

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

**Consolidated Financial Statements for the  
Nine months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated financial statements of GSD Technologies Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and of cash flows for the nine 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"). 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. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion for the consolidated financial statements for the nine months ended September 30, 2022**

As disclosed in Note 11 of the consolidated financial statements, the aggregate carrying values of the investment accounted for using equity method were NT\$130,401 thousand as of September 30, 2022, and its share of profit of associates were NT\$415 thousand and NT\$10,717 thousand for the three months and for the nine months ended September 30, 2022. Those amounts as well as the related financial information of the investee as disclosed in Note 33 to the consolidated financial statements were based on the investee's unreviewed financial statements for the same reporting periods as those of the Company.

### **Qualified and Unqualified Conclusion**

### **Qualified Conclusion for the consolidated financial statements for the nine months ended September 30, 2022**

Based on our reviews, except as stated in the basis for qualified conclusion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022, and its consolidated financial performance for the three months ended September 30, 2022, and its consolidated financial performance and cash flows for the nine months ended September 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 Conclusion for the consolidated financial statements for the nine months ended September 30, 2021**

Based on our reviews, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021, and its consolidated financial performance for the three months ended September 30, 2021, and its consolidated financial performance and cash flows for the nine months ended September 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.

The engagement partners on the reviews resulting in this independent auditors’ review report are Mei-Hui Wu and Chih-Yuan Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 10, 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)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 6)	\$977,012	39	\$1,202,548	48	\$1,169,627	51
Notes receivable (Notes 8 and 21)	48,035	2	33,036	1	34,658	2
Notes receivable from related parties (Notes 29)	-	-	51,927	2	-	-
Trade receivables, net (Notes 8 and 21)	320,175	13	379,836	15	303,777	13
Trade receivable from related parties (Notes 29)	5,224	-	11,187	1	6,759	-
Other receivables (Note 8)	7,325	-	5,522	-	8,299	-
Other receivables from related parties (Note 29)	557	-	481	-	342	-
Current tax assets (Note 4)	15	-	25	-	25	-
Inventories (Notes 9)	160,546	7	135,018	5	156,285	7
Prepayments	60,063	2	73,417	3	56,097	3
Other current assets (Notes 6 and 32)	61,007	3	8,178	-	2,576	-
Total current assets	1,639,959	66	1,901,175	75	1,738,445	76
<b>NON-CURRENT ASSETS</b>						
Investments accounted for using equity method (Notes 11)	130,401	5	119,684	5	100,756	4
Property, plant and equipment (Notes 12 and 32)	495,350	20	278,667	11	228,146	10
Right-of-use assets (Notes 13 and 32)	128,231	5	120,147	5	119,081	5
Investment properties (Notes 14 and 32)	17,522	1	15,389	1	15,517	1
Intangible assets (Notes 15)	56,308	2	55,850	2	55,964	3
Deferred tax assets (Notes 4)	25,400	1	23,136	1	23,667	1
Guarantee deposits paid	5,321	-	4,585	-	1,671	-
Total non-current assets	858,533	34	617,458	25	544,802	24
<b>TOTAL</b>	<b>\$2,498,492</b>	<b>100</b>	<b>\$2,518,633</b>	<b>100</b>	<b>\$2,283,247</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 16)	\$ -	-	\$5,000	-	\$30,500	1
Contract liabilities (Note 21 and 29)	83,524	3	91,770	4	95,563	4
Notes payable	123,710	5	45,522	2	13,097	1
Trade payables	258,346	10	299,570	12	241,669	11
Trade payables to related parties (Note 29)	26,851	1	23,581	1	26,104	1
Other payables (Note 18)	106,061	4	160,585	6	110,394	5
Current tax liabilities (Note 4)	24,469	1	23,106	1	13,523	1
Lease liabilities - current (Notes 13)	10,854	1	7,970	-	7,302	-
Total current liabilities	633,815	25	657,104	26	538,152	24
<b>NON-CURRENT LIABILITIES</b>						
Financial liabilities at fair value through profit or loss- non-current (Note 7 and 17)	9,570	-	30,030	1	18,060	1
Bond payable (Note 17)	291,098	12	289,287	11	288,686	12
Deferred tax liabilities (Note 4)	28,217	1	43,710	2	44,718	2
Lease liabilities - non-current (Notes 13)	21,111	1	16,199	1	16,178	1
Guarantee deposits (Note 29)	246	-	240	-	237	-
Total non-current liabilities	350,242	14	379,466	15	367,879	16
Total liabilities	984,057	39	1,036,570	41	906,031	40
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20)</b>						
Ordinary shares	370,000	15	370,000	14	340,000	15
Advance receipts for share capital	-	-	-	-	119,687	5
Capital surplus	654,821	26	651,213	26	534,555	23
Retained earnings						
Legal reserve	87,735	4	66,393	3	66,393	3
Special reserve	104,433	4	94,425	4	94,425	4
Unappropriated earnings	372,043	15	437,323	17	363,607	16
Total retained earnings	564,211	23	598,141	24	524,425	23
Other equity	(64,856)	(3)	(104,433)	(4)	(115,616)	(5)
Treasury shares	(32,858)	(1)	(32,858)	(1)	(32,858)	(1)
Total equity attributable to owners of the Company	1,491,318	60	1,482,063	59	1,370,193	60
<b>NON-CONTROLLING INTERESTS (Notes 20 and 26)</b>	23,117	1	-	-	7,023	-
Total equity	1,514,435	61	1,482,063	59	1,377,216	60
<b>TOTAL</b>	<b>\$2,498,492</b>	<b>100</b>	<b>\$2,518,633</b>	<b>100</b>	<b>\$2,283,247</b>	<b>100</b>

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) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 21 and 29)	\$455,796	100	\$507,774	100	\$1,356,095	100	\$1,376,318	100
OPERATING COSTS (Notes 8, 22 and 29)	285,617	63	324,460	64	887,105	66	835,739	61
GROSS PROFIT	170,179	37	183,314	36	468,990	34	540,579	39
OPERATING EXPENSES (Notes 22 and 29)								
Selling and marketing expenses	79,154	17	76,752	15	224,476	16	223,038	16
General and administrative expenses	42,316	9	44,116	9	117,246	9	116,544	9
Research and development expenses	17,837	4	21,051	4	53,811	4	59,587	4
Expected credit loss (gain) (Note 8)	(103)	-	(1,700)	-	(1,374)	-	5,439	-
Total operating expenses	139,204	30	140,219	28	394,159	29	404,608	29
INCOME FROM OPERATIONS	30,975	7	43,095	8	74,831	5	135,971	10
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 29)								
Interest income	4,319	1	6,102	1	14,017	1	16,239	1
Other gains and losses	12,669	3	35,782	7	41,459	3	26,689	2
Share of profit of associates and joint ventures accounted for using equity method	415	-	(7,244)	(1)	10,717	1	(7,244)	(1)
Finance costs	(1,139)	(1)	(875)	-	(2,983)	-	(1,759)	-
Total non-operating income and expenses	16,264	3	33,765	7	63,210	5	33,925	2
PROFIT BEFORE INCOME TAX	47,239	10	76,860	15	138,041	10	169,896	12
INCOME TAX EXPENSE (Notes 4 and 23)	(6,213)	(1)	(17,422)	(3)	(12,300)	(1)	(32,937)	(2)
NET PROFIT FOR THE PERIOD	41,026	9	59,438	12	125,741	9	136,959	10
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	11,634	3	(504)	-	39,816	3	(21,333)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$52,660	12	\$58,934	12	\$165,557	12	\$115,626	8
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$43,699	10	\$60,320	12	\$130,320	9	\$139,697	10
Non-controlling interests	(2,673)	(1)	(882)	-	(4,579)	-	(2,738)	-
	\$41,026	9	\$59,438	12	\$125,741	9	\$136,959	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$55,002	12	\$59,823	12	\$169,897	12	\$118,507	8
Non-controlling interests	(2,342)	-	(889)	-	(4,340)	-	(2,881)	-
	\$52,660	12	\$58,934	12	\$165,557	12	\$115,626	8

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# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended				For the Nine Months Ended			
	September 30				September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)								
Basic	\$1.20		\$1.80		\$3.57		\$4.17	
Diluted	\$1.08		\$1.61		\$3.21		\$3.93	

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) (Reviewed, Not Audited)

	Capital Stock - Common Stock				Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of				
	Share (In Thousands)	Amount	Advance receipts for share capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Operations	Treasury Shares	Total	Non-controlling Interests	Total Equity
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
Issue of shares	-	-	119,687	-	-	-	-	-	-	119,687	-	119,687
Share-based payments	-	-	-	3,000	-	-	-	-	-	3,000	-	3,000
Appropriation of 2020 earnings												
Legal reserve	-	-	-	-	21,935	-	(21,935)	-	-	-	-	-
Special reserve	-	-	-	-	-	(17,611)	17,611	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(150,750)	-	-	(150,750)	-	(150,750)
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	-	139,697	-	-	139,697	(2,738)	136,959
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	-	(21,190)	-	(21,190)	(143)	(21,333)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	139,697	(21,190)	-	118,507	(2,881)	115,626
BALANCE AT SEPTEMBER 30, 2021	34,000	\$340,000	\$119,687	\$534,555	\$66,393	\$94,425	\$363,607	(\$115,616)	(\$32,858)	\$1,370,193	\$7,023	\$1,377,216
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 nine months ended September 30, 2022	-	-	-	-	-	-	130,320	-	-	130,320	(4,579)	125,741
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	-	39,577	-	39,577	239	39,816
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	130,320	39,577	-	169,897	(4,340)	165,557
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	22,045	22,045
BALANCE AT SEPTEMBER 30, 2022	37,000	\$370,000	\$ -	\$654,821	\$87,735	\$104,433	\$372,043	(\$64,856)	(\$32,858)	\$1,491,318	\$23,117	\$1,514,435

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)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$138,041	\$169,896
Adjustments for:		
Depreciation expenses	28,894	25,117
Loss on financial instruments at fair value through profit of loss, net	(21,137)	(5,342)
Interest income	(14,017)	(16,239)
Share of profit of associates and joint ventures accounted for using equity method	(10,717)	7,244
Finance costs	2,983	1,759
Amortization expenses	1,608	1,850
Expected credit loss (gain) recognized	(1,374)	5,439
Impairment losses recognized on non-financial assets	52	(1,386)
Gain on disposal of property, plant and equipment	1	25
Share-based payments	-	3,000
Changes in operating assets and liabilities		
Notes receivable	(15,070)	(17,179)
Notes receivable from related parties	51,927	-
Trade receivables	60,495	10,797
Trade receivables from related parties	5,963	5,020
Other receivables	(3,109)	(1,193)
Other receivables from related parties	(76)	97
Inventories	(26,291)	(32,700)
Prepayments	13,354	(27,523)
Other current assets	(52,829)	745
Notes payable	78,188	(10,721)
Trade payables	(41,224)	(35,337)
Trade payables to related parties	3,270	(22,829)
Other payables	(54,522)	(48,380)
Contract liabilities	(8,246)	2,489
Cash generated from operations	136,164	14,649
Interest paid	(1,173)	(834)
Income tax paid	(30,039)	(65,045)
Net cash generated from operating activities	104,952	(51,230)

(Continued)



# GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property, plant and equipment	(226,515)	(75,013)
Interest received	15,296	13,539
Increase in guarantee deposits paid	(582)	16
Acquisition of intangible assets	(388)	(1,503)
Proceeds from disposal of property, plant and equipment	9	174
Acquisitions of Investments accounted for using equity method	-	(108,000)
Acquisition of use-of-right assets	-	(18,668)
Net cash used in investing activities	(212,180)	(189,455)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to owners of the Company	(164,250)	(150,750)
Changes in non-controlling interests	22,045	-
Proceeds from disposal of ownership of subsidiaries	9,020	-
Repayments of the principle portion of lease liabilities	(7,787)	(7,313)
Proceeds from short-term borrowings	(5,000)	22,500
Proceeds from insurance of bonds	-	311,358
Proceeds from issuing shares	-	119,687
Net cash used in financing activities	(145,972)	295,482
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	27,664	(17,551)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(225,536)	37,246
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	1,202,548	1,132,381
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	977,012	1,169,627

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 NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 10, 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024(Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits	\$744,709	\$877,010	\$751,007
Demand deposits	122,012	150,210	246,192
Foreign deposit	109,993	175,148	172,118
Cash on hand	298	180	310
	<u>\$977,012</u>	<u>\$1,202,548</u>	<u>\$1,169,627</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the interest rates of the time deposits were 1.75%-3.20%, 1.75%-3.00% and 1.76%-3.00%, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, restricted demand deposits (bank acceptance bill deposit and warranty letter deposit) which were recognized as “other current assets” were \$49,112 thousand, \$5,160 thousand and \$1,888 thousand, respectively.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial Liabilities- non current</u>			
Held for trading			
Derivative (not-designated for hedging)			
-Convertible Corporate Bond conversion right ( Note 17 )	\$9,570	\$30,030	\$18,060

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
Notes receivable - operating	\$48,178	\$33,108	\$34,658
Less: Allowance for impairment loss	(143)	(72)	-
	<u>\$48,035</u>	<u>\$33,036</u>	<u>\$34,658</u>
<u>Trade receivables</u>			
Trade receivables	\$343,328	\$404,126	\$338,902
Less: Allowance for impairment loss	(23,153)	(24,290)	(35,125)
	<u>\$320,175</u>	<u>\$379,836</u>	<u>\$303,777</u>
<u>Other receivables</u>			
Other receivable	\$8,297	\$6,393	\$9,051
Less: Allowance for impairment loss	(972)	(871)	(752)
	<u>\$7,325</u>	<u>\$5,522</u>	<u>\$8,299</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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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.

September 30, 2022

	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
Gross carrying amount	\$328,624	\$45,507	\$8,849	\$8,526	\$391,506
Loss allowance (Lifetime ECLs)	(5,701)	(4,645)	(4,424)	(8,526)	(23,296)
Amortized cost	<u>\$322,923</u>	<u>\$40,862</u>	<u>\$4,425</u>	<u>\$ -</u>	<u>\$368,210</u>

December 31, 2021

	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
Gross carrying amount	\$389,844	\$32,282	\$8,477	\$6,631	\$437,234
Loss allowance (Lifetime ECLs)	(7,102)	(4,985)	(5,644)	(6,631)	(24,362)
Amortized cost	<u>\$382,742</u>	<u>\$27,297</u>	<u>\$2,833</u>	<u>\$ -</u>	<u>\$412,872</u>

September 30, 2021

	<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
Gross carrying amount	\$320,162	\$28,110	\$13,326	\$11,962	\$373,560
Loss allowance (Lifetime ECLs)	(6,711)	(6,327)	(10,125)	(11,962)	(35,125)
Amortized cost	<u>\$313,451</u>	<u>\$21,783</u>	<u>\$3,201</u>	<u>\$ -</u>	<u>\$338,435</u>

The expected credit loss rates (after 100% bad debt provision for unusual items) for above maturity dates were 2%, 10%, 50% and 100%, respectively.

The movements of the loss allowance of note receivable were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$72	\$ -
Add: Net remeasurement of loss allowance	71	-
Balance at September 30	<u>\$143</u>	<u>\$ -</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$24,290	\$30,078
Add: Net remeasurement of loss allowance	(1,519)	5,574
Less: Amounts written off	(303)	-
Foreign exchange gain (losses)	685	(527)
Balance at September 30	<u>\$23,153</u>	<u>\$35,125</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1		
Add: Net remeasurement of loss allowance	\$871	\$901
Foreign exchange gain (losses)	74	(135)
Balance at September 30	<u>27</u>	<u>(14)</u>
	<u>\$972</u>	<u>\$752</u>

## 9. INVENTORIES

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Raw materials	\$91,415	\$94,536	\$108,456
Finished goods	<u>69,131</u>	<u>40,482</u>	<u>47,829</u>
	<u>\$160,546</u>	<u>\$135,018</u>	<u>\$156,285</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Cost of inventory sold	\$284,549	\$322,369	\$872,504	\$835,252
Loss on inventory retired	6	-	13,464	-
Loss on inventory write-downs (reversal of inventory loss)	(23)	218	52	(1,386)
Unallocated manufacturing expenses (Note)	1,085	1,873	1,085	1,873
	<u>\$285,617</u>	<u>\$324,460</u>	<u>\$887,105</u>	<u>\$835,739</u>

Note : Unallocated manufacturing expenses include expenses during the shutdown period due to the impact of COVID-19 and expenses due to actual production capacity lower than normal production capacity.

## 10. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2022	December 31, 2021	September 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
			September 30, 2022	December 31, 2021	September 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Investment in Associates			
Yuh Shan Environmental Engineering Co., Ltd.	\$130,401	\$119,684	\$100,756

Name of Associate	Principal Activities	Place of Operation	% of Ownership and Voting Rights Held by the Company		
			September 30, 2022	December 31, 2021	September 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 reviewed 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	670	196	2,192	3,161	220,296	226,515
Disposals	(5,349)	(10,903)	(447)	(2,509)	-	(19,208)
Reclassification	216,523	5,457	-	344	(225,998)	(3,674)
Effect of foreign currency exchange differences	9,282	881	653	1,030	4,181	16,027
Balance at September 30, 2022	<u>\$464,027</u>	<u>\$27,121</u>	<u>\$21,037</u>	<u>\$39,938</u>	<u>\$140,775</u>	<u>\$692,898</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	(\$130,654)	(\$23,837)	(\$11,790)	(\$28,290)	\$ -	(\$194,571)
Disposals	5,349	10,895	447	2,507	-	19,198
Reclassification	1,681	(127)	-	127	-	1,681
Depreciation expenses	(11,066)	(1,075)	(2,125)	(3,957)	-	(18,223)
Effect of foreign currency exchange differences	(3,876)	(609)	(362)	(786)	-	(5,633)
Balance at September 30, 2022	<u>(\$138,566)</u>	<u>(\$14,753)</u>	<u>(\$13,830)</u>	<u>(\$30,399)</u>	<u>\$ -</u>	<u>(\$197,548)</u>
Carrying amounts at September 30, 2022	<u>\$325,461</u>	<u>\$12,368</u>	<u>\$7,207</u>	<u>\$9,539</u>	<u>\$140,775</u>	<u>\$495,350</u>
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>

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Property under Construction</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2021	\$243,918	\$31,110	\$16,265	\$34,994	\$23,633	\$349,920
Additions	993	1,343	3,078	3,820	65,779	75,013
Disposals	-	(228)	(559)	(1,083)	-	(1,870)
Effect of foreign currency exchange differences	(3,974)	(520)	(281)	(535)	(873)	(6,183)
Balance at September 30, 2021	<u>\$240,937</u>	<u>\$31,705</u>	<u>\$18,503</u>	<u>\$37,196</u>	<u>\$88,539</u>	<u>\$416,880</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	(\$120,500)	(\$22,939)	(\$9,748)	(\$24,866)	\$ -	(\$178,053)
Disposals	-	171	446	1,054	-	1,671
Depreciation expenses	(8,319)	(1,198)	(1,877)	(3,943)	-	(15,337)
Effect of foreign currency exchange differences	2,029	383	167	406	-	2,985
Balance at September 30, 2021	<u>(\$126,790)</u>	<u>(\$23,583)</u>	<u>(\$11,012)</u>	<u>(\$27,349)</u>	<u>\$ -</u>	<u>(\$188,734)</u>
Carrying amounts at September 30, 2021	<u>\$114,147</u>	<u>\$8,122</u>	<u>\$7,491</u>	<u>\$9,847</u>	<u>\$88,539</u>	<u>\$228,146</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 32.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Carrying amounts</u>			
Land use rights	\$95,494	\$94,858	\$94,540
Buildings	32,737	25,289	24,541
	<u>\$128,231</u>	<u>\$120,147</u>	<u>\$119,081</u>

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets		
Buildings	\$16,084	\$6,990
Land use rights	-	18,668
	<u>\$16,084</u>	<u>\$25,658</u>
Depreciation charge for right-of-use assets		
Buildings	\$8,233	\$7,604
Land use rights	1,642	1,424
	<u>\$9,875</u>	<u>\$9,028</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 nine months ended September 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 32.

b. Lease liabilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Carrying amounts</u>			
Current	<u>\$10,854</u>	<u>\$7,970</u>	<u>\$7,302</u>
Non-current	<u>\$21,111</u>	<u>\$16,199</u>	<u>\$16,178</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
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 September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$2,218	\$1,974	\$6,077	\$5,147
Expenses relating to low-value asset leases	\$179	\$153	\$514	\$486
Total cash outflow for leases			\$15,374	\$32,249

#### 14. INVESTMENT PROPERTIES

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	\$14,285	\$12,700	\$12,835
Land Use Rights	3,237	2,689	2,682
	\$17,522	\$15,389	\$15,517

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 nine months ended September 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 September 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 32.

#### 15. INTANGIBLE ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
Trademark	\$46,473	\$45,133	\$44,728
Computer Software	9,835	10,717	11,236
	\$56,308	\$55,850	\$55,964

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 nine months ended September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured borrowings	\$ -	\$5,000	\$30,500

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

## 17. BOND PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic unsecured Convertible bond	\$291,098	\$289,287	\$288,686

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 September 30, 2022, conversion price is \$64.9 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 \$9,570 thousand (included in financial liabilities – noncurrent which are measured through profit/loss based on fair value) on September 30, 2022; non-derivative product liability have been measured on September 30, 2022 is \$291,098 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)	\$311,358
Net liability components on issue day	\$311,358
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%	1,811
Gain on Valuation of Financial instrument	(21,137)
Effect of foreign currency exchange differences	677
Net liability components on September 30, 2022 (including \$291,098 thousand of corporate bond payable and \$9,570 thousand of financial liabilities at fair value - noncurrent)	\$300,668

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

## 18. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Payables for salaries or bonuses	\$31,521	\$81,468	\$44,985
Payables for tax	20,727	13,715	6,305
Payables for social insurance and housing fund	15,585	23,615	23,328
Payables for employee benefits	4,249	7,211	5,080
Others	33,979	34,576	30,696
	<u>\$106,061</u>	<u>\$160,585</u>	<u>\$110,394</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

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands)	150,000	150,000	150,000
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)	37,000	37,000	34,000
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. As of September 30, 2021, the company has received NT\$119,687 thousand in advance of share capital.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
Issuance of ordinary shares (1)	\$411,863	\$411,863	\$292,205
share capital and capital surplus (2)	250,373	250,373	250,373
Compensation costs of employee share options (3)	-	-	3,000
Difference between consideration and carrying amount of subsidiaries acquired or disposed (1)	3,608	-	-
Adjustment of functional currency (4)	(11,023)	(11,023)	(11,023)
	<u>\$654,821</u>	<u>\$651,213</u>	<u>\$534,555</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:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Provision Legal reserve	\$ 21,342	\$ 21,936
Provision (reversal)Special reserve	10,008	(17,611)
Cash dividends	164,250	150,750
Cash dividends per share (NT\$)	\$4.5	\$4.5

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at September 30, 2022, December 31, 2021 and September 30, 2021	500

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
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	(4,579)	(2,738)
Other comprehensive income/(loss) during the period	239	(143)
Balance at September 30	<u>\$23,117</u>	<u>\$7,023</u>

## 21. REVENUE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue from sale of goods	<u>\$455,796</u>	<u>\$507,774</u>	<u>\$1,356,095</u>	<u>\$1,376,318</u>

a. Contract information

Revenue from sale of goods

The Group sells environmental equipment both to dealer and directly to customers, which are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>January 1, 2021</b>
Notes receivables and trade receivables (Note 8 and 29)	<u>\$396,730</u>	<u>\$500,348</u>	<u>\$380,319</u>	<u>\$379,396</u>
Contract liabilities	<u>\$83,524</u>	<u>\$91,770</u>	<u>\$95,563</u>	<u>\$93,074</u>

## 22. NET PROFIT FROM CONTINUING OPERATIONS

### Major Components of Net Profit from Continuing Operations

a. Interest income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Bank deposits	<u>\$4,319</u>	<u>\$6,102</u>	<u>\$14,017</u>	<u>\$16,239</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Gain on financial instruments at fair value through profit of loss, net	\$6,842	\$15,271	\$21,137	\$5,342
Net foreign exchange gains (losses)	4,540	(1,040)	15,043	(2,688)
Subsidy	684	20,794	4,611	21,784
Rental income	988	695	2,528	2,101
Others	(385)	62	(1,860)	150
	<u>\$12,669</u>	<u>\$35,782</u>	<u>\$41,459</u>	<u>\$26,689</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest on convertible bond	\$605	\$599	\$1,811	\$908
Interest on lease liabilities	361	216	996	635
Interest on bank loans	173	60	176	216
	<u>\$1,139</u>	<u>\$875</u>	<u>\$2,983</u>	<u>\$1,759</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property, plant and equipment	\$7,817	\$5,079	\$18,223	\$15,337
Right-of-use assets	3,522	2,863	9,875	9,028
Intangible assets	498	600	1,553	1,798
Investment properties	304	265	851	804
	<u>\$12,141</u>	<u>\$8,807</u>	<u>\$30,502</u>	<u>\$26,967</u>
An analysis of depreciation by function				
Operating costs	\$3,222	\$1,890	\$6,995	\$5,694
Operating expenses	8,117	6,052	21,103	18,671
Non-operating expenses	284	248	796	752
	<u>\$11,623</u>	<u>\$8,190</u>	<u>\$28,894</u>	<u>\$25,117</u>
An analysis of amortization by function				
Operating expenses	\$498	\$600	\$1,553	\$1,798
Non-operating expenses	20	17	55	52
	<u>\$518</u>	<u>\$617</u>	<u>\$1,608</u>	<u>\$1,850</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Defined contribution plans	\$8,856	\$8,738	\$27,790	\$26,040
Share-based payments				
Equity-settled	-	3,000	-	3,000
Other employee benefits	100,720	103,803	285,724	289,367
	<u>\$109,576</u>	<u>\$115,541</u>	<u>\$313,514</u>	<u>\$318,407</u>
An analysis of employee benefits expense by function				
Operating costs	\$16,037	\$16,230	\$47,694	\$49,031
Operating expenses	93,539	99,311	265,820	269,376
	<u>\$109,576</u>	<u>\$115,541</u>	<u>\$313,514</u>	<u>\$318,407</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 nine months ended September 30, 2022 and 2021, the estimated employees' compensation and the remuneration of directors were as follows:

Accrual rates

	For the Nine Months Ended September 30	
	2022	2021
Employees' compensation	3.03%	3.50%
Remuneration of directors	2.01%	1.87%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Employees' compensation	\$1,275	\$2,495	\$4,249	\$5,080
Remuneration of directors	\$954	\$1,075	\$2,818	\$2,712

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 September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$4,604	\$9,047	\$30,245	\$43,699
Adjustments for prior years	-	-	345	70
Deferred tax				
In respect of the current period	1,609	8,375	(18,290)	(10,832)
	<u>\$6,213</u>	<u>\$17,422</u>	<u>\$12,300</u>	<u>\$32,937</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 September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings per share	\$1.20	\$1.80	\$3.57	\$4.17
Diluted earnings per share	\$1.08	\$1.61	\$3.21	\$3.93

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

### Net profit for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company	\$43,699	\$60,320	\$130,320	\$139,697
Effect of potentially dilutive ordinary shares:				
Convertible corporate bond	605	599	1,811	908
Earnings used in the computation of diluted earnings per share	\$44,304	\$60,919	\$132,131	\$140,605

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 September 30		For the Nine Months Ended September 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	23	43	100	120
Convertible corporate bond	4,622	4,225	4,622	2,120
Weighted average number of ordinary shares used in the computation of diluted earnings per share	41,145	37,768	41,222	35,740

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

### Cash capital increase reserved for employees

On March 19, 2021, the board of directors of the company resolved to issue 3,000 thousand new shares

with a denomination of NT\$10 per share, amounted to \$30,000 thousand. The subscription base date was determined as October 5, 2021. According to Article 267 of Taiwan's Company Act, there shall be 10% of new shares reserved for subscription by the employees. The right to subscription of new shares are reserved for full-time employees. According to IFRS 2 "Share-based Payment", approved by the FSC, the subscription is classified as equity-settled share-based payment.

The cash capital increase reserved for employees granted in September 6, 2021, was priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<u>September 6, 2021</u>
Grant-date share price (NT\$)	\$ 60.00
Exercise price (NT\$)	\$ 50.00
Expected volatility	26.29%
Expected life (in days)	24
Expected dividend yield	0.00%
Risk-free interest rate	0.1256%

Compensation cost recognized was \$3,000 thousand for the three months ended September 30, 2021 and for the nine months ended September 30, 2021.

## 26. 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.

	<u><b>GSD Environmental Technology Co., Ltd.</b></u>
Consideration received	\$9,020
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(5,412)
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>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Except for the following, the Group believes that the book value of financial assets and liabilities that are not measured at fair value is close to its fair value.

September 30, 2022

	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial liabilities					
Measured at amortized costs					
Convertible corporate bond	\$291,098	\$ -	\$278,190	\$ -	\$278,190

December 31, 2021

	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial liabilities					
Measured at amortized costs					
Convertible corporate bond	\$289,287	\$ -	\$284,490	\$ -	\$284,490

September 30, 2021

	<b>Book value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial liabilities					
Measured at amortized costs					
Convertible corporate bond	\$288,686	\$ -	\$285,960	\$ -	\$285,960

- b. Fair value of financial instruments measured at fair value on recurring basis  
Fair value hierarchy

September 30, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities at FVTPL				
Held for trading	\$ -	\$9,570	\$ -	\$9,570

December 31, 2021

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

September 30, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities at FVTPL				
Held for trading	\$ -	\$18,060	\$ -	\$18,060



c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$1,412,761	\$1,694,282	\$1,527,021
<u>Financial liabilities</u>			
FVTPL			
Held for trading	9,570	30,030	18,060
Financial liabilities at amortized cost (2)	806,312	823,785	710,687

- 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 14% and 17%, of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currency of the Group entity making the sale.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the Chinese Yuan (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges at the end of the period, and assuming a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the Chinese Yuan strengthening 1% against the relevant currency. For a 1% weakening of the Chinese Yuan against the relevant

currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	U.S. Dollar Impact			
	For the Nine Months Ended September 30			
	2022		2021	
	CNY	TWD	CNY	TWD
Profit or loss*	\$ 156	\$ 696	\$ 115	\$ 492

\* 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:

	September 30, 2022	December 31, 2021	September 30, 2021
<u>TWD</u>			
Cash flow interest rate risk			
Financial assets	\$281,117	\$330,518	\$420,198
Financial liabilities	-	5,000	8,000
Fair value interest rate risk			
Financial assets	744,709	877,010	751,007
Financial liabilities	323,063	313,456	334,666

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 nine months ended September 30, 2022 and 2021 would increase/decrease by \$527 thousand and \$773 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.

September 30, 2022

	<b>On Demand or Less than 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>			
Notes payables	\$123,710	\$ -	\$123,710
Trade payables	258,346	-	258,346
Trade payables - related parties	26,851	-	26,851
Other payables	106,061	-	106,061
Lease liabilities	11,874	23,217	35,091
Guarantee deposits received	-	246	246
Bond payables	-	300,000	300,000
	<u>\$526,842</u>	<u>\$323,463</u>	<u>\$850,305</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Total</b>
Lease liabilities	<u>\$11,874</u>	<u>\$17,369</u>	<u>\$5,848</u>	<u>\$ -</u>	<u>\$35,091</u>

December 31, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$5,003	\$ -	\$5,003
Notes payables	45,522	-	45,522
Trade payables	299,570	-	299,570
Trade payables - related parties	23,581	-	23,581

Other payables	160,585	-	160,585
Lease liabilities	8,728	18,253	26,981
Guarantee deposits received	-	240	240
Bond payables	-	300,000	300,000
	<u>\$542,989</u>	<u>\$318,493</u>	<u>\$861,482</u>

Additional information about the maturity analysis for lease liabilities:

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

September 30, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$30,578	\$ -	\$30,578
Notes payables	13,097	-	13,097
Trade payables	241,669	-	241,669
Trade payables - related parties	26,104	-	26,104
Other payables	110,394	-	110,394
Lease liabilities	8,091	18,476	26,567
Guarantee deposits received	-	237	237
Bond payables	-	300,000	300,000
	<u>\$429,933</u>	<u>\$318,713</u>	<u>\$748,646</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>Total</b>
Lease liabilities	<u>\$8,091</u>	<u>\$11,537</u>	<u>\$6,939</u>	<u>\$ -</u>	<u>\$26,567</u>

b) Financing facilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Bank loans and credit lines			
Amount used	\$83,983	\$49,933	\$46,003
Amount unused	570,226	599,139	599,962
	<u>\$654,209</u>	<u>\$649,072</u>	<u>\$645,965</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 September 30, 2022, December 31, 2021 and September 30, 2021, the face amounts of these unsettled bills receivable were \$199,233 thousand, \$177,768 thousand and \$149,555 thousand, respectively. The unsettled bills receivable will be due in 10 months, 10 months and 7 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 nine months ended September 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.

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Related party name and category

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 September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Yuh Shan Environmental	\$ -	\$ -	\$112,335	\$ -
Pinghu Hey Wel	460	820	2,132	2,888
Hey-Wel Mechanical	1,125	78	1,229	80
	<u>\$1,585</u>	<u>\$898</u>	<u>\$115,696</u>	<u>\$2,968</u>

The transaction between the Group and the related parties, the transaction price and collection conditions are equivalent to the general non-related party transactions.

### c. Purchases

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Pinghu Hey Wel	\$31,263	\$34,773	\$87,707	\$108,216
Hey-Wel Mechanical	340	1,295	2,547	2,608
	<u>\$31,603</u>	<u>\$36,068</u>	<u>\$90,254</u>	<u>\$110,824</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 September 30, 2022, December 31, 2021 and September 30, 2021, the gross lease payments to be received are \$19,809 thousand, \$935 thousand and \$1,622 thousand, respectively. Lease income recognized for the three months ended September 30, 2022 and 2021 were \$988 thousand and \$695 thousand, and lease income recognized for the nine months ended September 30, 2022 and 2021 were \$2,528 thousand and \$2,101 thousand.

- e. Operating costs

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Pinghu Hey Wel	\$178	\$319	\$278	\$885

- f. Other income

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Pinghu Hey Wel	\$404	\$475	\$1,364	\$1,354

- g. Other expenses

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Pinghu Hey Wel	\$37	\$25	\$91	\$110

h. Receivables from related parties

Line Item	Related party Name	September 30, 2022	December 31, 2021	September 30, 2021
Trade receivables	Pinghu Hey Wel	\$5,022	\$8,425	\$6,274
	Hey-Wel Mechanical	202	120	485
	Yuh Shan Environmental	-	2,642	-
		<u>\$5,224</u>	<u>\$11,187</u>	<u>\$6,759</u>
Note receivable	Yuh Shan Environmental	\$ -	\$51,810	\$ -
	Hey-Wel Mechanical	-	117	-
		<u>\$ -</u>	<u>\$51,927</u>	<u>\$ -</u>
Other receivables	Pinghu Hey Wel	<u>\$557</u>	<u>\$481</u>	<u>\$342</u>

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

i. Payables to related parties

Related party Name	September 30, 2022	December 31, 2021	September 30, 2021
Pinghu Hey Wel	\$25,409	\$23,549	\$25,907
Hey-Wel Mechanical	1,442	32	197
	<u>\$26,851</u>	<u>\$23,581</u>	<u>\$26,104</u>

The outstanding trade payables to related parties are unsecured.

j. Guarantee deposits received

Related Party Name	September 30, 2022	December 31, 2021	September 30, 2021
Pinghu Hey Wel	<u>\$246</u>	<u>\$240</u>	<u>\$237</u>

k. Contract liabilities

Related party Name	September 30, 2022	December 31, 2021	September 30, 2021
Yuh Shan Environmental	\$ -	\$4,696	\$ -
Hey-Wel Mechanical	339	-	-
	<u>\$339</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 Nine Months Ended September 30	
		Accumulated percentage of shares disposed	Accumulated transaction amount
Pinghu Jiayuan	Shares of GSD Technology Co., Ltd.	30%	\$ 6,765
Wang Qian	Shares of GSD Technology Co., Ltd.	6%	1,353
Liu Xiao	Shares of GSD Technology Co., Ltd.	4%	902
			<u>\$ 9,020</u>

m. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$2,844	\$3,166	\$9,370	\$9,364
Post-employment benefits	67	71	219	205
	<u>\$2,911</u>	<u>\$3,237</u>	<u>\$9,589</u>	<u>\$9,569</u>

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

### 30. OTHER ITEMS

Due to the COVID-19 pandemic, the 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.



### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: Foreign Currencies in Thousands			
<u>September 30, 2022</u>			
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,644	7.0998 (USD:CNY)	\$ 83,866
TWD	100,451	0.2236 (TWD:CNY)	100,451
<u>Financial liabilities</u>			
Monetary items			
USD	450	7.0998 (USD:CNY)	14,282
TWD	322,594	0.2236 (TWD:CNY)	322,594
<u>December 31, 2021</u>			
	<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
<u>September 30, 2021</u>			
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,055	6.4854 (USD:CNY)	\$ 57,237
TWD	161,202	0.2323 (TWD:CNY)	161,202
<u>Financial liabilities</u>			
Monetary items			
USD	288	6.4854 (USD:CNY)	8,018
TWD	346,285	0.2323 (TWD:CNY)	346,285

For the three months ended September 30, 2022 and 2021, realized and unrealized net foreign exchange gain (losses) were gain \$4,540 thousand and losses \$1,040 thousand, respectively. For the nine months

ended September 30, 2022 and 2021, realized and unrealized net foreign exchange gain (losses) were gain \$15,043 thousand and losses \$2,688 thousand, respectively.

### 32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2022	December 31, 2021	September 30, 2021
Properties	\$64,580	\$68,514	\$69,290
Right-of-use assets	37,476	37,628	37,530
Investment properties	17,522	15,389	15,517
Other current assets (restricted demand deposits)	49,112	5,160	1,888
	<u>\$168,690</u>	<u>\$126,691</u>	<u>\$124,225</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: 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

b. Information on investees: Table 5

c. 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 September 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 September 30, 2022
  - b) The amount and percentage of sales and the balance and percentage of the related receivables as of September 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 September 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 nine months ended September 30, 2022 or on the financial position, such as the rendering or receipt of services
- d. 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)

#### **34. 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 Nine Months Ended September, 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	\$156,341	\$20,346	\$ -	\$9,817	\$1,188,651	\$ -	\$166,861	\$1,137	\$ -	(\$187,058)	\$1,356,095
Expenditure	155,330	42,465	-	12,369	1,077,666	4,292	158,521	14,257	437	(184,073)	1,281,264
Gross profit/(loss)	\$1,011	(\$22,119)	\$ -	(\$2,552)	\$110,985	(\$4,292)	\$8,340	(\$13,120)	(\$437)	(\$2,985)	\$74,831
Other gains and losses											41,459
Interest income											14,017
Finance costs											(2,983)
Share of profit of associates accounted for using equity method											10,717
Profit before income tax											\$138,041
Identified assets											
Notes and accounts receivable	\$32,923	\$6,459	\$ -	\$3,568	\$341,575	\$ -	\$149,937	\$76	\$ -	(\$161,104)	\$373,434
Inventories	3,510	1,241	-	10,167	121,695	-	26,226	-	-	(2,293)	160,546
Property, plant and equipment	1,917	1,285	-	2,597	365,147	112,718	6,039	1,254	463	3,930	495,350
	\$38,350	\$8,985	\$ -	\$16,332	\$828,417	\$112,718	\$182,202	\$1,330	\$463	(\$159,467)	1,029,330
General assets											1,469,162
											\$2,498,492
Identified liabilities											
Notes and accounts payable	\$33,871	\$6,409	\$ -	\$8,045	\$446,489	\$44,417	\$28,783	\$1,999	\$ -	(\$161,106)	\$408,907
General liabilities											575,150
											\$984,057
Depreciation and amortization	\$3,267	\$453	\$ -	\$1,008	\$20,257	\$302	\$2,563	\$549	\$104	\$1,999	\$30,502

Unit: New Taiwan Dollars in Thousands

	For the Nine Months Ended September, 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	\$95,928	\$6,014	\$ -	\$1,271,270	\$ -	\$203,697	\$1,556	(\$202,147)	\$1,376,318
Expenditure	133,473	8,649	58	1,103,439	316	186,780	8,786	(201,154)	1,240,347
Gross profit/(loss)	(\$37,545)	(\$2,635)	(\$58)	\$167,831	(\$316)	\$16,917	(\$7,230)	(\$993)	\$135,971
Other gains and losses									26,689
Interest income									16,239
Finance costs									(1,759)
Share of profit of associates accounted for using equity method									(7,244)
Profit before income tax									\$169,896
Identified assets									
Notes and accounts receivable	\$39,648	\$3,055	\$ -	\$301,781	\$ -	\$111,720	\$134	(\$111,144)	\$345,194
Inventories	2,188	239	-	106,290	-	47,579	-	(11)	156,285
Property, plant and equipment	3,554	518	-	209,939	944	7,976	1,036	4,179	228,146
	\$45,390	\$3,812	\$ -	\$618,010	\$944	\$167,275	\$1,170	(\$106,976)	729,625
General assets									1,553,622
									\$2,283,247
Identified liabilities									
Notes and accounts payable	\$24,384	\$4,450	\$ -	\$327,716	\$ -	\$35,429	\$35	(\$111,144)	\$280,870
General liabilities									625,161
									\$906,031
Depreciation and amortization	\$3,596	\$37	\$ -	\$18,332	\$93	\$2,422	\$701	\$1,786	\$26,967

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****September 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	\$89,460 (RMB\$ 20,000)	\$ -	\$ -	-	The need for short-term financing	\$ -	For counterparty to invest its subsidiary to construct factory and purchase equipment	\$ -	-	\$ -	\$596,527	\$596,527	
0	GSD Technologies Co., Ltd.	GSD (China) Co., Ltd.	Other Receivables	Yes	89,460 (RMB\$ 20,000)	44,730 (RMB\$ 10,000)	-	-	The need for short-term financing	-	For counterparty to construct factory and purchase equipment	-	-	-	596,527	596,527	

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 September 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 NINE MONTHS ENDED SEPTEMBER 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 )	8%	Contractual payment	The same with normal vendor	The normal payment term is 0-90 days	\$ -	-	-
GSD (China) Co., Ltd.	Pinghu Hey Wel Environmental Protection Equipment Co., Ltd.	Related party in substance	Purchase	87,707	10%	90 days	The same with normal vendor	The normal payment term is 0-90 days	( 25,409)	6%	-
GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	Subsidiary	Purchase	164,493	20%	90 days	The same with normal vendor	The normal payment term is 0-90 days	( 149,937)	37%	Note
Shanghai GSD Industrial Co., Ltd.	GSD (China) Co., Ltd.	Parent company	Sale	( 164,493 )	12%	90 days	The same with normal customer	The normal payment term is 0-90 days	149,937	40%	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  
SEPTEMBER 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	\$149,937	-	\$ -	-	\$ -	\$ -

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 NINE MONTHS ENDED SEPTEMBER 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
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Payable to related parties	\$ 149,937	90 days	6%
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Revenue from sale of goods	2,841	90 days	-
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd	c	Purchases	164,493	90 days	20%
1	GSD (China) Co., Ltd.	GSD Environmental Technology Co., Ltd.	c	Prepayment	6,710	Contractual payment	-
1	GSD (China) Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	c	Receivables from related parties	8,039	90 days	-
1	GSD (China) Co., Ltd.	GSD Enviro Tech Vietnam Company Limited	c	Revenue from sale of goods	15,194	90 days	1%
2	GSD Environmental Technology Co., Ltd.	GSD (China) Co., Ltd.	c	Revenue from sale of goods	1,039	Contractual payment	-
3	GSD Enviro Tech (Taiwan) Co., Ltd.	GSD Environmental Technology Co., Ltd.	c	Receivables from related parties	1,897	Contractual payment	-
3	GSD Enviro Tech (Taiwan) Co., Ltd.	GSD Environmental Technology Co., Ltd.	c	Revenue from sale of goods	1,771	Contractual payment	-

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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 2)	Note
				September, 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	\$ 1,271,708	\$ 106,778	\$ 102,566	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	174,940	( 8,574)	( 8,574)	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	130,401	52,478	10,717	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	23,917	(1,730)	( 1,471)	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 reviewed 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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 2)	Carrying Amount as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 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	\$ 599,382 (CNY 134,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	\$	\$	Not applicable	\$ 112,796	100%	\$ 112,796	\$ 1,059,503	-	
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	92,464 (CNY 20,672 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	7,380	100%	7,389	153,116	-	
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	44,730 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	(12,930)	60%	(8,756)	1,726	-	
CNCN (Beijing) Enviro Tech Co., Ltd.	Selling of sludge drying and energy management equipment and providing installation, repair, and technical support services	44,730 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable			Not applicable	(363)	60%	(218)	26,618	-	
GSD Enviro Tech (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	223,650 (CNY 50,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable			Not applicable	(2,952)	100%	(2,952)	220,749	-	

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

- Note 1:   Converted at the exchange rate on September 30, 2022.
- Note 2:   The financial statements were reviewed 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  
SEPTEMBER 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.