSES (Notes 22 and 28)								
Selling and marketing expenses	76,517	15	75,670	15	145,322	16	146,286	17
General and administrative expenses	40,619	8	39,024	8	74,930	8	72,428	8
Research and development expenses	20,714	4	22,183	5	35,974	4	38,536	4
Expected credit loss (gain) (Note 8)	<u>2,897</u>	<u>1</u>	<u>6,829</u>	<u>1</u>	<u>(1,271)</u>	<u>-</u>	<u>7,139</u>	<u>1</u>
Total operating expenses	<u>140,747</u>	<u>28</u>	<u>143,706</u>	<u>29</u>	<u>254,955</u>	<u>28</u>	<u>264,389</u>	<u>30</u>
INCOME FROM OPERATIONS	<u>30,197</u>	<u>6</u>	<u>67,917</u>	<u>13</u>	<u>43,856</u>	<u>5</u>	<u>92,876</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 12, 22 and 28)								
Interest income	5,027	1	5,165	1	9,698	1	10,137	1
Other gains and losses	19,059	4	(9,952)	(2)	28,790	3	(9,093)	(1)
Share of profit of associates and joint ventures accounted for using equity method	4,748	1	-	-	10,302	1	-	-
Finance costs	<u>(964)</u>	<u>-</u>	<u>(624)</u>	<u>-</u>	<u>(1,844)</u>	<u>-</u>	<u>(884)</u>	<u>-</u>
Total non-operating income and expenses	<u>27,870</u>	<u>6</u>	<u>(5,411)</u>	<u>1</u>	<u>46,946</u>	<u>5</u>	<u>160</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	58,067	12	62,506	12	90,802	10	93,036	11
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(8,369)</u>	<u>(2)</u>	<u>(12,190)</u>	<u>(2)</u>	<u>(6,087)</u>	<u>-</u>	<u>(15,515)</u>	<u>(2)</u>
NET PROFIT FOR THE PERIOD	<u>49,698</u>	<u>10</u>	<u>50,316</u>	<u>10</u>	<u>84,715</u>	<u>10</u>	<u>77,521</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(22,044)	(5)	(10,812)	(2)	28,182	3	(20,829)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$27,654</u>	<u>5</u>	<u>\$39,504</u>	<u>8</u>	<u>\$112,897</u>	<u>13</u>	<u>\$56,692</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$51,604	10	\$51,285	10	\$86,621	10	\$79,377	9
Non-controlling interests	(1,906)	-	(969)	-	(1,906)	-	(1,856)	-
	<u>\$49,698</u>	<u>10</u>	<u>\$50,316</u>	<u>10</u>	<u>\$84,715</u>	<u>10</u>	<u>\$77,521</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$29,652	6	\$40,540	8	\$114,895	13	\$58,684	7
Non-controlling interests	(1,998)	(1)	(1,036)	-	(1,998)	-	(1,992)	-
	<u>\$27,654</u>	<u>5</u>	<u>\$39,504</u>	<u>8</u>	<u>\$112,897</u>	<u>13</u>	<u>\$56,692</u>	<u>7</u>

(Continued)

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$1.41</u>		<u>\$1.53</u>		<u>\$2.37</u>		<u>\$2.37</u>	
Diluted	<u>\$1.28</u>		<u>\$1.45</u>		<u>\$2.15</u>		<u>\$2.31</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 (In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus	Retained Earnings			Other Equity		Total	Non-controlling Interests	Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares			
BALANCE AT JANUARY 1, 2021	34,000	\$340,000	\$531,555	\$44,458	\$112,036	\$378,984	(\$94,426)	(\$32,858)	\$1,279,749	\$9,904	\$1,289,653
Net profit for the six months ended June 30, 2021	-	-	-	-	-	79,377	-	-	79,377	(1,856)	77,521
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	=	=	=	=	=	=	(20,693)	=	(20,693)	(136)	(20,829)
Total comprehensive income (loss) for the six months ended June 30, 2021	=	=	=	=	=	<u>79,377</u>	<u>(20,693)</u>	=	<u>58,684</u>	<u>(1,992)</u>	<u>56,692</u>
BALANCE AT JUNE 30, 2021	<u>34,000</u>	<u>\$340,000</u>	<u>\$531,555</u>	<u>\$44,458</u>	<u>\$112,036</u>	<u>\$458,361</u>	<u>(\$115,119)</u>	<u>(\$32,858)</u>	<u>\$1,338,433</u>	<u>\$7,912</u>	<u>\$1,346,345</u>
BALANCE AT JANUARY 1, 2022	37,000	\$370,000	\$651,213	\$66,393	\$94,425	\$437,323	(\$104,433)	(\$32,858)	\$1,482,063	\$-	\$1,482,063
Appropriation of 2021 earnings											
Legal reserve	-	-	-	21,342	-	(21,342)	-	-	-	-	-
Special reserve	-	-	-	-	10,008	(10,008)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(164,250)	-	-	(164,250)	-	(164,250)
Difference between consideration and carrying amount of subsidiaries' net assets during actual acquisition or disposals	-	-	3,608	-	-	-	-	-	3,608	5,412	9,020
Net profit for the six months ended June 30, 2022	-	-	-	-	-	86,621	-	-	86,621	(1,906)	84,715
Other comprehensive income for the six months ended June 30, 2022	=	=	=	=	=	=	28,274	=	28,274	(92)	28,182
Total comprehensive income (loss) for the six months ended June 30, 2022	=	=	=	=	=	<u>86,621</u>	<u>28,274</u>	=	<u>114,895</u>	<u>(1,998)</u>	<u>112,897</u>
Changes in non-controlling interests	=	=	=	=	=	=	=	=	=	22,045	<u>22,045</u>
BALANCE AT JUNE 30, 2022	<u>37,000</u>	<u>\$370,000</u>	<u>\$654,821</u>	<u>\$87,735</u>	<u>\$104,433</u>	<u>\$328,344</u>	<u>(\$76,159)</u>	<u>(\$32,858)</u>	<u>\$1,436,316</u>	<u>\$25,459</u>	<u>\$1,461,775</u>

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

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$90,802	\$93,036
Adjustments for:		
Depreciation expenses	17,271	16,927
Loss on financial instruments at fair value through profit of loss, net	(14,295)	9,929
Share of profit of associates and joint ventures accounted for using equity method	(10,302)	-
Interest income	(9,698)	(10,137)
Finance costs	1,844	884
Expected credit loss (gain) recognized	(1,271)	7,139
Amortization expenses	1,090	1,233
Impairment losses recognized on non-financial assets	75	(1,604)
Gain on disposal of property, plant and equipment	(65)	44
Changes in operating assets and liabilities		
Notes receivable	(13,069)	(22,055)
Notes receivable from related parties	31,185	-
Trade receivables	33,798	21,848
Trade receivables from related parties	2,727	2,088
Other receivables	(551)	(1,120)
Other receivables from related parties	(38)	57
Inventories	(23,625)	(23,294)
Prepayments	26,968	(43,421)
Other current assets	(37,114)	(3,604)
Notes payable	42,379	30,046
Trade payables	8,008	(34,045)
Trade payables to related parties	4,752	(15,619)
Other payables	(35,386)	(34,763)
Contract liabilities	<u>3,552</u>	<u>10,515</u>
Cash generated from operations	119,037	4,084
Interest paid	(640)	(562)
Income tax paid	(28,539)	(56,653)
Net cash generated from operating activities	<u>89,858</u>	<u>(53,131)</u>

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(187,492)	(49,127)
Interest received	8,612	8,143
Increase in guarantee deposits paid	(396)	(28)
Acquisition of intangible assets	(388)	(1,442)
Proceeds from disposal of property, plant and equipment	75	20
Acquisitions of Investments accounted for using equity method	=	(108,000)
Net cash used in investing activities	<u>(179,589)</u>	<u>(150,434)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in non-controlling interests	22,045	-
Proceeds from disposal of ownership of subsidiaries	9,020	-
Repayments of the principle portion of lease liabilities	(5,393)	(5,705)
Proceeds from short-term borrowings	(5,000)	24,297
Proceeds from insurance of bonds	=	<u>311,358</u>
Net cash used in financing activities	<u>20,672</u>	<u>329,950</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	20,488	(17,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,571)	108,985
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	<u>1,202,548</u>	<u>1,132,381</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	<u>\$1,153,977</u>	<u>\$1,241,366</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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 August 22, 2022.

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

- a. Initial application of the amendments to 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 amendments to 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 2023.

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for the recognition of deferred tax income temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other 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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other 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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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. 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.

See Note 10, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other important accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2021.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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 about 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 economic implications of the COVID-19 when making its critical accounting estimates. 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.

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits	\$ 789,210	\$ 877,010	\$ 885,284
Demand deposits	185,821	150,210	61,261
Foreign deposit	178,583	175,148	294,271
Cash on hand	<u>363</u>	<u>180</u>	<u>550</u>
	<u>\$ 1,153,977</u>	<u>\$ 1,202,548</u>	<u>\$ 1,241,366</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, the interest rates of the time deposits were 1.75%-2.65%, 1.75%-3.00% and 1.76%-3.00%, respectively.

As of June 30, 2022, December 31, 2021 and June 30, 2021, restricted demand deposits (bank acceptance bill deposit and warranty letter deposit) which were recognized as “other current assets” were \$36,057 thousand, \$5,160 thousand and \$6,220 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial Liabilities- non current</u>			
Held for trading			
Derivative (not-designated for hedging)			
— Convertible Corporate Bond conversion right (Note 17)	<u>\$ 16,350</u>	<u>\$ 30,030</u>	<u>\$ 33,210</u>

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Notes receivable</u>			
Notes receivable - operating	\$46,177	\$33,108	\$39,534
Less: Allowance for impairment loss	<u>(41)</u>	<u>(72)</u>	<u>=</u>
	<u>\$46,136</u>	<u>\$33,036</u>	<u>\$39,534</u>
<u>Trade receivables</u>			
Trade receivables	\$370,025	\$404,126	\$327,851
Less: Allowance for impairment loss	<u>(23,292)</u>	<u>(24,290)</u>	<u>(36,805)</u>
	<u>\$346,733</u>	<u>\$379,836</u>	<u>\$291,046</u>
<u>Other receivables</u>			
Other receivable	\$8,098	\$6,393	\$8,274
Less: Allowance for impairment loss	<u>(858)</u>	<u>(871)</u>	<u>(762)</u>
	<u>\$7,240</u>	<u>\$5,522</u>	<u>\$7,512</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.

June 30, 2022

	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Gross carrying amount	\$368,593	\$28,699	\$11,171	\$7,739	\$416,202
Loss allowance (Lifetime ECLs)	<u>(6,439)</u>	<u>(2,870)</u>	<u>(6,285)</u>	<u>(7,739)</u>	<u>(23,333)</u>
Amortized cost	<u>\$362,154</u>	<u>\$25,829</u>	<u>\$4,886</u>	<u>\$ -</u>	<u>\$392,869</u>

December 31, 2021

	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
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>

June 30, 2021

	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Gross carrying amount	\$303,261	\$30,696	\$13,646	\$19,782	\$367,385
Loss allowance (Lifetime ECLs)	<u>(5,247)</u>	<u>(4,009)</u>	<u>(7,767)</u>	<u>(19,782)</u>	<u>(36,805)</u>
Amortized cost	<u>\$298,014</u>	<u>\$26,687</u>	<u>\$5,879</u>	<u>\$ -</u>	<u>\$330,580</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:

	For the Six Months Ended June 31	
	2022	2021
Balance at January 1	\$ 72	\$ -
Less: Net remeasurement of loss allowance	<u>(31)</u>	<u>-</u>
Balance at June 30	<u>\$ 41</u>	<u>\$ -</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 24,290	\$ 30,078
Add: Net remeasurement of loss allowance	(1,207)	7,265
Less: Amounts written off	(303)	-
Foreign exchange gain (losses)	<u>512</u>	<u>(538)</u>
Balance at June 30	<u>\$ 23,292</u>	<u>\$ 36,805</u>

The movements of the loss allowance of other receivables were as follows:

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 871	\$ 901
Add: Net remeasurement of loss allowance	(33)	(126)
Foreign exchange gain (losses)	<u>20</u>	<u>(13)</u>
Balance at June 30	<u>\$ 858</u>	<u>\$ 762</u>

9. INVENTORIES

	Jun 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 102,054	\$ 94,536	\$ 98,372
Finished goods	<u>55,990</u>	<u>40,482</u>	<u>48,693</u>
	<u>\$ 158,044</u>	<u>\$ 135,018</u>	<u>\$ 147,065</u>

The item of the cost of goods sold is as follows.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Cost of inventory sold	\$324,633	\$296,789	\$587,955	\$512,883
Loss on inventory retired	13,458	-	13,458	-
Loss on inventory write-downs (reversal of inventory loss)	<u>28</u>	<u>(1,540)</u>	<u>75</u>	<u>(1,604)</u>
	<u>\$338,119</u>	<u>\$295,249</u>	<u>\$601,488</u>	<u>\$511,279</u>

10. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	Chuan Yuan Hydraulic Engineering Co., Ltd.	Investment activities	100	100	100	a.
The Company	GSD Enviro Tech (Taiwan) Co., Ltd.	Investment and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	100	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	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	100	100	d.
GSD Enviro Tech (Taiwan) Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	Selling of aquaculture and environmental protection equipment and its consumables, and providing installation, repair, and technical support services	85	-	-	e.
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	100	f.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2022	December 31, 2021	June 30, 2021	
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	60	100	60	g.
GSD (China) Co., Ltd.	CNCN (Beijing) Enviro Tech Co., Ltd.	Selling of sludge drying and energy management equipment and providing installation, repair, and technical support services	60	-	-	h.

The detail information of the subsidiaries was as follows:

- a. Chuan Yuan Hydraulic Engineering Co., Ltd, a wholly owned subsidiary of the Group, was founded in 1993 in the British Virgin Islands.
- b. GSD Enviro Tech. (Taiwan) Co., Ltd., a wholly owned subsidiary of the Group, was founded on February 1, 2021, mainly for investment and selling of environmental protection equipment, and providing installation, repair, and technical support services.
- c. 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.
- d. 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. GSD Enviro Tech Vietnam Company Limited, a 85% owned subsidiary of the Group, was founded on March 29, 2022, mainly for selling of aquaculture and environmental protection equipment, and providing installation, repair, and technical support services.
- f. 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.
- g. 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. Then on February 25, 2022, the board of directors resolved to transfer 30% of the equity to Pinghu Jiayuan Environmental Technology Limited Partnership (Limited Partnership), with RMB 1,500 thousand, and transfer 10% of the equity to the managers of GSD Environmental Technology Co., Ltd., with RMB 500 thousand. The equity transaction was completed on April 1, 2022.
- h. CNCN (Beijing) Enviro Tech Co., Ltd., a 60% owned subsidiary of the Group, was founded on May 10, 2022, mainly for selling of sludge drying and energy management equipment and providing installation, repair, and technical support services.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

		June 30, 2022	December 31, 2021	June 30, 2021	
Investment in Associates					
Yuh Shan Environmental Engineering Co., Ltd.		<u>\$ 129,986</u>	<u>\$ 119,684</u>	<u>\$ 108,000</u>	
			% of Ownership and Voting Rights Held by the Company		
Name of Associate	Principal Activities	Place of Operation	June 30, 2022	December 31, 2021	June 30, 2021
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%	23.53%	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 thousand 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 not been audited for the same periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2022	\$242,901	\$31,490	\$18,639	\$37,912	\$142,296	\$473,238
Additions	-	196	1,480	2,182	183,634	187,492
Disposals	(984)	(86)	(446)	(917)	-	(2,433)
Reclassification	220,097	5,455	-	194	(225,746)	-
Effect of foreign currency exchange differences	<u>5,887</u>	<u>705</u>	<u>421</u>	<u>747</u>	<u>2,992</u>	<u>10,752</u>
Balance at June 30, 2022	<u>\$467,901</u>	<u>\$37,760</u>	<u>\$20,094</u>	<u>\$40,118</u>	<u>\$103,176</u>	<u>\$669,049</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	(\$130,654)	(\$23,837)	(\$11,790)	(\$28,290)	\$ -	(\$194,571)
Disposals	984	78	446	915	-	2,423
Depreciation expenses	(5,684)	(696)	(1,392)	(2,634)	-	(10,406)
Effect of foreign currency exchange differences	(2,842)	(524)	(254)	(572)	-	(4,192)
Balance at June 30, 2022	(\$138,196)	(\$24,979)	(\$12,990)	(\$30,581)	<u>\$ -</u>	(\$206,746)
Carrying amounts at June 30, 2022	<u>\$329,705</u>	<u>\$12,781</u>	<u>\$7,104</u>	<u>\$9,537</u>	<u>\$103,176</u>	<u>\$462,303</u>

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property under Construction	Total
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$112,247</u>	<u>\$7,653</u>	<u>\$6,849</u>	<u>\$9,622</u>	<u>\$142,296</u>	<u>\$278,667</u>
Cost						
Balance at January 1, 2021	\$243,918	\$31,110	\$16,265	\$34,994	\$23,633	\$349,920
Additions	994	1,349	2,108	3,066	41,610	49,127
Disposals	-	(16)	(426)	(691)	-	(1,133)
Effect of foreign currency exchange differences	(3,754)	(497)	(266)	(510)	(796)	(5,823)
Balance at June 30, 2021	<u>\$241,158</u>	<u>\$31,946</u>	<u>\$17,681</u>	<u>\$36,859</u>	<u>\$64,447</u>	<u>\$392,091</u>
Accumulated depreciation						
Balance at January 1, 2021	(\$120,500)	(\$22,939)	(\$9,748)	(\$24,866)	\$ -	(\$178,053)
Disposals	-	14	384	671	-	1,069
Depreciation expenses	(5,539)	(787)	(1,218)	(2,714)	-	(10,258)
Effect of foreign currency exchange differences	<u>1,915</u>	<u>364</u>	<u>156</u>	<u>383</u>	<u>-</u>	<u>2,818</u>
Balance at June 30, 2021	(\$124,124)	(\$23,348)	(\$10,426)	(\$26,526)	<u>\$ -</u>	(\$184,424)
Carrying amounts at June 30, 2021	<u>\$117,034</u>	<u>\$8,598</u>	<u>\$7,255</u>	<u>\$10,333</u>	<u>\$64,447</u>	<u>\$207,667</u>

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	2-5 years

Property, plant and equipment as for own use.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amounts</u>			
Land use rights	\$ 95,834	\$ 94,858	\$ 76,613
Buildings	<u>31,156</u>	<u>25,289</u>	<u>25,955</u>
	<u>\$ 126,990</u>	<u>\$ 120,147</u>	<u>\$ 102,568</u>

	For the Six Months Ended June 30	
	2022	2021
Additions to right-of-use assets		
Buildings	<u>\$ 11,979</u>	<u>\$ 6,068</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 5,257</u>	<u>\$ 5,274</u>
Land use rights	<u>1,096</u>	<u>891</u>
	<u>\$ 6,353</u>	<u>\$ 6,165</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 for the six months ended June 30, 2022 and 2021.

The Group has been subleasing its land use rights in China 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 31.

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amounts</u>			
Current	<u>\$ 9,150</u>	<u>\$ 7,970</u>	<u>\$ 7,372</u>
Non-current	<u>\$ 20,651</u>	<u>\$ 16,199</u>	<u>\$ 16,805</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	1.57%-7.00%	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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	<u>\$ 2,021</u>	<u>\$ 1,478</u>	<u>\$ 3,859</u>	<u>\$ 3,173</u>
Expenses relating to low-value asset leases	<u>\$ 138</u>	<u>\$ 168</u>	<u>\$ 335</u>	<u>\$ 333</u>
Total cash outflow for leases			<u>\$ 10,222</u>	<u>\$ 9,630</u>

14. INVESTMENT PROPERTIES

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	\$ 12,464	\$ 12,700	\$ 13,097
Land Use Rights	<u>2,713</u>	<u>2,689</u>	<u>2,701</u>
	<u>\$ 15,177</u>	<u>\$ 15,389</u>	<u>\$ 15,798</u>

Except for the recognition of depreciation and amortization expenses, there was no major addition, disposals or impairment of the investment properties of the combined company for the six months ended June 30, 2022 and 2021.

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. As assessed by the management of the Company, there was no significant change in the fair value of investment properties at June 30, 2022 and 2021 compared to December 31, 2021 and 2020.

The investment properties pledged as collateral for bank borrowing are set out in Note 31.

15. INTANGIBLE ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Trademark	\$ 46,120	\$ 45,133	\$ 44,769
Computer Software	<u>10,264</u>	<u>10,717</u>	<u>11,782</u>
	<u>\$ 56,384</u>	<u>\$ 55,850</u>	<u>\$ 56,551</u>

Except for the recognition of amortization expenses, there was no major addition, disposals or impairment of the intangible assets of the combined company for the six months ended June 30, 2022 and 2021.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured borrowings	\$ -	\$ 5,000	\$ 32,232

The range of interest rates on bank loans was 1.20% per annum at December 31, 2021 and June 30, 2021.

17. BOND PAYABLE

	June 30, 2022	December 31, 2021	June 30, 2021
Domestic unsecured Convertible bond	<u>\$ 290,493</u>	<u>\$ 289,287</u>	<u>\$ 288,087</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 June 30, 2022, conversion price is \$70 and conversion period start 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 \$16,350 thousand (included in financial liabilities – noncurrent which are measured through profit/loss based on fair value) on June 30, 2022; non-derivative product liability have been measured on June 30, 2022 is \$290,493 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 January 1, 2022 (including \$289,287 thousand of corporate bond payable and \$30,030 thousand of financial liabilities at fair value - noncurrent)	\$ 319,317
Interest calculated in effective interest rate of 0.8354%	1,206
Gain on Valuation of Financial instrument	(14,295)
Effect of foreign currency exchange differences	<u>615</u>
Net liability components on June 30, 2022 (including \$290,493 thousand of corporate bond payable and \$16,350 thousand of financial liabilities at fair value - noncurrent)	<u>\$ 306,843</u>

As of June 30, 2022, the unsecured convertible bond has not yet been converted.

18. OTHER PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Payables for cash dividends	\$ 164,250	\$ -	\$ -
Payables for salaries or bonuses	43,874	81,468	53,095
Payables for social insurance and housing fund	24,468	23,615	23,389
Payables for tax	16,535	13,715	7,303
Payables for employee benefits	2,989	7,211	9,825
Others	<u>37,330</u>	<u>34,576</u>	<u>30,395</u>
	<u>\$ 289,446</u>	<u>\$ 160,585</u>	<u>\$ 124,007</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

	June 30, 2022	December 31, 2021	June 30, 2021
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Shares authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>37,000</u>	<u>37,000</u>	<u>34,000</u>
Shares issued	<u>\$ 370,000</u>	<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

	June 30, 2022	December 31, 2021	June 30, 2021
Issuance of ordinary shares (1)	\$ 406,781	\$ 406,781	\$ 290,123
share capital and capital surplus (2)	250,373	250,373	250,373
Compensation costs of employee share options (3)	5,082	5,082	2,082
Difference between consideration and carrying amount of subsidiaries acquired or disposed (1)	3,608	-	-
Adjustment of functional currency (4)	<u>(11,023)</u>	<u>(11,023)</u>	<u>(11,023)</u>
	<u>\$ 654,821</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 2021 and 2020 were approved in the shareholders' meetings on June 8, 2022 and July 8, 2021 respectively, as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Provision Legal reserve	\$ 21,342	\$ 21,936
Provision (reversal)Special reserve	10,008	(17,610)
Cash dividends	164,250	150,750
Cash dividends per share (NT\$)	\$4.5	\$4.5

d. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at June 30, 2022, December 31, 2021 and June 30, 2021	<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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ -	\$9,904
Non-controlling interests arising from acquisition of subsidiaries	22,045	-
Non-controlling interests arising from disposals of subsidiaries' portion ownerships	5,412	-
Attributable to non-controlling interests		-
Net profit (loss) during the period	(1,906)	(1,856)
Other comprehensive income/(loss) during the period	(92)	(136)
Balance at June 30	<u>\$25,459</u>	<u>\$7,912</u>

21. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Revenue from sale of goods	<u>\$509,063</u>	<u>\$506,872</u>	<u>\$900,299</u>	<u>\$868,544</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. Contact balances

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Notes receivables and trade receivables (Note 8)	<u>\$416,202</u>	<u>\$437,234</u>	<u>\$367,385</u>	<u>\$367,178</u>
Contract liabilities	<u>\$95,322</u>	<u>\$91,770</u>	<u>\$103,589</u>	<u>\$93,074</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

Major Components of Net Profit from Continuing Operations

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Bank deposits	<u>\$ 5,027</u>	<u>\$ 5,165</u>	<u>\$ 9,698</u>	<u>\$ 10,137</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Gain on financial instruments at fair value through profit of loss, net	\$12,584	(\$9,929)	\$14,295	(\$9,929)
Net foreign exchange gains (losses)	4,314	(1,815)	10,503	(1,648)
Subsidy	1,620	708	3,927	990
Rental income	828	699	1,540	1,406
Others	<u>(287)</u>	<u>385</u>	<u>(1,475)</u>	<u>88</u>
	<u>\$19,059</u>	<u>(\$9,952)</u>	<u>\$28,790</u>	<u>(\$9,093)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest on convertible bond	\$603	\$309	\$1,206	\$309
Interest on lease liabilities	361	206	635	419
Interest on bank loans	-	109	3	156
	<u>\$964</u>	<u>\$624</u>	<u>\$1,844</u>	<u>\$884</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Property, plant and equipment	\$5,210	\$5,104	\$10,406	\$10,258
Right-of-use assets	3,365	3,144	6,353	6,165
Intangible assets	496	619	1,055	1,198
Investment properties	<u>274</u>	<u>269</u>	<u>547</u>	<u>539</u>
	<u>\$9,345</u>	<u>\$9,136</u>	<u>\$18,361</u>	<u>\$18,160</u>
An analysis of depreciation by function				
Operating costs	\$1,902	\$1,899	\$3,773	\$3,804
Operating expenses	6,673	6,349	12,986	12,619
Non-operating expenses	<u>257</u>	<u>251</u>	<u>512</u>	<u>504</u>
	<u>\$8,832</u>	<u>\$8,499</u>	<u>\$17,271</u>	<u>\$16,927</u>
An analysis of amortization by function				
Operating expenses	\$496	\$619	\$1,055	\$1,198
Non-operating expenses	<u>17</u>	<u>18</u>	<u>35</u>	<u>35</u>
	<u>\$513</u>	<u>\$637</u>	<u>\$1,090</u>	<u>\$1,233</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Defined contribution plans	\$9,557	\$8,488	\$18,934	\$17,302
Other employee benefits	<u>96,681</u>	<u>99,548</u>	<u>185,004</u>	<u>185,564</u>
	<u>\$106,238</u>	<u>\$108,036</u>	<u>\$203,938</u>	<u>\$202,866</u>
An analysis of employee benefits expense by function				
Operating costs	\$17,012	\$17,244	\$31,657	\$32,801
Operating expenses	<u>89,226</u>	<u>90,792</u>	<u>172,281</u>	<u>170,065</u>
	<u>\$106,238</u>	<u>\$108,036</u>	<u>\$203,938</u>	<u>\$202,866</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. For the six months ended June 30, 2022 and 2021, the estimated employees' compensation and the remuneration of directors were as follows:

Accrual rates

	For the Six Months Ended June 30	
	2022	2021
Employees' compensation	3.15%	3.17%
Remuneration of directors	1.97%	2.01%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Employees' compensation	<u>\$1,757</u>	<u>\$1,629</u>	<u>\$2,974</u>	<u>\$2,585</u>
Remuneration of directors	<u>\$918</u>	<u>\$1,029</u>	<u>\$1,864</u>	<u>\$1,637</u>

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.

The appropriations of employees' compensation and remuneration of directors for 2021 and 2020 that were resolved by the board of directors on February 25, 2022 and March 19, 2021, respectively, are as shown below:

Accrual rates

	For the Year Ended December 31	
	2021	2020
Employees' compensation	3.18%	3.18%
Remuneration of directors	1.41%	1.43%

Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 7,211	\$ -	\$ 7,353	\$ -
Remuneration of directors	3,193	-	3,294	-

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:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$5,427	\$29,750	\$25,641	\$34,652
Adjustments for prior years	345	70	345	70
Deferred tax				
In respect of the current period	<u>2,597</u>	<u>(17,630)</u>	<u>(19,899)</u>	<u>(19,207)</u>
	<u>\$8,369</u>	<u>\$12,190</u>	<u>\$6,087</u>	<u>\$15,515</u>

Tax rates used by the Group are based on the tax laws in the local jurisdictions.

b. Income tax assessments

The tax authorities have examined income tax returns of the company's Taiwan Branch through 2020.

24. EARNINGS PER SHARE

	Unit: NT\$ Per Share			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic earnings per share	<u>\$1.41</u>	<u>\$1.53</u>	<u>\$2.37</u>	<u>\$2.37</u>
Diluted earnings per share	<u>\$1.28</u>	<u>\$1.45</u>	<u>\$2.15</u>	<u>\$2.31</u>

The earnings used in the computation of earnings per share were as follows:

Net profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company	\$51,604	\$51,285	\$86,621	\$79,377
Effect of potentially dilutive ordinary shares:				
Interest of convertible corporate bond	<u>603</u>	<u>309</u>	<u>1,206</u>	<u>309</u>
Earnings used in the computation of diluted earnings per share	<u>\$52,207</u>	<u>\$51,594</u>	<u>\$87,827</u>	<u>\$79,686</u>

The weighted average number of ordinary shares outstanding (in thousand shares) used in the computation of earnings per share was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	36,500	33,500	36,500	33,500
Effect of potentially dilutive ordinary shares:				
Employees' compensation or bonuses issued to employees	29	24	84	84
Payable of convertible bond	<u>4,286</u>	<u>1,952</u>	<u>4,286</u>	<u>981</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>40,815</u>	<u>35,476</u>	<u>40,870</u>	<u>34,565</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. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2022, the Group disposed 40% of the shares of GSD Environmental Technology Co., Ltd., and decreased its continuing interest from 100% to 60%.

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 received	\$ 9,020
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(5,412)</u>
Differences recognized from equity transactions	<u>\$ 3,608</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus- Difference between consideration and carrying amount of subsidiaries' net assets during actual acquisition or disposals	<u>\$ 3,608</u>

26. 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.

27. 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

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	\$ -	\$ 16,350	\$ -	\$ 16,350

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	\$ -	\$ 30,030	\$ -	\$ 30,030

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	\$ -	\$ 33,210	\$ -	\$ 33,210

- c. Categories of financial instruments

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,624,944	\$ 1,694,282	\$ 1,597,467
<u>Financial liabilities</u>			
FVTPL			
Held for trading	16,350	30,030	33,210
Financial liabilities at amortized cost (2)	1,003,995	823,785	774,701

- 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, bond 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 19% and 22%, 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 30.

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 Six Months Ended June 30			
	2022		2021	
	CNY	TWD	CNY	TWD
Profit or loss*	\$ 253	\$ 1,123	\$ 32	\$ 178

* 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:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
<u>TWD</u>			
Cash flow interest rate risk			
Financial assets	\$ 400,461	\$ 330,518	\$ 361,752
Financial liabilities	-	5,000	32,232
Fair value interest rate risk			
Financial assets	789,210	877,010	885,284
Financial liabilities	320,294	313,456	312,264

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 six months ended June 30, 2022 and 2021 would increase/decrease by \$501 thousand and \$412 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.

June 30, 2022

	On Demand or Less than 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>			
Notes payables	\$ 87,901	\$ -	\$ 87,901
Trade payables	307,578	-	307,578
Trade payables - related parties	28,333	-	28,333
Other payables	289,446	-	289,446
Lease liabilities	10,326	23,329	33,655
Guarantee deposits received	-	244	244
Bond payables	<u>-</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 723,584</u>	<u>\$ 323,573</u>	<u>\$ 1,047,157</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	Total
Lease liabilities	<u>\$10,326</u>	<u>\$17,483</u>	<u>\$ 5,846</u>	<u>\$ -</u>	<u>\$33,655</u>

December 31, 2021

	On Demand or Less than 1 Year	1+ Years	Total
<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	<u>-</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 542,989</u>	<u>\$ 318,493</u>	<u>\$ 861,482</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	Total
Lease liabilities	<u>\$ 8,728</u>	<u>\$11,308</u>	<u>\$ 6,945</u>	<u>\$ -</u>	<u>\$26,981</u>

June 30, 2021

	On Demand or Less than 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$ 32,331	\$ -	\$ 32,331
Notes payables	53,864	-	53,864
Trade payables	242,961	-	242,961
Trade payables - related parties	33,314	-	33,314
Lease liabilities	8,207	19,302	27,509
Other payables	124,007	-	124,007
Guarantee deposits received	-	236	236
Bond payables	-	300,000	300,000
	<u>\$ 494,684</u>	<u>\$ 319,538</u>	<u>\$ 814,222</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	Total
Lease liabilities	<u>\$ 8,207</u>	<u>\$12,336</u>	<u>\$ 6,966</u>	<u>\$ -</u>	<u>\$27,509</u>

b) Financing facilities

	June 30, 2022	December 31, 2021	June 30, 2021
Bank loans and credit lines			
Amount used	\$ 56,949	\$ 49,933	\$ 87,931
Amount unused	<u>585,923</u>	<u>599,139</u>	<u>472,351</u>
	<u>\$ 642,872</u>	<u>\$ 649,072</u>	<u>\$ 560,282</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 is 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 June 30, 2022, December 31, 2021 and June 30, 2021, the face amounts of these unsettled bills receivable were \$140,701 thousand, \$177,768 thousand and \$159,128 thousand, respectively. The unsettled bills receivable will be due in 10 months, 10 months and 10 months, respectively after the end of the reporting period. 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 six months ended June 30, 2022 and 2021, 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.

28. 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

Related Party Name	Related Party Category
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
Pinghu Jiayuan Environmental Technology Partnership (Pinghu Jiayuan)	Related party in substance
Wang Qian	General Manager of major subsidiaries
Liu Xiao	Manager of major subsidiaries

b. Operating revenue

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Yuh Shan Environmental	\$16,993	\$ -	\$112,335	\$ -
Pinghu Hey Wel	1,074	1,076	1,672	2,068
Hey-Wel Mechanical	<u>9</u>	<u>2</u>	<u>104</u>	<u>2</u>
	<u>\$18,076</u>	<u>\$1,078</u>	<u>\$114,111</u>	<u>\$2,070</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. If there is no comparable transaction to reference, the price and collection conditions shall be agreed upon in accordance with the contract between the two parties.

c. Purchases

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Pinghu Hey Wel	\$34,877	\$43,552	\$56,444	\$73,443
Hey-Wel Mechanical	<u>1,095</u>	<u>1,266</u>	<u>2,207</u>	<u>1,313</u>
	<u>\$35,972</u>	<u>\$44,818</u>	<u>\$58,651</u>	<u>\$74,756</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, and the lease contract have been renewed on May 1, 2022. The rent is based on the general lease market price and received on the tenth of each month. As of June 30, 2022, December 31, 2021 and June 30, 2021, the gross lease payments to be received are \$17,522 thousand, \$935 thousand and \$2,319 thousand, respectively. Lease income recognized for the three months ended June 30, 2022 and 2021 were \$828 thousand and \$699 thousand, and lease income recognized for the six months ended June 30, 2022 and 2021 were \$1,540 thousand and \$1,406 thousand.

e. Operating costs

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Pinghu Hey Wel	<u>\$ 31</u>	<u>\$ 493</u>	<u>\$ 100</u>	<u>\$ 566</u>

f. Other income

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Pinghu Hey Wel	<u>\$ 497</u>	<u>\$ 435</u>	<u>\$ 960</u>	<u>\$ 879</u>

g. Other expenses

Related Party Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Pinghu Hey Wel	<u>\$ 27</u>	<u>\$ 48</u>	<u>\$ 54</u>	<u>\$ 85</u>

h. Receivables from related parties

Line Item	Related party Name	June 30, 2022	December 31, 2021	June 30, 2021
Trade receivables	Pinghu Hey Wel	\$8,103	\$8,425	\$9,212
	Hey-Wel Mechanical	87	120	479
	Yuh Shan Environmental	<u>270</u>	<u>2,642</u>	-
		<u>\$8,460</u>	<u>\$11,187</u>	<u>\$9,691</u>
Note receivable	Yuh Shan Environmental	\$20,742	\$51,810	\$ -
	Hey-Wel Mechanical	-	<u>117</u>	-
		<u>\$20,742</u>	<u>\$51,927</u>	<u>\$ -</u>
Other receivables	Pinghu Hey Wel	<u>\$519</u>	<u>\$481</u>	<u>\$382</u>

The outstanding receivables from related parties are unsecured. For the six months ended June 30, 2022 and 2021, no impairment loss was recognized on receivables from related parties.

i. Payables to related parties

Related Party Name	June 30, 2022	December 31, 2021	June 30, 2021
Pinghu Hey Wel	\$ 26,842	\$ 23,549	\$ 33,240
Hey-Wel Mechanical	<u>1,491</u>	<u>32</u>	<u>74</u>
	<u>\$ 28,333</u>	<u>\$ 23,581</u>	<u>\$ 33,314</u>

The outstanding trade payables to related parties are unsecured.

j. Guarantee deposits received

Related Party Name	June 30, 2022	December 31, 2021	June 30, 2021
Pinghu Hey Wel	<u>\$ 244</u>	<u>\$ 240</u>	<u>\$ 236</u>

k. Contract liabilities

Related Party Name	June 30, 2022	December 31, 2021	June 30, 2021
Pinghu Hey Wel	\$ -	\$ 4,696	\$ -
Hey-Wel Mechanical	<u>335</u>	<u>-</u>	<u>-</u>
	<u>\$ 335</u>	<u>\$ 4,696</u>	<u>\$ -</u>

l. Disposal of financial assets

In April 1, 2022, the Group disposed 40% of the shares of GSD Environmental Technology Co., Ltd. to the related parties. The percentage of shares and transaction amount were as follows:

Related Party Name	Transaction subject	For the Six Months Ended June 30	
		Accumulated percentage of shares disposed	Accumulated transaction amount
Pinghu Jiayuan	Shares of GSD Environmental Technology Co., Ltd.	30%	\$ 6,765
Wang Qian	Shares of GSD Environmental Technology Co., Ltd.	6%	1,353
Liu Xiao	Shares of GSD Environmental Technology Co., Ltd.	4%	<u>902</u>
			<u>\$ 9,020</u>

m. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 3,302	\$ 3,177	\$ 6,526	\$ 6,198
Post-employment benefits	<u>78</u>	<u>73</u>	<u>152</u>	<u>134</u>
	<u>\$ 3,380</u>	<u>\$ 3,250</u>	<u>\$ 6,678</u>	<u>\$ 6,332</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. OTHER ITEMS

Due to the COVID-19 pandemic, the Yangzhou plant of the Company suspended from August 2 to September 6, 2021 and the Pinghu plant suspended from March 14 to March 23, 2022. In addition to the temporary shutdown affecting production, logistics in China is not smooth due to the closure of some areas, resulting in material shortage and delivery delays, resulting in a slight decline in revenue and an increase in inventory in China. Although the shipments are affected by the pandemic in the short term, the demand for environmental protection still exists. Therefore, the Company assessed that there was no significant impact on operations due to the COVID-19 pandemic.

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 and Vietnam.

30. 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:

Unit: Foreign Currencies in Thousands			
<u>June 30, 2022</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,193	6.7114 (USD:CNY)	\$ 124,569
TWD	121,978	0.2253 (TWD:CNY)	121,978
<u>Financial liabilities</u>			
Monetary items			
USD	413	6.7114 (USD:CNY)	12,301
TWD	492,989	0.2253 (TWD:CNY)	492,989

December 31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<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

June 30, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,076	6.4601 (USD:CNY)	\$ 29,982
TWD	71,757	0.2321 (TWD:CNY)	71,757
EUR	77	7.6932 (USD:CNY)	2,549
<u>Financial liabilities</u>			
Monetary items			
USD	439	6.4601 (USD:CNY)	12,225
TWD	327,242	0.2321 (TWD:CNY)	327,242

For the three months ended June 30, 2022 and 2021, realized and unrealized net foreign exchange gain (losses) were gain \$4,314 thousand and losses \$1,815 thousand, respectively. For the six months ended June 30, 2022 and 2021, realized and unrealized net foreign exchange gain (losses) were gain \$10,503 thousand and losses \$1,648 thousand, respectively.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Properties	\$ 67,377	\$ 68,514	\$ 70,636
Right-of-use assets	38,057	37,628	37,805
Investment properties	15,177	15,389	15,798
Other current assets (restricted demand deposits)	<u>36,057</u>	<u>5,160</u>	<u>6,220</u>
	<u>\$ 156,668</u>	<u>\$ 126,691</u>	<u>\$ 130,459</u>

32. 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: None
- 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 2
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: Table 4
- 11) Information on investees: Table 5

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 as of June 30, 2022, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 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 as of June 30, 2022
 - b) The amount and percentage of sales and the balance and percentage of the related receivables as of June 30, 2022
 - 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 as of June 30, 2022 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 six months ended June 30, 2022 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 7)

33. SEGMENT INFORMATION

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 Six Months Ended June, 30, 2022

	GSD Technologies Co., Ltd.	GSD Enviro Tech (Taiwan) Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	GSD (China) Co., Ltd.	GSD Enviro Tech (Yangzhou) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	GSD Environmental Technology Co., Ltd.	CNCN (Beijing) Enviro Tech Co., Ltd.	Internal Transfer Pricing	Total
Revenue	\$147,499	\$12,816	\$ -	\$3,906	\$743,693	\$ -	\$116,683	\$902	\$ -	(\$125,200)	\$900,299
Expenditure	<u>147,840</u>	<u>27,391</u>	-	<u>5,683</u>	<u>680,280</u>	<u>379</u>	<u>111,328</u>	<u>7,849</u>	<u>11</u>	<u>(124,318)</u>	<u>856,443</u>
Gross profit/(loss)	<u>(\$341)</u>	<u>(\$14,575)</u>	<u>\$ -</u>	<u>(\$1,777)</u>	<u>\$63,413</u>	<u>(\$379)</u>	<u>\$5,355</u>	<u>(\$6,947)</u>	<u>(\$11)</u>	<u>(\$882)</u>	<u>\$43,856</u>
Other gains and losses											28,790
Interest income											9,698
Finance costs											(1,844)
Share of profit of associates accounted for using equity method											<u>10,302</u>
Profit before income tax											<u>\$90,802</u>
Identified assets											
Notes and accounts receivable	\$50,695	\$5,235	\$ -	\$3,351	\$369,611	\$ -	\$149,525	\$ -	\$ -	(\$156,346)	\$422,071
Inventories	2,185	554	-	3,618	122,176	-	30,089	-	-	(578)	158,044
Property, plant and equipment	<u>2,298</u>	<u>970</u>	-	<u>1,595</u>	<u>350,216</u>	<u>96,392</u>	<u>6,523</u>	<u>1,292</u>	-	<u>3,017</u>	<u>462,303</u>
	<u>\$55,178</u>	<u>\$6,759</u>	<u>\$ -</u>	<u>\$8,564</u>	<u>\$842,003</u>	<u>\$96,392</u>	<u>\$186,137</u>	<u>\$1,292</u>	<u>\$ -</u>	<u>(\$153,907)</u>	<u>\$1,042,418</u>
General assets											<u>1,613,233</u>
											<u>\$2,655,651</u>
Identified liabilities											
Notes and accounts payable	<u>\$38,822</u>	<u>\$5,128</u>	<u>\$ -</u>	<u>\$6,343</u>	<u>\$463,777</u>	<u>\$31,295</u>	<u>\$33,853</u>	<u>\$941</u>	<u>\$ -</u>	<u>(\$156,347)</u>	<u>\$423,812</u>
General liabilities											<u>770,064</u>
											<u>\$1,193,876</u>
Depreciation and amortization	<u>\$2,261</u>	<u>\$142</u>	<u>\$ -</u>	<u>\$471</u>	<u>\$11,887</u>	<u>\$197</u>	<u>\$1,723</u>	<u>\$384</u>	<u>\$ -</u>	<u>\$1,296</u>	<u>\$18,361</u>

Unit: New Taiwan Dollars in Thousands

	For the Six Months Ended June, 30, 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	Total
Revenue	\$33,412	\$2,609	\$ -	\$829,385	\$ -	\$144,733	\$895	(\$142,490)	\$868,544
Expenditure	<u>55,008</u>	<u>2,471</u>	-	<u>723,938</u>	<u>203</u>	<u>130,042</u>	<u>5,846</u>	<u>(141,840)</u>	<u>775,668</u>
Gross profit/(loss)	<u>(\$21,596)</u>	<u>\$138</u>	<u>\$ -</u>	<u>\$105,447</u>	<u>(\$203)</u>	<u>\$14,691</u>	<u>(\$4,951)</u>	<u>(\$650)</u>	<u>\$92,876</u>
Other gains and losses									(9,093)
Interest income									10,137
Finance costs									(884)
Profit before income tax									<u>\$93,036</u>
Identified assets									
Notes and accounts receivable	\$22,882	\$2,571	\$ -	\$313,001	\$ -	\$130,472	\$134	(\$128,789)	\$340,271
Inventories	2,912	-	-	103,471	-	40,694	-	(12)	147,065
Property, plant and equipment	<u>3,891</u>	<u>545</u>	-	<u>188,642</u>	<u>319</u>	<u>8,317</u>	<u>1,275</u>	<u>4,678</u>	<u>207,667</u>
	\$29,685	\$3,116	\$ -	\$605,114	\$319	\$179,483	\$1,409	(\$124,123)	\$695,003
General assets									<u>1,637,159</u>
									<u>\$2,332,162</u>
Identified liabilities									
Notes and accounts payable	<u>\$6,936</u>	<u>\$2,198</u>	<u>\$ -</u>	<u>\$402,987</u>	<u>\$ -</u>	<u>\$46,807</u>	<u>\$ -</u>	<u>(\$128,789)</u>	<u>\$330,139</u>
General liabilities									655,678
									<u>\$985,817</u>
Depreciation and amortization	<u>\$2,403</u>	<u>\$9</u>	<u>\$ -</u>	<u>\$12,457</u>	<u>\$ -</u>	<u>\$1,631</u>	<u>\$462</u>	<u>\$1,198</u>	<u>\$18,160</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.

TABLE 1**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****LOAN PROVIDED TO OTHER PARTIES****June 30, 2022****(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	\$88,780 (RMB\$ 20,000)	\$ -	\$ -	-	The need for short-term financing	\$ -	For counterparty to invest its subsidiary to construct factory and purchase equipment	\$ -	-	\$ -	\$574,526	\$574,526	
0	GSD Technologies Co., Ltd.	GSD (China) Co., Ltd.	Other Receivables	Yes	88,780 (RMB\$ 20,000)	44,390 (RMB\$ 10,000)	44,390 (RMB\$ 10,000)	-	The need for short-term financing	-	For counterparty to construct factory and purchase equipment	-	-	-	574,526	574,526	

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 June 30, 2022.

Note 3 : The limit for lending to each borrower is as follows :

- (1) 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.
- (2) 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.
- (3) 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.

Note 4 : The above amounts were eliminated in the consolidated report.

TABLE 2

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 SIX MONTHS ENDED JUNE 30, 2022
(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 Technologies Co., Ltd.	Yuh Shan Environmental Engineering Co., Ltd.	Associate	Sale	(\$ 112,335)	12%	Contractual payment	The same with normal vendor	The normal payment term is 0-90 days	\$ 21,012	5%	-
GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	Subsidiary	Purchase	114,688	20%	90 days	The same with normal vendor	The normal payment term is 0-90 days	(148,863)	35%	Note
Shanghai GSD Industrial Co., Ltd.	GSD (China) Co., Ltd.	Parent company	Sale	(114,688)	13%	90 days	The same with normal customer	The normal payment term is 0-90 days	148,863	35%	Note

Note : The above amounts caused from transaction between subsidiaries which included in the consolidated financial statements were eliminated in the consolidated report.

TABLE 3

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2022
(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	\$148,863	-	\$ -	-	\$ -	\$ -

Note: The above amounts were eliminated in the consolidated report.

TABLE 4

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(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	Other receivables from related parties	\$ 44,390	Contractual payment	2%
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Payable to related parties	148,863	90 days	6%
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Revenue from sale of goods	2,340	90 days	-
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Purchases	114,688	90 days	13%
1	GSD (China) Co., Ltd.	GSD Environmental Technology Co., Ltd.	c	Prepayment	3,329	Contractual payment	-
1	GSD (China) Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	c	Receivables from related parties	6,082	90 days	-
1	GSD (China) Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	c	Revenue from sale of goods	5,862	90 days	1%

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 5**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INFORMATION ON INVESTEEES****FOR THE SIX MONTHS ENDED JUNE 30, 2022****(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 June 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 2)	Note
				June, 30, 2022	December, 31, 2021	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	\$ 1,225,212	\$ 67,616	\$ 65,798	Subsidiary
	GSD Enviro Tech (Taiwan) Co., Ltd.	Taiwan	Selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	180,000	150,000	18,000,000	100	179,916	(2,475)	(2,475)	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	108,000	6,000,000	23.53	129,986	48,376	10,302	Associates
	GSD Enviro Tech Vietnam Company Limited	Vietnam	Selling of aquaculture and environmental protection equipment and its consumables, and providing installation, repair, and technical support services	24,484 (US 850 thousand)	-	Not applicable	85	23,305	(1,116)	(991)	Subsidiary

Note 1: It is based on the historical exchange rate of the original investment.

Note 2: Share of profit of Yuh shan Environment which is recognized by its self-settled financial statements, the others are recognized by their financial statements which were audited by the auditors of Taiwan parent company.

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 6.

TABLE 6

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(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, 2022	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 2)	Carrying Amount as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022	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	\$ 594,826 (CNY 134,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	\$	\$	Not applicable	\$ 66,184	100%	\$ 66,184	\$ 1,004,751	-	
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	91,761 (CNY 20,672 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	3,664	100%	3,673	148,229	-	
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	44,390 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	(6,809)	60%	(5,083)	5,393	-	
CNCN (Beijing) Enviro Tech Co., Ltd.	Selling of sludge drying and energy management equipment and providing installation, repair, and technical support services	44,390 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	(11)	60%	(7)	26,627	-	
GSD Enviro Tech (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	221,950 (CNY 50,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable			Not applicable	368	100%	368	222,399	-	

Accumulated Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Not applicable	Not applicable	Not applicable

- Note 1: Translated at June 30, 2022.
- 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 7**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2022**

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	2,650,603	7.16
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.