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GSD Technologies Co., Ltd.

2022 Annual Report

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

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Notice to readers

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

I. Spokesperson and deputy spokesperson

Spokesperson

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

Deputy spokesperson

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

II. Headquarter, Branches, and the Plants

2.1 Headquarters

Headquarters

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

Taiwan Branch

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

2.2 British Virgin Islands subsidiary

CHUAN YUAN Hydraulic Engineering Co., Ltd.

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

2.3 Subsidiaries in Taiwan

GSD Enviro Tech (Taiwan) Co., Ltd.

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

2.4 Subsidiaries and Branches in China

GSD (China) Co., Ltd

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

GSD (China) Co., Ltd. Beijing Branch

Address: Room 1705, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing, China.
Tel: +86-10-5092-8520

GSD (China) Co., Ltd QingDao Branch

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

Tel: +86-532-8891-0563

GSD (China) Co., Ltd Suzhou Branch

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

Tel: +86-512-6270-9116

GSD (China) Co., Ltd Shanghai branch

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

Tel: +86-21-5055-0317

GSD (China) Co., Ltd Guangzhou branch

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

Tel: +86- 20-8232-0595

Shanghai GSD Industrial Co., Ltd.

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

Tel: +86-21-5055-0343

GSD Environmental Technology Co., Ltd.

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

Tel: +86-573-8529-6688

GSD Enviro Tech (Yangzhou) Co., Ltd.

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

Tel: +86-514-8781-4125

CNCN (Beijing) Enviro Tech Co., Ltd.

Address: Room 1704, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing, China.

Tel: +86-10-5092-8517

2.5 Subsidiaries in Vietnam

GSD Enviro Tech Vietnam Company Limited

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

Tel: +84-28-36368159

2.6 Plant

GSD (China) Co., Ltd – Pinghu factory

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

Tel: +86-573-8950-8888

GSD Enviro Tech (Yangzhou) Co., Ltd. – Yangzhou factory
 Address: No. 3-1, Weichai Avenue, Beishan Automobile Industrial Park, Hanjiang District, Yangzhou city, Jiangsu, China.
 Tel: +86-514-8781-4125

III. Stock Transfer Agent

SinoPac Securities Co., Ltd.
 Address: 3/F, No. 17 Bo-ai Road, Taipei, R.O.C.
 Tel: +886-2-2381-6288
 Website: <http://www.sinotrade.com.tw>

IV. Auditors

Deloitte & Touche
 Auditors: Wu, Mei-Hui and Chen, Chih-Yuan
 Address: 20F, No. 100, Songren Rd., Xinyi Dist. Taipei, 11073, R.O.C.
 Tel: +886-2-2725-9988
 Website: <http://www.deloitte.com.tw>

V. Overseas Securities Exchange

None.

VI. Corporate Website

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

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

Name: Hsieh, Hung-June
 Job Title: Chairman
 Tel: +886-916856641
 Email: ir@gsd.net.tw

VIII. Board of Directors

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

Director	Lee, Tzuoh-Shoou	R.O.C.	Oriental Institute of Technology, Department of computer Engineering Special Assistant of chairman of GSD Technologies Co., Ltd.
Independent director	Chang, Yuan-Lung	R.O.C.	Department of Accounting, Tamkang University CPA of CihnJeng United Accounting Firm
Independent director	Chou, Shan-Shan	R.O.C.	Doctor, Institute of Environmental Engineering, National Chiao Tung University Manager/Director, Industrial Technology Research Institute CEO of National Chiao Tung University Environmental Technology & Smart System Research Center.
Independent director	Chen, Chun-Kuei	R.O.C.	Department of Business Administration, Fu Jen Catholic University Chairman of Yi Tsen Technology Co., Ltd.

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I. Letter to Shareholders

Dear Shareholders,

This year, the global economy has been turbulent. The impact of the Covid-19 epidemic, the effect of the Russia-Ukraine war, the inflation, the chaos of the energy market, and the continuous disasters caused by extreme weather, which warn that the era of stable economy is over and unpredictability would be the new normal.

The Bureau of Statistics of the Mainland announced that the annual GDP growth rate of 2022 was 3%, and China is facing the big challenge in economic growth since the reform. Because of the declining of revenue in Mainland, the revenue of 2022 was NT\$1.841 billion, a decrease of 6.12% over the previous year. The net profit after tax was NT\$174 million, a decrease of 18.07% over the previous year, and the annual EPS was NT\$5.0. In 2022, GSD has completed the establishing of GSD Enviro Tech (Vietnam) Company Limited and CNCN (Beijing) Enviro Tech Co., Ltd. In Taiwan, there has been substantial progress in the implementation of smart water services and participation in project bidding. Taiwan subsidiary of GSD won the 2022 "Green Technology Innovation Award Competition" by the Small and Medium Enterprises Office of the Ministry of Economic Affairs. GSD has made progress in the market and product technology.

1. 2022 Business Plan Implementation

The consolidated revenue in 2022 was NT\$1,840,584 thousand, a decrease of NT\$119,934 thousand or 6.12%, compared to NT\$1,960,518 thousand in 2021. The consolidated gross profit margin in 2022 was 35.87%, which was a 2.48% decrease compared to 38.35% in the previous year, and the gross profit decreased by NT\$91,665 thousand. The 2022 gross profit decrease mainly due to the proportion of sales in China decreased and the material cost increase. In 2022, the expense decreased by NT\$4,089 thousand, and the operating profit decreased by NT\$87,576 thousand, however, due to investment profit, valuation gain in convertible bond and exchange gain, the net non-operating income and expenses increased by NT\$33,135 thousand, resulting in a decrease of NT\$54,441 thousand in net profit before tax compared with the previous year. In addition, income tax in 2022 decreased by NT\$16,092 thousand compared with that in 2021, due to the decrease of net profit before tax and the recognition of income tax benefit. Taking the above factors into consideration, the net profit after tax in 2022 was NT\$173,925 thousand, a decrease of NT\$38,349 thousand from the previous year.

2. Budget Implementation

The Company has not announced financial forecasts.

3. Financial Revenue and Expenditure Analysis

In 2022, the consolidated interest income is NT\$18,801 thousand, a decrease of NT\$2,986 thousand, and the financial cost is NT\$3,930 thousand, an increase of NT\$1,290 thousand compared to the previous year. The increase in financial costs was mainly due to the issuance of convertible corporate bonds and the increase of interest expense in lease liabilities. The profitability ratios in 2022 are shown in the table below.

Items		Year	2021	2022	Difference (%)
Profitability	Return on assets(%)		9.47	7.05	-25.55
	Return on Equity(%)		15.32	11.50	-24.93
	Profit before tax & interest(EBIT) actual capital ratio(%)		69.22	54.51	-21.25
	Net Profit Margin(%)		10.83	9.45	-12.74
	Earnings per share(NT\$)		6.30	5.00	-20.63

4. Research and Development

4.1 In 2022, the Company added 1 invention patents, 15 utility model patents and 3 design patents, with a total of 142 valid patents, including 5 invention patents, and 15 software copyrights.

4.2 Energy saving certification application

Up to 2022, most of the pump products including CP, GPS and LPS have obtained energy-saving certification, and the revenue from energy saving products accounted for nearly 38%. In addition to water pumps, GSD also actively cooperating develops energy-saving products such as full flow mixing systems for full fluid tank and sludge drying systems.

4.3 Continue to dedicate intelligent products, and confirm the product development route of “To smart equipment” and “AIoT process control”. GSD conducts intelligent development, through empowering intelligent control modules on the original sewage treatment equipment and energy saving system to form a three-core drive model of equipment / system / intelligence. In AIoT process control, foundational development, such as biological treatment, chemical treatment, has been completed in 2022, and some modules have been tested and adjusted in the two water resource centers in the south and north of Taiwan. In 2023, it is plan to develop the reuse of

water resources, and the physical and chemical treatment module of recycled water.

5. Business Plan for 2023

The National Congress held in October 2022 in mainland further elaborated on the goal of green development and building a beautiful China, and emphasized the importance of ecological civilization construction. Lifting lockdown and the impact of policies are expected to make the industry to recover. In 2023, GSD would focus business on strengthening participation in the public engineering in Taiwan, actively expanding the sales of energy-saving products/solutions in China, and expanding sludge disposal and recycling business, increasing market visibility in Vietnam, and participating in factory construction of Taiwan-funded enterprises, etc. It is hope to achieve steady growth.

5.1 Operational Policy

5.1.1 To improve cognition and deepen the organizational restructuring

According to the company's mission, each department upgrades cognitive level, deepen the reconstruction, reform management process, enhance personnel allocation, and continuously gather organization combat effectiveness, so as to form an organization that meets the needs of the new strategy.

5.1.2 Accelerate resource integration

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

5.1.3 Strengthen implementation

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

5.1.4 Strengthen risk control

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

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

Taiwan's Directorate-General of Budget, Accounting and Statistics Office announced that the annual economy growth rate in 2022 was 2.43%, the lowest in six years. in 2022 and 4.15% in 2022. The Chinese Economic Research Institute predicts that Taiwan's economic growth rate will be 2.72%

in 2023, continuing the downward trend in 2022. The Bureau of Statistics of the Mainland announced that the annual GDP growth rate of 2022 was 3%, and China is facing the big challenge in economic growth since the reform. From the latest "World Economic Outlook Report", released by the International Monetary Fund (IMF), with lifting lockdown, China's economic growth rate would rebounded to 5.2%. According to statistics released by the General Statistics Office of Vietnam, Vietnam's economic growth rate was about 8.02% in 2022, a record high since 1997. Vietnam's official economic growth rate in 2023 is set at 6.5%.

In 2023, because of the unblocking of China, the market generally expects that the increase in consumption and the recovery of the global industrial supply chain will further contribute to the economic growth of the mainland and the world. In order to achieve the goal of "dual carbon", China's environmental protection industry is undergoing corresponding adjustment. In the water treatment industry, the concepts of resource recovery, energy development and utilization, and carbon balance have begun to be practiced. GSD would optimize the distribution system and accelerate to build distribution networks for untapped markets, and actively participate in public projects in Taiwan, and continue to promote products such as intelligent energy-saving equipment, water resource regeneration, sludge disposal and recycling, etc., to catch business opportunities in new fields for revenue growth.

Looking forward to 2023, the end of the epidemic has seen the dawn, inflation has gradually eased, but geopolitical risks are still high, and the global economy is still facing a crisis of recession. However, there is opportunity in crises, and hope is always there.

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

Sincerely yours,

Chairman

HSIEH, HUNG-JUNE

II. Company Profile

2.1. Company information

Date of incorporation: October 3, 2013

Headquarter, Branches, and Plants

2.1.1 Headquarter

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

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

Tel: (886) 7-5528802#601

2.1.2 Subsidiaries

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

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

Tel: +886-7-5528802#601

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

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

Tel: +86-573-8950-8888

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

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

Tel: +86-21-5055-0343

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

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

Tel: +86-573-8529-6688

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

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

Tel: +86-514-8781-4125

F. CNCN (Beijing) Enviro Tech Co., Ltd.

Address: Room 1704, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing, China.

Tel: +86-10-5092-8517

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

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

Tel: +886-7-5528802

H. GSD Enviro Tech Vietnam Company Limited (hereinafter referred to as GSD-VN)

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

Tel: +84-28-36368159

2.1.3 Branches

A. GSD Technologies Co., Ltd. Taiwan Branch.

Address: 2F, No.15, 17, 19 Minli Street, Gushan District, Kaohsiung City, R.O.C.

Tel: +886-7-5528802

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

Address: Room 1705, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing, China.

Tel: +86-10-5092-8520

C. GSD (China) Co., Ltd, QingDao Branch (hereinafter referred to as Qing Dao Branch)

Address: 1F, Block A, 57 Haier Road, Laoshan District, Qingdao, China.

Tel: +86-532-8891-0563

D. GSD (China) Co., Ltd. Shanghai branch (hereinafter referred to as Shanghai Branch)

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

Tel: +86-21-5055-0317

E. GSD (China) Co., Ltd. Suzhou branch (hereinafter referred to as Suzhou Branch)

Address: Room 205/206/207 of B4, Dong Chuang Technological park, No. 216, Jing Feng Road, Mu Du Town, Wu Xiong District, Suzhou, China.

Tel: +86-512-6270-9116

F. GSD (China) Co., Ltd. Guangzhou branch (hereinafter referred to as Guangzhou Branch)

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

Tel: +86-20-8232-0595

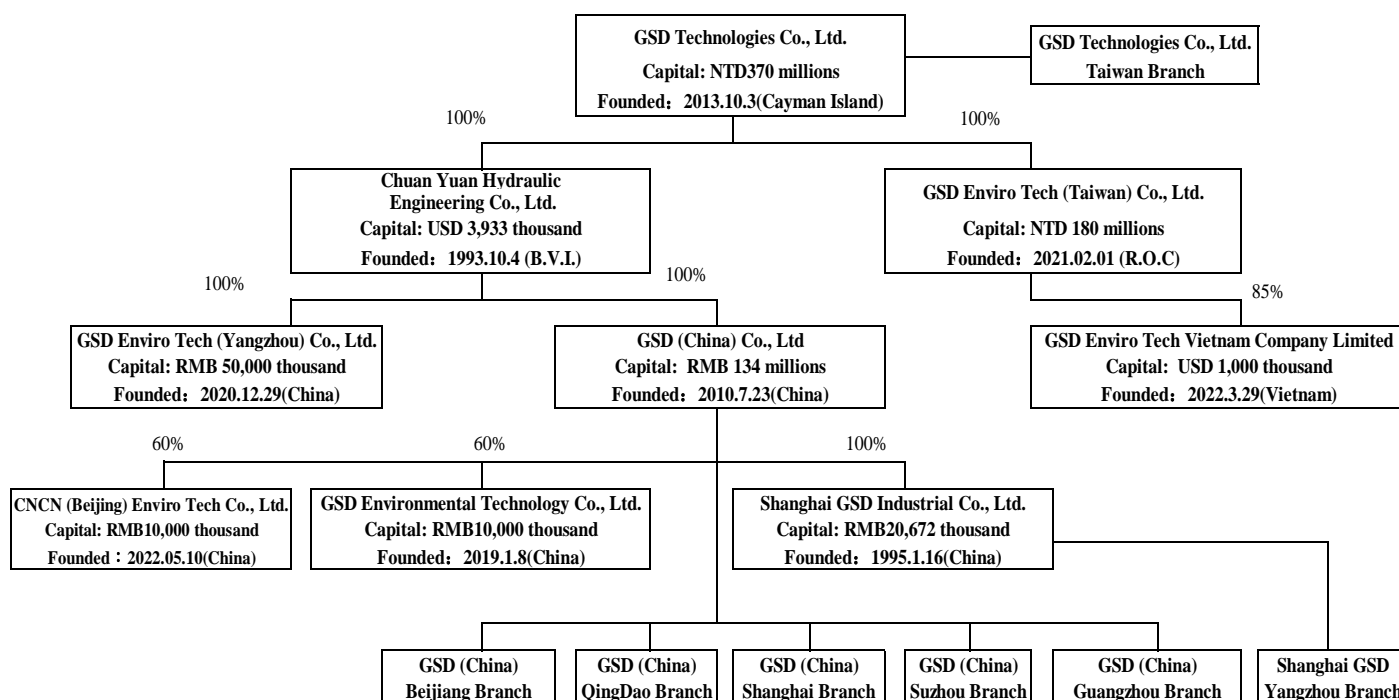
G. Shanghai GSD Industrial Co., Ltd. Yang Zhou branch (hereinafter referred to as Yangzhou Branch)

Address: No. 31, Tang Wang Road, Guang Ling District, Yang Zhou City, Jiang Su Province, China.

Tel: +86-514-8781-4125

2.2. Group Profile and Group Structure

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



2.3. Company History

Year	Milestones
	GSD started from Taiwan.
1995	Shanghai GSD Industrial Co., Ltd. was founded.
2000	GSD Shanghai Yang Chou Branch was founded (Yang Zhou Branch).
2008	GSD Shanghai was “SSI products” Authorized China agent.
2010	GSD (China) Co., Ltd. was founded (currently being the operating headquarter in Mainland China).
2011	Awarded: Environmental Enterprise Competitiveness Award,

Year	Milestones
	Well-known Water Equipment Enterprise, etc..
	Awarded: 2011-2012 water industry user satisfaction equipment brand.
2012	Awarded: 2012 Top Ten Growth Companies, 2012 Environmental Enterprise Competitiveness Award.
	GSD China Plant in Pinghu city officially put into operation.
2013	GSD China obtained the certifications of ISO9001& ISO14001.
	GSD Technologies Co., Ltd. was founded.
2014	GSD Technologies Co., Ltd. obtained 100 % equities from GSD (China) Co., Ltd.
2015	GSD was selected as one of the top ten brands of sewage treatment equipment in China in 2015.
	GSD was selected as one of the top 50 water treatment enterprises in China in 2015.
2016	GSD obtained two invention patents in China (Surface aerator and pump testing device).
	GSD obtained two invention patents and 35 utility model patents by the end of 2016.
	GSD (China) was awarded the best corporate in transformation and upgrade field in Pinghu city.
2017	GSD (China) is awarded the Green Britain Award - leading enterprise in environmental equipment competitiveness.
	GSD (China) was awarded: 2016-2017 China's most valuable environmental protection equipment brand in water treatment machinery (pump benchmarking brand).
	GSD (China) has obtained the qualification of China's high-tech enterprise.
2018	GSD (China) was awarded the Innovation Award for Environmental IoT Technology.
	GSD (China) is awarded the green Britain Award - leading enterprise in environmental equipment competitiveness.
	GSD (China) was awarded: "Four Innovations" Excellent Enterprises in Pinghu City.
	The board of directors of the Taiwan Stock Exchange approved the GSD's stock listing case.
	The GSD's shares are publicly issued in Taiwan.
	The GSD shares were listed in Taiwan, and the stock code is 6641.
2019	GSD Environmental Technologies Co., Ltd. was founded.
	GSD (China) was recognized as a top-ranking enterprise in Pinghu.
	GSD Technologies Co., Ltd. Taiwan Branch was founded.
	GSD (China) awarded: the most valuable brand of Environmental Protection Equipment in China in 2018-2019).
	GSD (China) won the Green Talents Awards -2018-2019 water treatment equipment and technical service benchmark enterprise.
	Tongji-GSD (China) Research center of Environmental Microbiology

Year	Milestones
	was established.
	NCKU-GSD Hydrotech Research Center (HTRC)
2020	GSD (China) was selected as the 2019 Zhejiang Invisible Champion Cultivating Enterprise.
	GSD (China) was awarded as Pinghu Merit Enterprise.
	GSD (China) awarded the most valuable brand of water treatment machinery in 2019-2020.
	Foundation laying for GSD (China) Pinghu II plant expansion project.
	GSD (China) was awarded the "green Britain Award" - outstanding enterprise of environmental IOT technology innovation.
	GSD (China) was awarded the honor of "abiding by the contract and valuing the credit" as a class A enterprise in Zhejiang Province.
	GSD (China) was selected: the 2 nd batch of enterprises with special expertise and special features of "Small Giant" in China.
	GSD Enviro Tech (Yangzhou) Co., Ltd. was founded.
2021	GSD Enviro Tech (Taiwan) Co., Ltd. was founded.
	GSD issued the first Convertible Bond in R.O.C., which listed on OTC.
	GSD completed the cash capital increase and the issuance of new shares.
	GSD-TW obtained common shares of Yuh Shan Environmental Engineering Co., Ltd.
	GSD (China) was awarded "green Britain Award"- water treatment equipment and program solution.
	Foundation laying for GSD Yangzhou plant expansion project.
2022	GSD Enviro Tech (Vietnam) Company Limited was founded.
	CNCN (Beijing) Enviro Tech Co., Ltd. was founded.
	GSD (China) Pinghu II plant officially started production.
	GSD (China) awarded: “excellent pump brand” of the leading enterprise in the field of water treatment in 2021.
	GSD (China) awarded: Smart Water Service Platform Innovation Award
	GSD-TW awarded: The winner of the 2022 Greentech Startup challenge
2023	GSD Yangzhou plant officially started production.

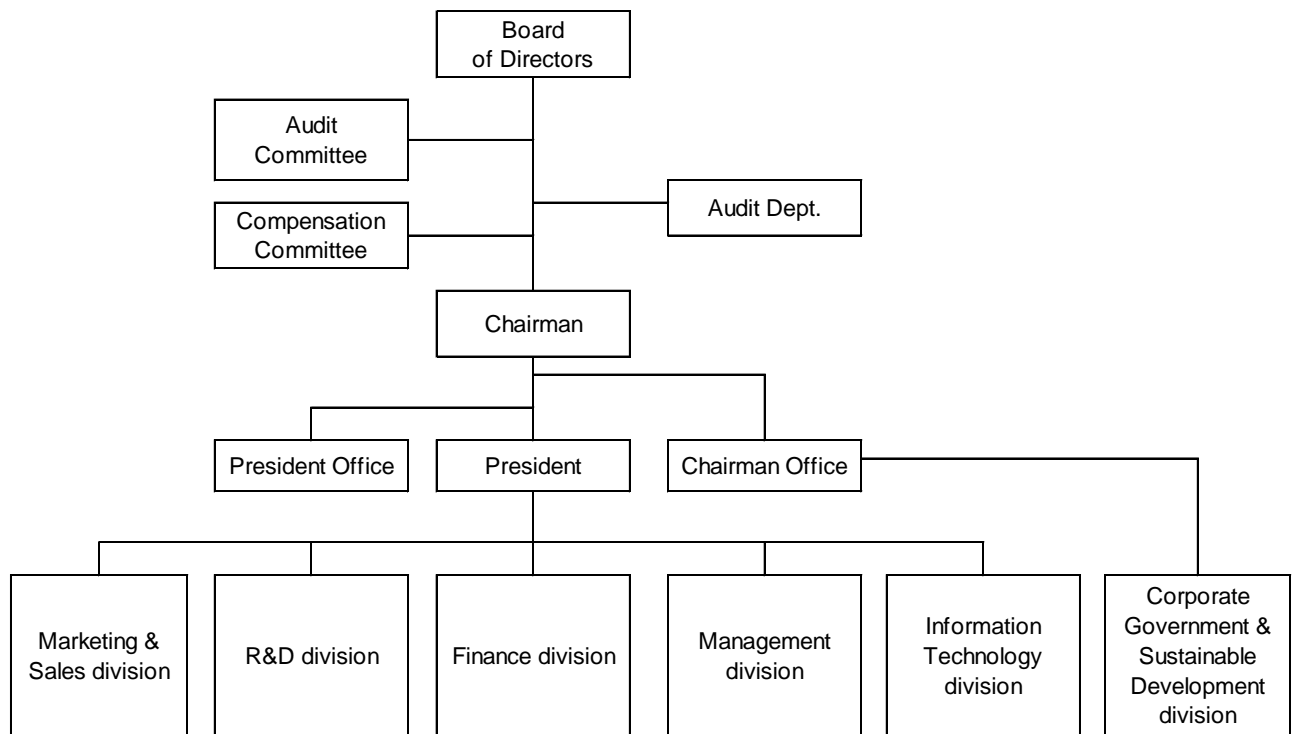
2.4. Risk Matters

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

III. Corporate Governance Report

3.1. Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

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

Department	Functions
Audit Dept.	Prepare, plan and implement internal control and audit system; submit audit report and track the improvement of audit deficiencies.
Chairman	Representing the Company and the board of directors. Instruction on company's operational strategies and setting guidelines. Supervision of managers' duties.
Chairman Office	1.Assistance for devising operational guidelines, strategies, and goals. 2.Assist in the evaluation and promotion of investment projects. 3.The chairman's office sets up the Corporate Government & Sustainable Development division to be responsible for preparing the ESG report and promotion the relative issue.
General Manager	1.Report to the Board of Directors and the General Meeting of Shareholders the relevant operating conditions and development plans, and execute matters resolved by the Board. 2.Manage and implement the group's business objectives and future development plans. 3.Planning and implementation of the Company's important operating policies and business plans.
General Manager Office	1.Assist the general manager to summarize and report to the board of directors and the general meeting of shareholders the relevant business status and development plan. 2.Assist the general manager to track and control the implementation of the group's business objectives and future development plans. 3.Assist the general manager to track and control the planning and implementation of important business policies and business plans.
Marketing & Sales Division	Coordinate the market development, business sales, procurement and manufacturing of the group around the world
R&D Division	Coordinate R&D plans, research and develop new products, new technologies and patent management.

Department	Functions
Finance Division	<ol style="list-style-type: none"> 1. Manage matters such as domestic capital planning and adjustment, accounting, and investment management. 2. Manages the auditing and preparation of accounting statements within the group, the calculation and control of costs, and the preparation and control of budgetary resources.
Management Division	In charge of general affairs, human resources, legal affairs and other matters of the group.
Information Technology Division	<ol style="list-style-type: none"> 1. Coordinate the integration of various information systems and information platforms within the group. 2. Formulate the policies and promote the practices of information security within the group.

3.2. Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

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

Apr. 09, 2023; Unit: thousand shares %

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Chairman	R.O.C.	Hsieh, Hung-June	M/70	2013/12/20	2020/06/23	3y	826	2.43	924	2.50	—	—	5,646 (Note1)	15.26	1. Oriental Institute of technology, Department of computer engineering 2. Former General manager of GSD Technologies Co., Ltd.	1. Director of Chuan Yuan Hydraulic Engineering Co., LTD. 2. Chairman of GSD (China) Co., Ltd. 3. Chairman of Shanghai GSD Industrial Co., Ltd. 4. Chairman of GSD Enviro Tech (Yangzhou) Co., Ltd. 5. Director of GSD Environmental Technology Co., Ltd. 6. Director of CNCN (Beijing) Enviro Tech Co., Ltd. 7. Chairman of GSD Enviro Tech (Taiwan) Co., Ltd. 8. Chairman of the Shareholders' Meeting of GSD Enviro Tech Vietnam Company Limited. 9. Director of H.J. HSIEH International Co., Ltd.	—	—	—	—
Director	British Virgin Islands	Li Yi Co., LTD.	—	2014/06/03	2020/06/23	3y	3,184	9.36	3,412	9.22	—	—	—	—	—	—	—	—	—	
	R.O.C.	Rep. : Lin, Ming-Tzu	M/51				—	—	—	—	—	—	—	—	1. New Taipei city San-Chung Commercial and Industrial Vocational High School Mechanical engineering 2. President of HEY-WEL Mechanical Co., Ltd.	1. President of HEY-WEL Co., Ltd. 2. Chairman of Yang Chuo HEY-WEL environmental Technology Co., Ltd. 3. Chairman of Pinghu HEY-WEI Environmental Technology Co., Ltd. 4. Directors of Li Yi Co., Ltd.	—	—	—	

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Director	R.O.C.	Cheng, Chi-Fa	M/64	2014/06/03	2020/06/23	3y	209	0.61	224	0.60	—	—	—	—	1. Department of Accounting National Chong Hsing University 2. CPA of Jinxing United Accounting Firm	1. CPA of Jing Xing United Accounting Firm 2. Chairman of Yu-Xinge consulting Co., Ltd. 3. Director of Jin-Dien Asset Management Co., Ltd. 4. Chairman of San-Bogle Investment Co., Ltd. 5. Director of Yuan Fu Tai Development Cor., Ltd. 6. Director of CoreMax Corporation. 7. Director of Uranus Chemicals Co, Ltd. 8. Independent Director of HongYi Fiber Industry Co., Ltd. 9. Independent Director of Shin Zu Shing Co., Ltd. 10. Director of Shih Her Technologies, Co., Ltd. 11. Corporate Director Representative of Ezfly international Travel Agent Co., Ltd.	—	—	—	
Director	R.O.C.	Lee, Tzuoh-Shoou	M/70	2022/07/08	2022/07/08	2y	236	0.69	283	0.76	—	—	1,756 (Note2)	4.74	1. Department of computer Engineering, Oriental Institute of Technology 2. Former Special Assistant of chairman of GSD Technologies Co., Ltd.	1. Director of Shanghai GSD Industrial Co., Ltd. 2. Director of LTS International Ltd.	—	—	—	
Independent Director	R.O.C.	Chang, Yuan-Lung	M/63	2017/06/22	2020/06/23	3y	—	—	—	—	—	—	—	—	1. Department of Accounting, Tamkang University 2. CPA of CihnJeng United Accounting Firm	1. CPA for CihnJeng United Accounting Firm 2. Independent Director of CoreMax Corporation. 3. Independent Director of Shin Zu Shing Co., Ltd.	—	—	—	

Title	Nationality	Name	Sex/ Age	Date first Elected	Date Elected	Term of Office	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Note
							Shares	Ratio %	Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
Independent Director	R.O.C.	Chou, Shan-Shan	F/58	2017/06/22	2020/06/23	3y	—	—	—	—	—	—	—	—	1. Doctor, Institute of Environmental Engineering, National Chiao Tung University 2. Manager/Director, Industrial Technology Research Institute 3. CEO of National Chiao Tung University Environmental Technology & Smart System Research Center.	1. Independent Director of ECOVE Environment Corp. 2. CEO of National Chiao Tung University Environmental Technology & Smart System Research Center.	—	—	—	
Independent Director	R.O.C.	Chen, Chun-Kuei	M/69	2017/06/22	2020/06/23	3y	—	—	—	—	4	0.1	—	—	1. Department of Business Administration, Fu Jen Catholic University 2. Chairman of Yi Tsen Technology Co., Ltd.	Chairman and General Manager of Yi Tsen Technology Co., Ltd.	—	—	—	

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

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

3.2.1.2 Major shareholders of the institutional shareholders

Apr. 9, 2023

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

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

3.2.1.4 Professional qualifications and independence information of Independent Directors

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

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

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

2.2.1.5 Diversified policy and independence for the composition of the Board of Directors

A. Diversified policy

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

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

B. Independence

GSD's board of directors has 7 directors, including 3 independent directors, with independent directors accounting for approximately 43%. None of the directors are spouses or relatives within second-degree relatives. Only one of the board members is also employee of GSD, accounting for about 14%.

Note 1: Diversity of directors

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

Note : Lee, Tzuoh-Shoou retired on July 31, 2022, no longer concurrently as employee of the Company.

3.2.2 Information of Management Team

Apr. 9,2023. Unit: thousand shares %

Title	Nationality	Name	Sex	Date Appointed	Shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Experience (Education)	Other Position in GSD and the other companies	Executives, Directors or supervisors who are spouses or within two degrees of kingship.			Remark
					Shares	Ratio %	Shares	Ratio %	Shares	Ratio %			Title	Name	Relation	
General Manager/ officer of Marketing & Sales division	R.O.C.	Chen, Shih- Hsien	M	20230201	1,149	3.11	—	—	—	—	1. Studied in Department of Business and Accounting, Soochow University 2. Associate Manager, Taiwan Chuan Yuan Co., Ltd. 3. Vice president of GSD (China) Co., Ltd.	1. Director of GSD (China) Co., Ltd. 2. Director of Shanghai GSD Industrial Co., Ltd. 3. Director of GSD Enviro Tech (Yangzhou) Co., Ltd. 4. General manager of GSD Enviro Tech (Taiwan) Co., Ltd. 5. General manager of GSD Enviro Tech Vietnam Company Limited	—	—	—	
CFO	R.O.C.	Wu, Wu Hsiung	M	20140925	352	0.95	—	—	—	—	1. Master degree of Department of Business and Accounting, Soochow University. 2. CFO and Vice President of Business Office, SpeedTech Co., Ltd. 3. CFO, T3EX Global Holding Co., Ltd.	Corporate Director Representative of Yuh Shan Environmental Engineering Co., Ltd.	—	—	—	
Officer of Audit Dept.	R.O.C.	Kao, Chia-Hui	F	20221222	45	0.12	—	—	—	—	1. Department of Accounting, Tamkang University. 2. Auditor of Diwan & Company United Accounting Firm. 3. Internal audit officer of GSD Technologies Co., Ltd.	—	—	—	—	
Officer of Corporate Governance	R.O.C.	Tsai Tzu Ju	F	20210601	6	0.02	—	—	—	—	1. Master degree of Department of Finance, National Sun Yat-sen University. 2. Section manager of Accounting, Radiant Opto-electronic Corporation 3. Junior manager of CTBC bank.	—	—	—	—	

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

3.3.1 Remuneration paid to directors in the most recent year

A. Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Total Remuneration and ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who are Also Employees								Total Compensation and ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, Allowances (E)		Severance Pay (F)		Employee Compensation (G)		The Company	Companies in the consolidated financial statements			
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company				Companies in the consolidated financial statements		
																Cash	Stock	Cash	Stock	Cash	Stock	
Director	Hsieh, Hung-June	-	-	-	-	3,703	3,703	148	148	3,851/ 2.11%	3,851/ 2.11%	4,949	8,297	168	168	1,322	-	1,322	-	10,290/ 5.64%	13,638/ 7.48%	None
Director	Li Yi Co., Ltd.																					
	Representative: Lin, Min- Tzu																					
Director	Cheng, Chi -Fa																					
Director	Lee, Tzuoh-Shoou	1,503	1,503	-	-	-	-	53	53	1,556/ 0.85%	1,556/ 0.85%	-	-	-	-	-	-	-	-	1,556/ 0.85%	1,556/ 0.85%	None
*ID	Chang, Yuan-Lung																					
*I.D	Chou, Shan-Shan																					
*I.D	Chen, Chun-Kuei																					

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

The Company is based on the consideration of independence. The remuneration of independent directors is fixed. The amount of payment is based on the size of the Company and is determined with reference to market conditions, regardless of the Company's profit and loss. Independent directors who concurrently serve as functional members will receive additional fixed remuneration in accordance with the Company's regulations. A fixed amount of subsidies would be given to independent directors for traveling expenses or business expenses incurred in attending company meetings.

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

Remuneration scale

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

B. Remuneration of General manager and Deputy General manager

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total Compensation and ratio of Total Compensation (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice President from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General manager	Hsieh, Hung-June	2,709	6,193	170	170	3,249	3,866	2,600	—	2,600	—	8,728/4.79%	12,829/7.03%	6
Special Assistant of Chairman	Wu, Wu-Hsiung													

Remuneration scale

Range of remuneration	Name of General manager and Deputy General manager	
	The Company	Parent Company and all invested companies
Less than NT\$ 1,000,000	-	-
NT\$ 1,000,000~NT\$ 2,000,000	-	-
NT\$ 2,000,000~NT\$ 3,500,000	Wu, Wu-Hsiung	-
NT\$ 3,500,000~NT\$ 5,000,000	-	-
NT\$ 5,000,000~NT\$ 10,000,000	Hsieh, Hung-June	Wu, Wu-Hsiung
NT\$ 10,000,000~NT\$ 15,000,000	-	Hsieh, Hung-June
NT\$ 15,000,000~NT\$ 30,000,000	-	-
NT\$ 30,000,000~NT\$ 50,000,000	-	-
NT\$ 50,000,000~NT\$ 100,000,000	-	-
Over NT\$ 100,000,000	-	-
Total	2	2

C. Remuneration of the Managers who distribute for employees

Unit: NT\$ thousands

	Title	Name	Stock	Cash	Total	Ratio of Total Compensation to Net Income (%)
Executive Officers	General Manager	Hsieh, Hung-June	-	4,054	4,054	2.22%
	Special Assistant of Chairman & CFO	Wu, Wu-Hsiung				
	Vice President of Marketing & Sales Division	Chen, Shih-Hsien				
	Officer of Corporate Governance	Tsai, Tzu-Ju				

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

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

Unit: %

	2022		2021	
	The Company	The consolidated financial statements	The Company	The consolidated financial statements
The sum of remuneration paid to directors	5,407	5,407	4,796	4,796
The ratio of the sum of remuneration paid to directors to net income (%)	2.96	2.96	2.22	2.22
Total remuneration paid to president and vice presidents	8,728	12,829	10,883	19,570
Ratio of total remuneration paid to president and vice presidents to net income (%)	4.79	7.03	5.05	9.08

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

(1) Directors and supervisors

The Company has set up compensation committee, with all independent directors as members. The compensation committee is responsible for

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

(2) General manager and Deputy General manager

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

3.4. Implementation of Corporate Governance

3.4.1 Board of Directors

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

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

Title	Name	Attendance in Person	By proxy	Attendance Rate (%)	Remarks
Chairman	Hsieh, Hung-June	6	-	100%	Reelected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Directors	Li Yi Co., Ltd. Representative: : Lin, Min-Tzu	6	-	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Directors	Cheng, Chi-Fa	6	-	100%	Reelected on Jun. 22, 2017. Reelected on Jun. 23, 2020.

Directors	Lee, Tzouh-Shoou	6	-	100%	By-elected on Jul. 8, 2021. (remark 1)
Independent director	Chang, Yuan-Lung	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Independent director	Chou, Shan-Shan	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.
Independent director	Chen, Chun-Kuei	6	0	100%	Elected on Jun. 22, 2017. Reelected on Jun. 23, 2020.

Remarks

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

Note: The six meetings of the Board of Directors were held on Feb. 25, Apr. 19, May 10, Aug. 22, Nov. 10 and Dec. 22 in 2022.

Other mentionable items:

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

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

Resolutions on the meetings of the Board in 2022 and 2023 before the printed date of the annual report are listed as below. All independent directors have given assent and consent to items stated in Article 14-3 of the Securities and Exchange Act.

Date of meeting	Content	Opinions of independent directors	The Company's handling of independent directors' opinions	Resolution result
Feb. 25, 2022 The 13 th of the fourth session	1. Adoption of GSD's 2021 "Declaration on internal control system"	Agree	No objection	All attending directors agreed to pass.
	2. Amendment of "Memorandum and Articles of Association".	Agree	No objection	All attending directors agreed to pass.
	3. Amendments of "Rules for Election of Directors" and "Regulations Governing the Acquisition and Disposal of Assets".	Agree	No objection	All attending directors agreed to pass.
	4. Approved the Company's 2021 directors' compensation and employee's compensation distribution plan.	Agree	No objection	All attending directors agreed to pass.
Apr. 19, 2022 The 14 th of the fourth session	1. Amendments of "Memorandum and Articles of Association".	Agree	No objection	All attending directors agreed to pass.
	2. Amendments of "Rules and Procedures of Shareholders' Meeting".	Agree	No objection	All attending directors

				agreed to pass.
	3. Amendments of “Corporate Governance Practice Principles”.	Agree	No objection	All attending directors agreed to pass.
	4. Approved to change the CPA of GSD	Agree	No objection	All attending directors agreed to pass.
May 10, 2022 The 15 th of the fourth session	Approved GSD’s loaning limit to its subsidiaries.	Agree	No objection	All attending directors agreed to pass.
Nov. 10, 2022 The 17 th of the fourth session	1.Amendments of “Rules for Approval authority”.	Agree	No objection	All attending directors agreed to pass.
	2.Approved GSD’s loaning limit to its subsidiaries-GSD Enviro Tech Vietnam Company Limited.	Agree	No objection	All attending directors agreed to pass.
	3.Approved GSD (China)’s loaning limit to its subsidiaries- GSD Enviro Tech (Yangzhou) Co., Ltd..	Agree	No objection	All attending directors agreed to pass.
Dec. 22, 2022 The 18 th of the fourth session	1.Appointment of GSD's internal audit officer.	Agree	No objection	All attending directors agreed to pass.
	2.Approved the Company's employee and director remuneration proposal of 2022.	Agree	No objection	All attending directors agreed to pass.
	3.The Company's 2022 manager compensation and year-end bonus proposal.	Agree	No objection	All attending directors agreed to pass.
	4.Amendments of “Operating Procedure for Handling Internal Material Information” , “Rules for Performance Evaluation of Board of Directors”, and “Rules for company organization”.	Agree	No objection	All attending directors agreed to pass.
	5.Approved the change of CPA, the independent and competent assessment of the new CPA and its compensation.	Agree	No objection	All attending directors agreed to pass.
	6.Approved GSD’s loaning limit to its subsidiaries-GSD Enviro Tech (Taiwan) Co., Ltd.	Agree	No objection	All attending directors agreed to pass.
Feb. 24, 2023 The 19 th of the fourth session	1.Approved the Company's 2022 directors' compensation and employee's compensation distribution plan.	Agree	No objection	All attending directors agreed to pass.
	2.Adoption of GSD's 2022 "Declaration on internal control system"	Agree	No objection	All attending directors agreed to pass.
	3.Amendments of “Memorandum and Articles of Association”.	Agree	No objection	All attending directors agreed to pass.
	4.Amendments of “Rules for Loaning of Funds to others”.	Agree	No objection	All attending directors agreed to pass.
	5. Amendments of “Procedures for the board of directors meeting”.	Agree	No objection	All attending directors agreed to pass.

1.2 In addition to the matters mentioned above, other matters decided by the board meeting which are objected or reserved by the independent directors and have records or written statements: no such case.

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

Date of meeting	Name of avoided director	Content	Reasons	Voting situation
Dec,22, 2022 The 18 th of the fourth session.	Hsieh Hung-June	Discussion on the remuneration and year end bonus of managers in 2022.	Hsieh Hung-June shall be the interested party receiving the remuneration of the manager.	Based on the principle of interest avoidance, Hsieh Hung-June asked to avoid it and did not participate in the discussion and voting, and asked Director Cheng, Chi-Fa to preside over the discussion of the case. The case was approved by the other directors present without objection.

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

Evaluation Cycle	Evaluation Period	Evaluation Scope	Method	Content
Once per year	Jan 1 to Dec 31, 2022.	Board of Directors	Internal self-assessment of the board of directors	1. Participation in the operation of the Company 2. Decision making quality of the board of directors 3. Composition and structure of the board of directors 4. Selection and continuing education of directors. 5. Internal control
		Individual directors	Peer evaluation of directors	1. Mastering the Company's objectives and tasks. 2. Responsibilities of directors 3. Participation in the operation of the Company. 4. Internal relationship management and communication. 5. Professional and continuing education of directors. 6. Internal control.
		Functional Committee	Committee member	1. Participation in the operation of the Company.

			self-evaluation	2. Functional Committee responsibility recognition. 3. Decision quality of functional Committee. 4. Composition and member selection of functional Committee. 5. Internal control.
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The results of performance evaluation in 2022 are as follows:

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

A. Board of Directors performance

Evaluation Content	Score
Participation in the operation of the Company	4.80
Improve the decision-making quality of the board of directors	4.82
Composition and structure of the board of directors	4.90
Directors' selection and continuing education	4.88
Internal Control	4.86
Average Score	4.85

B. Individual director performance

Evaluation Content	Score
Master the Company's objectives and tasks	4.77
Recognition of directors' responsibilities	4.89
Participation in the operation of the Company	4.68
Internal relationship management and communication	4.82
Directors' selection and continuing education	4.89
Internal Control	4.79
Average Score	4.81

C. Functional Committee Performance

Evaluation Content	The Audit Committee	Remuneration Committee
Participation in the operation of the Company	4.92	4.92
Improve the decision-making quality of the board of directors	4.87	4.87
Composition and structure of the board of directors	4.81	4.86
Directors' selection and continuing education	5.00	5.00
Internal Control	5.00	-
Average Score	4.92	4.91

In terms of overall board performance, the average score is 4.85. The average performance score of individual director is 4.81. The average score of audit and remuneration committee is 4.92 and 4.91 respectively. The overall performance evaluation in 2022 is excellent, and the results of performance evaluation are summarized. The follow-up suggestions and

improvements are as follows:

- (1) Provide directors with a wide range of courses beyond their professional competence.
 - (2) Continuously report the implementation of sustainable development to the board of directors, so that the board members can timely understand the company's promotion status of ESG.
4. Assessment of the objectives and implementation of strengthening the functions of the board of directors in the current year and the most recent year
- (1) The Company has stipulated the “Rules of Procedure for Board Meetings” as the guidelines for the operation of board meetings. In addition, the Company has elected three independent directors on the general meeting of shareholders on June 23, 2020, and re-appoint the members of audit committee and remuneration committee on the same day.
 - (2) In order to promote the directors' ability in corporate governance, the Company regularly arranges courses that meet the requirements for the implementation of directors and supervisors for directors' advanced training. In 2022, all directors will achieve 6 hours of advanced training.
 - (3) In order to protect the risks borne by directors when performing business, the Company insures directors and managers' liability insurance every year.
 - (4) The corporate governance officer was appointed by the board of directors and has completed annual training, who helps to improve corporate governance and the functions of the board of directors.
 - (5) In order to improve the transparency of information, the Company regularly exposes information related to operations, finance and corporate governance at public information observatories, the Company's website and annual reports. The audit office also provides independent directors' information on the Company's operations and audit results on a monthly or regular basis.

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

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

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

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

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Chang, Yuan- Lung	6 times	-	100.00%	Jun 23,2020 reelected
Independent Director	Chou, Shan-Shan	6 times	-	100.00%	Jun 23,2020 reelected
Independent Director	Chen, Chun-Kuei	6 times	-	100.00%	Jun 23,2020 reelected
<p>Other mentionable items:</p> <p>1. In case of any of the following circumstances in the operation of the audit committee, the date of the meeting, the contents of the proposal, objection or reservation opinion of independent directors, the resolution results of the audit committee and the Company's handling of the audit committee's opinions shall be stated.</p> <p>1.1 The matters listed in Article 14-5 of the Securities and Exchange Law: The relevant matters related to the Article 14-5 of the Securities and Exchange Act are listed in the following table,</p>					

which shall be reported to the Board of Directors after approval by the Audit Committee.

Meeting Date	Content	independent directors' objection opinions	Audit Committee Resolution Results	The Company's handling of the audit committee's opinions
Feb.25, 2022 The 11 th of the second session	1. Approved the Company's 2021 annual business report and consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
	2. Approved the Company's 2021 "Internal Control System Statement".	None	All members present agree to pass	Audit Committee has no opinion
	3. Amendment of "Memorandum and Articles of Association".	None	All members present agree to pass	Audit Committee has no opinion
	4. Amendments of "Rules for Election of Directors" and "Regulations Governing the Acquisition and Disposal of Assets".	None	All members present agree to pass	Audit Committee has no opinion
Apr. 19, 2022 The 12 th of the second session	1.Amendment of "Memorandum and Articles of Association".	None	All members present agree to pass	Audit Committee has no opinion
	2.Amendments of "Rules and Procedures of Shareholders' Meeting"	None	All members present agree to pass	Audit Committee has no opinion
	3.Amendments of "Corporate Governance Practice Principles".	None	All members present agree to pass	Audit Committee has no opinion
	4.Approved to change the CPA of GSD	None	All members present agree to pass	Audit Committee has no opinion
May. 10, 2022 The 13 th of the second session	Approved the GSD's fund loan to its subsidiaries.	None	All members present agree to pass	Audit Committee has no opinion
Aug. 22, 2022 The 14 rd of the second session	Approved the GSD's 2022Q2 consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
Nov. 10, 2022 The 15 th of the second session	1.Amendments of "Rules for Approval authority".	None	All members present agree to pass	Audit Committee has no opinion
	2. Approved GSD's loaning limit to its subsidiaries-GSD Enviro Tech Vietnam Company Limited.	None	All members present agree to pass	Audit Committee has no opinion
	3.Approved GSD (China)'s loaning limit to its subsidiaries- GSD Enviro Tech (Yangzhou) Co., Ltd..	None	All members present agree to pass	Audit Committee has no opinion
Dec. 22,	1.Appointment of GSD's internal audit	None	All members	Audit

2022 The 16 th of the second session	officer.		present agree to pass	Committee has no opinion
	2.Amendments of “Operating Procedure for Handling Internal Material Information” , “Rules for Performance Evaluation of Board of Directors”, and “Rules for company organization”.	None	All members present agree to pass	Audit Committee has no opinion
	3.Approved the change of CPA, the independent and competent assessment of the new CPA and its compensation.	None	All members present agree to pass	Audit Committee has no opinion
	4.Approved GSD’s loaning limit to its subsidiaries-GSD Enviro Tech (Taiwan) Co., Ltd.	None	All members present agree to pass	Audit Committee has no opinion
Feb.24, 2023 The 17 th of the second session	1.Approved GSD’s 2022 annual business report and consolidated financial statements.	None	All members present agree to pass	Audit Committee has no opinion
	2.Approved the Company's 2022 "Internal Control System Statement".	None	All members present agree to pass	Audit Committee has no opinion
	3. Amendments of “Memorandum and Articles of Association”	None	All members present agree to pass	Audit Committee has no opinion
	4. Amendments of “Rules for Loaning of Funds to others”.	None	All members present agree to pass	Audit Committee has no opinion
	5.Amendments of “Procedures for the board of directors meeting”.	None	All members present agree to pass	Audit Committee has no opinion

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

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

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

3.1 The internal audit officer and the independent director shall individually meet at least once a quarter in the audit committee, and the internal audit officer submit the audit report, the missing tracking report of the previous month before the end of each month, report on the implementation of the Company's annual audit plan and the missing tracking and improvement of internal control, and convene a meeting at any time to communicate in case of major abnormal events.

3.2 The certified public accountant of the Company individually reports to the independent director twice a year on the group financial report, major audit matters, overall operation and

internal control audit of the Company. The audit committee will also consult with the treasurer for professional advice on accounting related issues.

3.3 The communication matters between the independent directors and the internal audit officer and accountants in 2022, are as follows:

Meeting date	Type	Participants	Subject	Independent director's recommendation and Company's handling and Implementation
Feb. 25, 2022	The Audit Committee	Internal Audit officer	The Company's audit plan implementation results and tracing report of 2021	No objection
Feb. 25, 2022	The Audit Committee	Accountant	1.2021 financial statements review situation and results 2.Effectiveness of internal control system 3. Description of key verification items 4. Explanation of the modification of the company Law and security regulation	No objection
May. 10, 2022	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to March 2022	No objection
Aug. 22, 2022	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to July 2022	No objection
Nov. 10, 2022	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to September 2022	No objection
Dec. 22, 2022	The Audit Committee	Internal Audit officer	The Company's audit plan execution results report from January to November 2022	No objection
Dec. 22, 2022	The Audit Committee	Accountant	1. Audit scope and schedule of 2022 financial report 2. Description of major risk and key verification items 3. Assurance of Independence	No objection

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

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract illustration	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		The Company has established “Procedure for Prevention of Insider Trading” and “Operating Procedure for Handling Internal Material Information” to specify the rules of related operational procedures. Except to the establishment of norms, the Company also conducts internal prevention training for directors, managers and other insiders every year. See the Company's corporate website for details of the training contents.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		The Company has formulated the “Corporate Governance Practice Principles” and “Rules for Election of Directors” to implement the diversity policy for the members of the board of directors. Information about Directors diversified policy refers to page 19.	None
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	The Company has established Remuneration Committee and Audit Committee. There is no immediate need for Committees of other functions. Assessment for necessities are to be conducted.	Depends on Future needs
(3) Does the Company establish performance evaluation methods and methods for the board of directors, conduct performance evaluation annually and regularly, and report the results of performance evaluation to the board of directors, and apply them to the reference of salary and remuneration of individual directors and nomination and renewal?	V		The Company has formulated the "Rules for Performance Evaluation of Board of Directors", and completed the performance evaluation of the board of directors, individual directors and functional Committee in 2022 by the end of the first quarter of 2023. Please refer to page 29~31 for details of the performance evaluation methods and results of the board of directors. The performance evaluation results has been submitted to the board of directors held on 2023/2/24. The evaluation results will also be one of the reference factors for individual directors' remuneration and nomination for renewal.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
(4) Does the Company regularly evaluate the independence of CPAs?	V		The board of directors of the Company assesses the independence of certified public accountants at least once a year in accordance with the code of corporate governance practice for listed and OTC companies, and submits the results to the audit committee and the board of directors on December 22, 2022 for deliberation and approval. In addition to the CPA's statement that the audit team members have not violated independence, the Company also conducts independence inspection in accordance with the CPA's independence evaluation standard (please Note 1 for details). After evaluation, there was no violation of the independence provisions of the accounting law and other relevant laws and regulations, and no incompetence was found.	None
4. Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		<p>The Company has designated the Corporate Government & Sustainable Development division under the chairman's office as the authority and responsibility unit for corporate governance related affairs, and has assigned corporate governance officer with the following main responsibilities:</p> <p>(1)To handle the meeting related matters of the board of directors and the shareholders' meeting in accordance with the law, and make the minutes of the board of directors and the shareholders' meeting.</p> <p>(2)Assist the directors in taking office and continuing education.</p> <p>(3)Provide information required for the directors to carry out their business.</p> <p>(4)Assist the directors in complying with the act.</p> <p>(5)Report to the board of directors the results of its review on</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																							
	Yes	No	Abstract illustration																								
			<p>whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during their tenure.</p> <p>(6)To handle the matters of Directors changes.</p> <p>(7)Other business related to corporate governance.</p> <p>In order to protect shareholders' rights and strengthen the functions of the board of directors, GSD’s board of directors resolved to appoint Tsai Tzu Ju as corporate governance officer on May 6, 2021. The training status of corporate governance officer in 2022 is as follows.</p> <table><tr><th>Training Date</th><th>Training unit</th><th>Subject</th><th>Training hours</th></tr><tr><td>2022/05/10</td><td rowspan="2">Securities and Futures Institute</td><td>The trend and strategy of ESG : Competitiveness v.s. Survival</td><td>3hr</td></tr><tr><td>2022/05/10</td><td>Under the threat of ransomware, the legality of Cyber Security Management Act</td><td>3hr</td></tr><tr><td>2022/06/10</td><td>Securities and Futures Institute</td><td>2022 Insider Trading Prevention Promotion Conference</td><td>3hr</td></tr><tr><td>2022/07/20</td><td>TWSE and TPEx</td><td>“Sustainable Development Roadmap” Industry Theme Promotion Conference</td><td>2hr</td></tr><tr><td>2022/10/07</td><td>TWSE and TPEx</td><td>Promotion Conference of “Reference Guidelines for Exercise of Duties and Powers by Independent Directors and</td><td>3hr</td></tr></table>	Training Date	Training unit	Subject	Training hours	2022/05/10	Securities and Futures Institute	The trend and strategy of ESG : Competitiveness v.s. Survival	3hr	2022/05/10	Under the threat of ransomware, the legality of Cyber Security Management Act	3hr	2022/06/10	Securities and Futures Institute	2022 Insider Trading Prevention Promotion Conference	3hr	2022/07/20	TWSE and TPEx	“Sustainable Development Roadmap” Industry Theme Promotion Conference	2hr	2022/10/07	TWSE and TPEx	Promotion Conference of “Reference Guidelines for Exercise of Duties and Powers by Independent Directors and	3hr	
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Evaluation Item	Implementation Status						Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration				
					Audit Committees” for listed companies in 2022.		
5. Does the Company establish a communication channel with its stakeholders (including but not limited to shareholders, employees, clients, and suppliers) and build a designated section on its website for stakeholders, as well as handle all issues they care for in terms of corporate social responsibilities?	V		The Company has established communication channels for stakeholders and built a designated section on the official website where stakeholders can express their opinions regarding the issues they care. The company regularly reports the communication with stakeholders to the report of the board of directors every year. The communication situation in 2022 has been reported to the board of directors on 2022/12/22.				None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates SinoPac Holding Security Agent as proxy for stock related affairs.				None
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The investor zone and corporate governance zone have been set up on the Company's website (https://www.gsd.net.tw) to expose various financial business information and corporate governance execution status, and relevant information can also be check on the Market Observation Post System.				None
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has set up an English website to disclose the Company's financial and business information, and has assigned the Chairman Office and Finance Department to handle information collection and disclosure. The Company has established a spokesperson system. Investors can look up for information related to finance, business, and governance of the Company through the Market Observation Post System.				None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract illustration	
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial report and the operation of each month ahead of the required time limit?	V		The Company adheres to the principle of instant disclosure of information, and announced the annual financial reports of 2022 before the end of February 2023. The quarterly financial reports and monthly revenue are announced ahead of the required time limit.	None
8. Is there any other information to facilitate a better understanding of the Company’s corporate governance practices (e.g. including but not limited to employee rights employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)	V		<ol style="list-style-type: none"> 1. The Company has harmonious relation with its employees, and it ensures the employees’ rights in accordance with regulations in the location of the operation site. No major labor-management problems or punishments by authorities due to bleaching labor laws have occurred. 2. The Company offers employees reasonable basic salary, bonuses, complementary employee trips, and welfare measures organized by Labor Union. Mutual trust and good relationship have been established between the employees and the employer. 3. The Company has set up the corporate official website and spokesperson system. Financial information and major events are periodically publicized on Market Observation Post System to ensure the investors’ right of staying fully informed. 4. The Company ensures its integrity and conduct fair trade with suppliers. It has explicitly disclosed its opposition against bribery. 5. The stakeholders can conduct communication and offer suggestions through channels provided by the Company so as to protect their legal rights. 6. Directors of the Company should complete the required courses and follow news related to governance of the Company. 	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract illustration	
			<p>7. The Company has established “Regulations Governing the Acquisition and Disposal of Assets”, “Procedures for Trading Derivative Products”, “Rules for Loaning of Funds to others”, “Rules for Making of Endorsements/Guarantees”, etc. The Company has established risk management policies and monitoring system, and the internal auditing reassures that the policies follow related regulations to ensure the rights of the stakeholders.</p> <p>8. The Company has customer service representatives to deal with customers’ issues on telephone.</p> <p>9. The Company has stipulated relevant regulations on directors' liability insurance in the Corporate Governance Practice Principles, and has taken out directors' liability insurance (effective on April 1, 2022 and renewed in 2023).</p>	
<p>9. Please explain the improvement of the corporate governance evaluation results issued by the corporate governance center of Taiwan Stock Exchange Co., Ltd. in the latest year, and put forward the priorities and measures for those that have not been improved.</p> <p>The results of the Company's 2021 corporate governance evaluation fall within 21% to 35% of all listed companies. The priority improvements are as follows:</p> <p>(1) Planning to compile ESG reports and regularly disclosing ESG-related information. (The greenhouse gas inventory of the main production plants has been completed in 2022, and third-party certification has been obtained. GSD would continue to extend the greenhouse gas inventory to all subsidiaries in the group)</p> <p>(2) Enrich the English official website, including financial, business and corporate governance related information of the Company. (Continuing enrich the content of English website in 2022)</p> <p>(3) Assess to establish other function committee.</p> <p>(4) Establish a risk management framework and identify GSD's risk map.</p>				

Note 1: Accountant Independence Evaluation Standard

	Evaluation indicators	Evaluation Results		Remark
		YES	NO	
1	The accountant himself or his spouse or minor children have no relationship with the Company to invest or share financial benefits.	V		
2	The accountant himself, his spouse, and minor children did not borrow money from the Company.	V		
3	The accounting firm has not provided a report on the services designed or assisted in the effective operation of the financial information system.	V		
4	No accountant or member of the audit service team has been a director or manager of the Company or has a significant impact on audit cases at present or in the past two years.	V		
5	The non audit services provided by the Company do not directly affect the important items of audit cases.	V		
6	Accountants or members of the audit service team did not advertise or mediate the stocks or other securities issued by the Company.	V		
7	Accountants or members of the audit service team have not defended legal cases or other disputes on behalf of the Company and third parties except for businesses permitted by law.	V		
8	The accountants or members of the audit service team have no relationship with the Company's directors, managers or persons who have a significant influence on the audit case, such as spouses, direct blood relatives, direct in-law relatives or second-parent relatives.	V		
9	The retired public accountants within one year did not hold the position of director, manager or significant influence on the audit case of the Company.	V		
10	Accountants or members of the audit service team have not received gifts or special offers of great value to the Company or its directors, managers or major shareholders.	V		
11	The accountant is not currently employed by the principal or the inspector to be employed for regular work, receive a fixed salary or serve as a director	V		
12	Accountants have not provided audit services for the Company for seven consecutive years.	V		The board of directors made a resolution on 2022/12/22 to appoint Ernst & Young CPAs Calvin Chen and Charlie Hsieh to handle financial statement audit matters from the first quarter of 2023.

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. Information of Remuneration Committee

Criteria Name	Professional Qualification and Experience	Independence	Number of Other Public Companies in Which the Individual is concurrently Serving as a member of remuneration committee
Independent Director/ Chang, Yuan- Lung	Please refer to pages 16-18 for information for the professional qualifications and the independence of independent directors		Two
Independent Director/ Chou, Shan-Shan			One
Independent Director/ Chen, Chun- Kuei			None

2. The duties of Remuneration Committee

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

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

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

- (1) Ensuring that the compensation arrangements comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
- (2) Performance assessments and compensation levels of directors, supervisors, and managerial officers shall take into account the general pay levels in the industry, individual performance assessment results, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other

positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of GSD.

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

3. Information of Remuneration Committee Meetings

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

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Chang, Yuan-Lung	3 times	0	100.00%	Reelected from Jun.23,2020
Committee Member	Chou, Shan-Shan	3 times	0	100.00%	Reelected from Jun.23,2020
Committee Member	Chen, Chun-Kuei	3 times	0	100.00%	Reelected from Jun.23,2020
The contents of the meeting, the resolution results and the Company's handling of the opinions of the members of the Remuneration Committee in the latest year:					
Date	Content		Result	Opinion from members	
Feb. 25, 2022 The 8 th of the second session	Approved the distribution of the directors' and the employees' remuneration in 2021.		All members present agree to pass	No Objection.	

Nov. 10, 2022 The 9 nd of the second session	The ratio of employee bonus and director's remuneration set out in the Company's budget in 2023	All members present agree to pass	No Objection.
Dec. 22, 2022 The 10 th of the second session	1.Discussion on the work plan of the Company's remuneration committee in 2023.	All members present agree to pass	No Objection.
	2.Compensation plan for employees and directors to be accrued by the Company in 2022.	All members present agree to pass	No Objection.
	3.Discussion on the remuneration and year end bonus of the Company's managers in 2022.	All members present agree to pass	No Objection.
	4.Amendments of “Rules for Directors' Remuneration Distribution and Performance Evaluation”.	All members present agree to pass	No Objection.
	5.Appointed the general manager of GSD, GSD Enviro Tech (Taiwan) Co., Ltd., Taiwan Branch of GSD, and GSD Enviro Tech Vietnam Company Limited.	All members present agree to pass	No Objection.

Other items to be recorded:

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

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

3.4.5 Implementation of Sustainable Development

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

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company establish a governance structure and set up a full-time (Part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by the senior management and reported to the board of directors?	V		The Company has formulated “Sustainable Development Practice Principles” and in 2021, set up ESG promotion team which is composed of members of the chairman's office and the general manager's office. The promotion team is responsible for the evaluation and strategy formulation of environmental, social and corporate governance issues. In the future, it will be submitted to the board of directors to establish functional committees to improve the governance structure as appropriate. The ESG promotion team would report to the Board of Directors annually on the implementation of the promotion. In 2022, the ESG promotion group focused on greenhouse gas inventory, and already reported the schedule of the greenhouse gas inventory of each subsidiary to the board of directors.	None.
2. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V	The Company has established an ESG promotion team to conduct an assessment of environmental, social and corporate governance issues related to the Company's operations, but has not yet formulated a corresponding risk management policy or strategy. The scope of the assessment is currently based on the main operating entity-GSD (China) Co., Ltd., but the corresponding risk	GSD will formulate risk management policies according to the promotion schedule.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			management policies has not yet been determined.	
3. Environmental issues (1) Does the Company establish appropriate environmental management system according to its industrial characteristics?	V		<p>The environmental protection affairs of the Company's production and business units shall be handled in accordance with the local environmental protection regulations. The business waste shall be recycled and treated by a legal professional organization, and the domestic waste water shall be discharged in accordance with the regulations.</p> <p>GSD (China) has obtained ISO 14001 environmental management system certification, ISO 14064 greenhouse gas emission inventory and ISO14067 product carbon footprint certification.</p>	None.
(2) Is the Company committed to improving the utilization efficiency of energy and using recycled materials with low impact on environmental load?	V		<p>The Company's main production base, GSD (China), uses renewable energy as much as possible, about 50% of GSD (China)'s energy is generated by solar energy. At the same time, the Company promotes measures such as turning off the lights at any time to save energy, E-office and secondary use of paper, etc., and is committed to reducing the load on the environment.</p>	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?	V		As a professional water treatment service provider, the Company aims to reduce the risk of water scarcity caused by climate change through water reuse. In addition, we will actively promote product energy-saving certification, assist customers in saving water resources, and achieve the goal of energy conservation and carbon reduction, so as to further reduce the risks related to climate change.	None.
(4) Does the Company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for greenhouse gas reduction, water use reduction or other waste management?		V	<p>The Company's main production base, GSD (China), has been conducting regular GHG inventory since 2021 and has obtained a third-party - China Quality Certification Center (CQC) verification. The GHG emission of GSD (China)'s pinghu plant in 2021 is as follow: Scope 1 emission : 67.21 Metric ton-CO₂e Scope 2 emission : 262.8 Metric ton-CO₂e Scope 3 emission : 20.03 Metric ton-CO₂e Intensity of CO₂ emission : 0.2215 Metric ton-CO₂e per million revenue.</p> <p>The 2022 GHG inventory has not been completed as of the publication date of this annual report, and will be disclosed at the MOPS once it is completed.</p> <p>Water consumption, energy consumption and weight of waste in 2021 and 2022 is as follow: Water consumption: 9,031 tons and 11,862 tons in 2021 and 2022 respectively. The increase in water consumption in 2022 is mainly due to the water used during the renovation of the Pinghu II plant building.</p>	The Company would implement greenhouse gas inventory in 2022, and based on the inventory result to formulate management policies for greenhouse gas reduction.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Energy consumption: In 2021 and 2022 are 766 thousand kWh and 937 thousand kWh respectively. Consumption increase in 2022 is mainly due to the opening of the Pinghu II plant in the second half of 2022. About 50% of the energy consumption is generated through solar energy.</p> <p>Total weight of waste are 17 tons in 2022, of which about 6.91 tons are hazardous waste, and all waste is entrusted to legal disposal companies for disposal.</p> <p>GSD implements the policy of saving water and electricity. In addition to adopting solar power generation, building a water recycling system, recycling paper packaging materials, setting the appropriate temperature and timing switches for the air conditioner, avoiding the greenhouse effect and reducing the impact on the environment. The ESG promotion teams will formulate the policies and strategies for GHG reduction, water or other waste reduction.</p>	
<p>4. Social issues</p> <p>(1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		<p>With reference to the "Universal Declaration of Human Rights", GSD formulates human rights policies and formulates "Rules for Personnel and Labor Relations" and “Human resource management rules”. For human rights-related concerns, specific practices, and the implementation of education and training, please refer to</p>	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			the corporate social responsibility section of the Company's website.	
(2) Does the Company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results in employee compensation?	V		<p>The Company abides by labor laws and regulations. In addition to providing labor health insurance, pension, social security, etc. in accordance with the laws and regulations of the place where the employees are employed, the Company has three additional employee benefits, such as bonus, employee travel, dinner party, etc.</p> <p>In terms of workplace diversity, female employees account for 36% of the total employees at 2022/12/31. However, the ratio of female employees on total indirect employee, who are not work on production line, is about 50%. The difference is due to the fact that the work content of the Company's production line personnel is physically demanding, so there are few female applicants. In addition, female officers account for about 33% of all officers in the Company.</p> <p>In terms of employee compensation, it is stipulated in the Company's articles of association that if the Company makes profits in the current year, 3% - 5% of the remuneration shall be allocated to the employees through the resolution of the board of directors, and the Company's operating performance shall be appropriately fed back to the employees.</p>	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	V		<p>The Company form safety team to carry out production and fire safety inspections every month, and hold safety meetings on a monthly/quarterly basis to track abnormal inspect result and arrange training for safety production and health precautions. The safety team also arrange fire drill regularly. In addition, to offer a safe and healthy working environment, common medicines and first aid supplies are available in the Company.</p> <p>The company's main production base- GSD (China) has obtained ISO45001 occupational health and safety management system certification.</p> <p>In 2022, the Company has 1 minor work-related accidents. The cause was that the employee was scratched by the splash of metal shavings when dismantling the water pump. The Company has enhanced safety awareness to prevent recurrence.</p>	None.
(4) Does the Company establish an effective career development training program for its employees?	V		<p>GSD has performance evaluation methods and agent system, and team building is listed as annual necessary work plan, which is promoted by the general manager and human resources department. The employee training program includes new employee training, on-the-job training for each position, department training and new supervisor training, etc. In 2022, a total of 181 trainings have been completed.</p>	None.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the Company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers?	V		The Company pays attention to the rights and interests of its customers, and formulates service procedures in the internal control measures, which are approved by the board of directors. In addition, the Company proactively disclosed service commitment on the website, including warranty commitment and reply within a certain period of time after receiving service demand notice, so as to protect the rights and interests of customers. The Company also has a toll-free customer service telephone to serve customers in real time.	None.
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	V		When signing a long-term contract with a supplier, the Company requires the supplier to sign an environmental commitment letter, promising to operate in compliance with environmental regulations and requirements, and is committed to developing low energy consumption, high efficiency and recyclable products. If the supplier violates the relevant regulations, it will affect their renewal. As the end of 2022, a total of 102 long-term suppliers have signed environmental commitments.	None.
5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose the Company's non-financial information? Did the report obtain the confidence or		V	GSD has gradually promoted the sustainability report preparation plan through the ESG promotion team. It is expected to prepare the first sustainability report in 2024. The relevant information on the current promotion of sustainable development has been disclosed in the annual report and the corporate website.	It is planned to published the ESG report from 2024.

Evaluation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
assurance opinion of the third-party verification unit?				
<p>6. If the Company has established the sustainable development practice principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established Sustainable Development Practice Principles and has been operating in accordance with it.</p>				
<p>7. Other important information to facilitate better understanding of the Company’s sustainable development practices :</p> <p>7.1.Environmental</p> <p>(1) The Company is constantly promoting eco-friendly measures including water and energy conservation, prevention of pollutions, official documents electronization for reducing consumption of paper, garbage sorting and recycling for reducing wastes, reduction of greenhouse gas emission, etc.</p> <p>(2) The Company contributes its profession in environmental protection to local infrastructures for eco-friendly measures. In addition, through the design of energy-saving products, the Company helps customers to deal with water resources in an energy-saving manner, achieving double friendliness to the environment.</p> <p>7.2.Social Contributions</p> <p>The Company actively participates in events regarding cleaning local environment and emergency responses. The main projects in 2022 include: donating RMB 100,000 and related materials for epidemic prevention (including 1,000 sets of protective clothing, 200 boxes of salt soda, 600 disposable raincoats, etc.), and aiding to poor students, etc.</p> <p>4.3. Employee Care</p> <p>During the epidemic, the Company held gratitude and care activities, convene employees who cannot return to their hometown due to the epidemic to reunite and distribute holiday items, and held traditional festivals to meet the scene, etc.</p>				

3.4.6 Ethical Corporate Management

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

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

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

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

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
of the plan for preventing bad faith behavior, or entrust an accountant to carry out the audit?				
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		The company held integrity-related internal education and training for a total of 9.5 hours in 2022. The Company puts emphasis on the importance of integrity in the daily life. The personnel in certain special positions have to sign for ethical procedures of the job position, which reminds the employee that work ethics has been an important value for the Company. The Company emphasizes traditional values and formed an internal culture of “loyalty, honesty, integrity, and equality.” Selfishness, bribery, greed or manipulation would be against the Company’s central value of ethics.	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has disclosed the contact information of stakeholders on the GSD website. Any report of breaches shall be investigated by the Office of President through collecting evidence from the personnel involved; the police unit shall be notified if necessary. In addition, the Company also has a whistleblowing mailbox for employees or external persons to report dishonest behavior, and according to the position of the person involved in the whistleblowing, appropriate personnel shall be appointed and submitted to the	None

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

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

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

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

Company website: Corporate Governance - Major internal rules.

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

3.4.8 Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed: None.

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

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

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

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

Date: Feb. 24, 2023

Based on the results of self-assessment, the Company's internal control system in 2022 is hereby declared as follows:

1. The Company acknowledges that the establishment, implementation, and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability, immediacy, transparency of financial reporting and the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights"), the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system (and its supervision and management of the subsidiaries) on December 31st, 2022, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability, immediacy, and transparency of financial reporting, the compliance of applicable law and regulations, has been effective, and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Act.
7. This statement has been approved by the meeting of Board of Directors on Feb. 24, 2023, and those 7 directors in presence all agree at the contents of this statement.

GSD Technologies Co., Ltd.



Chairman: Hsieh, Hung-June



President: Hsieh, Hung-June



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

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
2022 Shareholders' Meeting	Jun. 8, 2022	1. Recognize the Company's 2021 annual business report and consolidated financial statements. <u>Implementation:</u> the resolution is passed, and the relevant forms and records have been submitted to the competent authority for recordation and public announcement in accordance with the Company law and other relevant provisions.
		2. Recognize the Company's 2021 earnings distribution plan. <u>Implementation:</u> the resolution is passed, and the board of directors has decided on the base date of dividend distribution on June 8, 2022, and issued cash dividends NT\$4.5 per share on July 28, 2022.
		3. By amending "Memorandum and Articles of Association" of the Company. <u>Implementation:</u> the resolution is passed and the website information is updated simultaneously.
		4. By amending "Rules for Election of Directors" of the Company. <u>Implementation:</u> the resolution is passed and the website information is updated simultaneously.
		5. By amending "Regulations Governing the Acquisition and Disposal of Assets" of the Company. <u>Implementation:</u> the resolution is passed and the website and MOPS information is updated simultaneously.
		6. By amending "Rules and Procedures of Shareholders' Meeting" of the Company. <u>Implementation:</u> the resolution is passed and the website information is updated simultaneously.
The 13 th Session of the fourth session	Feb. 25, 2022	1. Approved the Company's 2021 annual business report and consolidated financial statements. 2. Approved the Company's 2021 earnings distribution plan. 3. Approved the earnings distribution plans of GSD (China) Co., Ltd. and Chuan Yuan Hydraulic Engineering Co., Ltd., the major subsidiaries of GSD. 4. Approved the Company's 2021 directors' compensation and employee's compensation distribution plan. 5. Approved the Company's 2021 "Internal Control System Statement". 6. Approved to increased investment, NT\$30 million, in the subsidiary GSD Enviro Tech (Taiwan) Co., Ltd. and GSD Enviro Tech (Taiwan) Co., Ltd. reinvest Vietnam subsidiary, GSD ENVIRO TECH (VIETNAM) CO., LTD. 7. Approved GSD (China) Co., Ltd. to dispose 30% of the equity of GSD Environmental Technology Co., Ltd.

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
		<p>8.Approved GSD (China) Co., Ltd. to invest in Beijing Chuanneng Environmental Technology Co., Ltd. (tentative name)</p> <p>9.Amendment of “Memorandum and Articles of Association”.</p> <p>10.Amendments of “Rules for Election of Directors” and “Regulations Governing the Acquisition and Disposal of Assets”.</p> <p>11.Approved the renewal of directors' liability insurance of the Company.</p> <p>12.Approved relevant matters for the 2022 regular shareholders meeting of the Company.</p>
The 14 th Session of the fourth session	Apr. 19, 2022	<p>1.Amendment of “Memorandum and Articles of Association”.</p> <p>2.Amendments of “Rules and Procedures of Shareholders' Meeting”</p> <p>3.Amendments of “Corporate Governance Practice Principles”.</p> <p>4.Approved to change the CPA of GSD.</p> <p>5.Approved updated matters for the 2022 regular shareholders meeting of the Company.</p> <p>6.Approved the signing of credit contracts between GSD, Taiwan Branch of GSD (British Cayman Islands GSD Technology Co., Ltd. Taiwan Branch) and Taiwan subsidiary (GSD Enviro Tech (Taiwan) Co., Ltd.) and Cathay United Bank.</p>
The 15 th Session of the fourth session	May. 10, 2022	<p>1.Approved the Company's consolidated financial statements for the first quarter of 2022.</p> <p>2.Approved GSD's loaning limit to its subsidiaries.</p>
The 16 th of the fourth session	Aug. 22, 2022	<p>1.Approved the Company's consolidated financial statements for the second quarter of 2022.</p> <p>2. Approved the chairman to authorize other board members to ratify the audit report.</p> <p>3. Approved the securities investment quotas and the change of the company's authorized senior executives engaged in derivatives transactions.</p>
The 17 th of the fourth session	Nov. 10, 2022	<p>1.Approved the Company's consolidated financial statements for the third quarter of 2022.</p> <p>2. Approved the ratio of employee bonus and director remuneration ratio listed in the Company's 2023 budget.</p> <p>3. Amendments of “Rules for Approval authority”.</p> <p>4. Approved GSD's loaning limit to its subsidiaries-GSD Enviro Tech Vietnam Company Limited.</p> <p>5. Approved GSD(China)'s loaning limit to its subsidiaries- GSD Enviro Tech (Yangzhou) Co., Ltd.</p> <p>6.Approved the change of legal representative of subsidiaries company - GSD Enviro Tech Vietnam Company Limited.</p>
The 18 th of the fourth session	Dec. 22, 2022	<p>1.Approve the Company's 2023 operating plan and budget.</p> <p>2.Approved the Company's 2023 audit plan.</p> <p>3. Appointment of GSD's internal audit officer.</p> <p>4.Approved the work plan of the Company's remuneration committee in 2023.</p> <p>5.Approved the Company's employee and director remuneration proposal</p>

Shareholders' meeting/ Board of Directors meeting	Date	Major Resolution
		<p>of 2022.</p> <p>6.The Company's 2022 manager compensation and year-end bonus proposal.</p> <p>7. Approved the Company and its Taiwan Branch to sign a credit contract with CTCB Bank Co., Ltd.</p> <p>8.Approved the 2023 bank limit of GSD (China) Co., Ltd., and GSD Enviro Tech (Yangzhou) Co., Ltd.</p> <p>9.Amendments of “Operating Procedure for Handling Internal Material Information” , “Rules for Performance Evaluation of Board of Directors”, and “Rules for company organization”.</p> <p>10.Amendments of “Rules for Directors' Remuneration Distribution and Performance Evaluation”.</p> <p>11.Appointed the general manager of GSD, GSD Enviro Tech (Taiwan) Co., Ltd., Taiwan Branch of GSD, and GSD Enviro Tech Vietnam Company Limited.</p> <p>12.Approved the change of CPA, the independent and competent assessment of the new CPA and its compensation.</p> <p>13.Approved GSD’s loaning limit to its subsidiaries-GSD Enviro Tech (Taiwan) Co., Ltd.</p> <p>14.Approved the amendment of credit contracts between GSD, Taiwan Branch of GSD (British Cayman Islands GSD Technology Co., Ltd. Taiwan Branch) and Taiwan subsidiary (GSD Enviro Tech (Taiwan) Co., Ltd.) and Cathay United Bank.</p>
The 19 th of the fourth session	Feb. 24, 2023	<p>1.Approved the Company's 2022 annual business report and consolidated financial statements.</p> <p>2.Approved the Company's 2022 earnings distribution plan.</p> <p>3.Approved the earnings distribution plans of GSD (China) Co., Ltd. and Chuan Yuan Hydraulic Engineering Co., Ltd., the major subsidiaries of GSD.</p> <p>4.Approved the Company's 2022 directors' compensation and employee's compensation distribution plan.</p> <p>5.Approved the Company's 2022 "Internal Control System Statement".</p> <p>6.Amendment of “Memorandum and Articles of Association”.</p> <p>7.Amendments of “Rules for Loaning of Funds to others”.</p> <p>8. Amendments of “Procedures for the board of directors meeting”.</p> <p>9.Approved the renewal of directors' liability insurance of the Company.</p> <p>10. Approved the nomination period, candidates number, and location for shareholders' submission of directors (including independent directors) candidates.</p> <p>11.Nominated candidates for directors (including independent directors).</p> <p>12.Approved to release the directors of the 5th term from non-competition restrictions.</p> <p>12.Approved relevant matters for the 2023 regular shareholders meeting of the Company.</p>

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

3.4.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, President, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer:

Title	Name	Date Appointed	Date Dismissed	Reason of resignations or dismissals
General Manager	Hsieh, Hung-June	2014/06/03	2023/02/01	Handover according to the progress of the company's talent cultivation successor plan
Chief internal auditor	Yang, Wei Wen	2020/11/10	2022/09/16	Death

3.5. Information on CPA professional fees

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche	Wu, Mei-Hui	Jan. 1, 2022 to Dec. 31, 2022	3,788	251	4,039	-
	Chen, Chih-Yuan					

Notes 1: The above-mentioned fee includes the fee of NT\$1,371 thousand, for Deloitte Shanghai.

Notes 2 : The content of non-audit fee is tax compliance audit.

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

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

3.6.Information on replacement of certified public accountant

3.6.1 Former Accountant

Replacement Date	Dec. 22, 2022 (Approved by the board of directors)		
Replacement reasons and explanations	Future operational and internal managerial needs		
Company termination or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Wu, Mei-Hui Chen, Chih-Yuan	GSD
	No longer accepted (continued) appointment	NA	NA
Other issues (except for unqualified issues) in the audit reports within the last two years	Except for 2022Q2 audit report, which issued a qualified opinion because the investment using the equity method has not been audited or reviewed by CPA, there is no other audit report other than unqualified opinions issued in the past two years.		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	V	
	Remark :		
Other revealed Matters	None		

3.6.2 Successor Accountant

Name of Accountant Firm	Ernst & Young
Name of CPA	Chen, Jheng Chu and Hsieh, Sheng An.
Date of appointment	Appointed by the board of directors on 2022/12/22, the certified accountant of GSD from the first quarter of 2023.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

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

No.11109859 issued by Deloitte on 2022/12/30

Recipient : Ernst & Young CPA-Chen, Jheng Chu

Carbon Copy : GSD Technologies Co., Ltd.

Subject : Regarding your letter to inquire about the morality of the management of GSD Technologies Co., Ltd., the letter is as explained in the reply.

Explanation :

1.To reply the letter issued by Ernst & Young on 2022/12/28.

2.The reply to inquires is as follows :

- (1)Based on our experience in contact with the company's management, we have not found that the morality of the company's management has any adverse impact on its financial statements.
- (2)There is no major disagreement between the firm and the company's management on accounting policies, auditing procedures and other relevant important matters.
- (3)According to the company's 2022/12/22 notice, the reason for the change of accountants is based on future business development and internal management needs.
- (4)During the audit process, we did not find that the company did not comply with the regulations.

Deloitte & Touche

CPA Wu, Mei-Hui and Chen, Chih-Yuan

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

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

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

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

Title	Name	Unit: Shares			
		2022		As of Apr. 9, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and President	Hsieh, Hung-June	-	-	-	-
Directors	Li Yi Co., Ltd.	-	-	-	-
Directors	Chang, Chi-Fa	-	-	-	-
Directors	Lee, Tzuoh-Shoou	-	-	-	-
Independent Director	Chang, Yuan- Lung	-	-	-	-
Independent Director	Chou, Shan-Shan	-	-	-	-
Independent Director	Chen, Chun-Kuei	-	-	-	-
Assistant Vice President of the Sales Department	Chen, Shin-Hsien	-	-	-	-
CFO	Wu, Wu-Hsiung	(30,000)	-	-	-
Corporate governance officer	Tsai, Tzu-Ju	-	-	-	-
Major shareholders	H.J. Hsieh International Co., Ltd.	-	-	-	-

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

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

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

3.9. Relationship among the Top Ten Shareholders

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

2023/4/9 Unit: Shares

Name	Shares Held		Shares Held by Spouse and Minor Children		Total Shares Held in the Name of Others		The names and relationships of the top ten shareholders who have related persons or are spouses or relatives within the second degree		Remark
	No. of Shares	Share holding %	No. of Shares	Share holding %	No. of Shares	Share holding %	Name	Relationship	
H.J. Hsieh International Limited	5,645,736	15.26%	-	-	-	-	Hsieh, Hung-June	Major shareholders	-
Li Yi Co., LTD Rep.: Lin, Ming-Tzu	3,411,892	9.22%	-	-	-	-	-	-	-
Advantech Corporate Investment	2,568,358	6.94%	-	-	-	-	-	-	-
CDIB Venture Capital Corp.	2,553,603	6.90%	-	-	-	-	-	-	-
LTS International Limited	1,755,632	4.74%	-	-	-	-	-	-	-
He, Ri- Guang	1,425,283	3.85%	-	-	-	-	-	-	-
Lin, Mei-Lan	1,162,198	3.14%	-	-	-	-	-	-	-
Chen, Shin-Hsien	1,149,161	3.11%	-	-	-	-	-	-	-
Chen, Li-Jiao	1,082,192	2.92%	-	-	-	-	-	-	-
Hsieh, Hung-June	923,776	2.50%	-	-	5,645,736	15.26%	H.J. Hsieh International Limited	As the major shareholder of the Company	-

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

Consolidated Shareholding Ratio

Mar. 31, 2023 ; Unit: shares %

Affiliated Enterprises	Ownership by The Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Chuan Yuan Hydraulic Engineering Co., Ltd. (BVI)	3,932,735	100%	-	-	3,932,735	100%
GSD Enviro Tech (Taiwan) Co., Ltd.	18,000,000	100%	-	-	18,000,000	100%
GSD (China) Co., Ltd.	(Note 1)	100%	-	-	(Note 1)	100%
GSD Enviro Tech (Yangzhou) Co., Ltd.	(Note 1)	100%	-	-	(Note 1)	100%
Shanghai GSD Industrial Co., Ltd.	(Note 2)	100%	-	-	(Note 2)	100%
GSD Environmental Technology, Co., Ltd.	(Note 2)	60%	-	-	(Note 2)	60%
CNCN (Beijing) Enviro Tech Co., Ltd.	(Note 2)	60%	-	-	(Note 2)	60%
GSD Enviro Tech Vietnam Company Limited	(Note 3)	85%	(Note 3)	15%	(Note 3)	100%

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

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

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

IV. Capital Overview

4.1. Capital and Shares

4.1.1 Source of Capital

(1) Type of Shares

Apr. 9, 2023 Unit: Shares

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

(2) Process of Capital Formation

Apr. 9, 2023 Unit: Shares/NT\$ dollar

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

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

(3) General Information of Filing : Not Applicable

4.1.2 Status of Shareholder

Apr. 9, 2023 Unit: Person(s); Share(s)

Item	Government Agencies	Financial Institutions	Other Juristic Persons	Domestic Natural Persons	Foreign Institutions & Nature Persons	Treasury Shares	Total
Number of Shareholders	-	3	23	1,795	20	1	1,842
Shareholding (shares)	-	12,212	6,062,186	19,015,018	11,410,584	500,000	37,000,000
Percentage (%)	-	0.03%	16.38%	51.39%	30.85%	1.35%	100.00%
Shares held by Mainland-invested of the Company: 0%							

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

4.1.3 Shareholding Distribution Status

(1) Common Stock

Apr. 9, 2023 Unit: Person(s); Share(s); %

Level of Shareholding	Number of Shareholders	Shares Held	Ratio of Shareholding
1 to 999	368	54,031	0.15
1,000 to 5,000	1,150	2,060,218	5.57
5,001 to 10,000	143	1,060,699	2.87
10,001 to 15,000	45	558,462	1.51
15,001 to 20,000	21	370,832	1.00
20,001 to 30,000	32	791,463	2.14
30,001 to 40,000	19	654,914	1.77
40,001 to 50,000	12	568,512	1.54
50,001 to 100,000	16	1,071,452	2.90
100,001 to 200,000	6	767,470	2.07
200,001 to 400,000	12	3,440,201	9.30
400,001 to 600,000	8	3,923,915	10.61
600,001 to 800,000	0	0	0
800,001 to 1,000,000	1	923,776	2.50
1,000,001 to 6,000,000	9	20,754,055	56.07
Total	1,842	37,000,000	100.00

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

4.1.4 List of major shareholders

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

Apr. 9, 2023 Unit: Shares; %		
Shareholders' Name	Shares Held (shares)	Percentage (%)
H.J. Hsieh International Co., Ltd.	5,645,736	15.26%
Li Yi Co., LTD	3,411,892	9.22%
Advantech Corporate Investment	2,568,358	6.94%
CDIB Venture Capital Corporation	2,553,603	6.90%
LTS International Ltd.	1,755,632	4.74%
Ho, Zih-Kuang	1,425,283	3.85%
Lin, Mei-Lan	1,162,198	3.14%
Chen, Shih-Hsien	1,149,161	3.11%
Chen, Li-Chiao	1,082,192	2.92%
Hsieh, Hung-June	923,776	2.50%

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

			Unit: NTD; thousand shares		
Year			2021	2022	As of Mar. 31, 2023 (Note 5)
Items					
Market Price per Share	Highest		79.20	65.10	59.40
	Lowest		54.80	50.10	53.00
	Average		64.22	58.63	56.41
NAVPS	Before Distribution		40.61	42.28	-
	After Distribution		36.10	38.78 (Note 1)	-
EPS	Weighted-Average Shares		34,223	36,500	-
	Earnings Per Share		6.30	5.00	-
Dividend per Share	Cash Dividend		4.5	3.5(Note 1)	-
	Bonus Shares	Stock Dividend from Retained Earnings	None	None	-
		Additional Paid-In Capital Distribution	None	None	-
	Dividends in Arrears		None	None	-
ROI Analysis	Price / Earnings Ratio (Note2)		10.19	11.73	-
	Price / Dividend Ratio (Note3)		14.27	16.75 (Note 1)	-

Year		2021	2022	As of Mar. 31, 2023 (Note 5)
Items				
	Cash Dividend Yield Rate (Note 4)	7.01%	5.97% (Note 1)	-

Note 1 : 2022 Earnings Distribution has yet to be resolved by the shareholders' meeting.

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

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

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

Note 5: The net value per share and the earnings per share are filled in with the information audited (reviewed) by the accountant in the most recent quarter up to the printing date of the annual report; the rest of the fields are filled with information for the year up to the printing date of the annual report. The publication date of this annual report is 2023/4/30, and the financial report reviewed by the accountants for the first quarter of 2023 has not yet been announced.

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

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

(2) Proposed Distribution of Dividend

This Company's 2022 earnings distribution has yet to be resolved by the shareholders' meeting. The cash dividend to be distributed is NTD 3.5 per share, in accordance with the resolution as adopted by the board of directors on Feb. 24, 2023.

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

No stock dividend was distributed.

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

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

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

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

If there is a difference between the actual amount and the estimated amount, the difference shall be handled in accordance with changes in accounting estimates and booked in the profit and loss of the following year.

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

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

The board of directors meeting held on February 24th, 2023 has adopted resolutions of distribution of employees' cash compensation RMB 1,315,000 (NTD 5,796,000) and directors' compensation RMB 840,000 (NTD 3,703,000); no difference has been found between the distributed amount and the estimated compensations for employees and directors.

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

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

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

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

4.1.9 Buyback of Treasury Stock

A. Buyback had been completed :

April 30, 2023

Item	1 th round
Buyback Purpose	To transfer to employees
Buyback Period	2020/4/1~2020/5/28
Price range	NT\$41~NT\$90 per share
Type and quantity of shares repurchased	500,000 Common Shares
Amounts of repurchased shares	NT\$32,858,381
Ratio of the quantity repurchased to the scheduled	50%

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

B. Buyback has not been completed : None

4.2. Bonds:

April 9, 2023

Types of corporate bonds	The first unsecured convertible bonds in R.O.C.
Date of issue	May 17, 2021
Denomination	NT\$100,000
Place of issue and transaction	Over the counter stock exchange of Taiwan (R.O.C)
Issue price	104.64
Total amount	NT\$300 million
interest rate	Coupon rate 0%
Term of validity	The term of validity is five years Maturity date: May 17, 2026
Guarantee Agency	None
Trustee	Trust Department of SinoPac Commercial Bank Co., Ltd.
Underwriters	SinoPac Securities Co., Ltd.
Certified Lawyer	Chien Yeh Law Office Name of Lawyer : Hong, Shao-Heng
Certified Public Accountant	Deloitte & Touche Limited Name of CPA: Huang, Yao-Lin & Wu, Mei-Hui
Repayment method	Except for redemption by the company, selling back or conversion by bondholders, the bonds shall be paid in cash at maturity.
Outstanding principal	NT\$300 million
Terms of redemption or prepayment	Please refer to the issuance and conversion rules
Restrictive clause	None
Name of credit rating institution, date of rating and result of corporate bond rating	None
Additional rights	Amount of common stock, overseas depository receipts or other securities converted No conversion up to April 9, 2023.

	(exchanged or subscribed) as of the date of publication of the annual report	
	Issuance and conversion (exchange or subscription) rules	Please refer to the information on bond issuance in the credit zone of the Market Observation Post System.
The possible dilution of equity and the impact on the existing shareholders' equity by the issuance and conversion, exchange or subscription methods and issuance conditions		According to the current conversion price is NT64.9, if all the bonds are converted into common shares, 4,622,496 shares need to be issued, and the dilution effect on shareholders' equity is 11.24% (note)
Name of the entrusted depository of the subject matter of exchange		Not applicable

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

Convertible corporate bond information

Types of corporate bonds			The first unsecured convertible bonds in R.O.C.	
Item	Year		2022	For the year ended March 31, 2023
	Max.	Min.		
Market value of convertible bonds	Max.		105.00	99.50
	Min.		96.00	96.00
	Average		102.08	98.06
Conversion price			64.9	64.90
Date of issue and conversion price at the time of issuance			Issue date: 2021/5/17 conversion price at the time of issuance : 76.0	
How to fulfill the obligation of conversion			Issue of new shares	

4.3. Preferred shares: None.

4.4. Global Depositary Receipts: None.

4.5. Employee Stock Options: None.

4.6. Restricted employee shares: None.

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

4.8. Financing Plans and Implementation

4.8.1 Plan Content

In 2021, the Company issued the 1st unsecured convertible bonds in R.O.C. and new shares for cash capital increase, raising a total of NT\$463,930,900. The raised funds would be used to build factories, purchase machinery and equipment, and reinvest in new investments. It is expected to be completed before the end of 2022. As of the first quarter of 2023, the Company has not issued or private placement of

marketable securities that has not been completed or has been completed within the last three years but the benefits of the plans have not been significant.

4.8.2 Implementation

As of the first quarter of 2023, the implementation of each project is as follows.

(1) Build new factory of GSD Yangzhou

The project was originally scheduled to be completed by the end of 2022, but due to changes in the auction procedures for the land used for the construction of the factory, the land acquisition time was delayed by about 2 months compared to the plan. In addition, due to the impact of the epidemic, Yangzhou was locked from August to early September in 2021, which affected the progress of the plan. The overall progress is about one quarter behind the plan. As of the first quarter of 2023, the estimated expenditure was NT\$185,633 thousand and the actual expenditure was NT\$185,633 thousand. The estimated implementation progress was 100% and the actual progress was 100%.

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

The estimated expenditure was NT\$252,617 thousand, and the actual expenditure was the same with the estimated and the project was completed on third quarter of 2022.

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

The estimated expenditure was NT\$83,070 thousand, and the actual expenditure was the same with the estimated and investment was completed on second quarter of 2021. The share of profit of associates accounted for using equity method recognized by investing in Yuh Shan is NT\$26,211 thousand in 2022.

V. Operational Highlights

5.1. Business Activities

5.1.1 Scope of Business

A. Main contents of business

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

B. Percentage of Sales Revenue of Main Products

Unit: NTD thousands; %

Year	2020		2021		2022	
	Amount	%	Amount	%	Amount	%
Main Items						
Water Pump	1,138,671	61.66	1,130,537	57.67	1,141,152	62.00
Blower	313,497	16.98	302,771	15.44	251,843	13.68
Mixer	199,597	10.81	195,171	9.96	161,280	8.76
Others	194,909	10.55	332,039	16.94	286,309	15.56
Total	1,846,674	100.00	1,960,518	100.00	1,840,584	100.00

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

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

D. New Products (Services) Planned for Development

ESG and water resource issues are widely valued by countries around the world, and energy conservation, carbon reduction, intelligence, and resource utilization have also become the development trend of the environmental protection industry. Our company takes "equipment, environmental engineering, and AIoT" as its core technology, and through technology integration, provides customers with comprehensive services from design, manufacturing to solution implementation. Due to the increasingly severe global warming and water resource crisis, our company's service scope will extend from environmental protection to water resource management, and we will pay attention to the promotion and application of related products in high energy consuming industries. The new products or services we plan to develop are as follows:

(1) Smart water related projects

The development of smart water industry has changed from the 1st level: information or automation to the 2nd level: intelligence, and then to the 3rd level: intelligence. The application of artificial intelligence technology will change the operation and management mode of the water industry. Related product development plans:

A. Equipment empowerment

From the original sewage treatment equipment to the energy-saving system, the Company's overall equipment will be actively empowered and implanted into the intelligent control module to form a three-core driving mode of equipment/system/intelligence, so as to achieve the goal of equipment lean management, intelligent maintenance and energy conservation and consumption reduction.

B. AIoT process control

Based on the basic development work of biological and chemical treatment related modules, the basic development has been completed, and plans are made to develop physical and chemical treatment modules (RO, filtration, etc.) related to recycled water. At present, the related technology of Program Control Intelligent Link has been applied to "accurate dosing", and has been verified in Taiwan panel factories and semiconductor manufacturers to have the effect of reducing pharmaceutical investment. The plan will further commercialize and expand the application in other fields such as chemical

industry.

C. Platform construction

The Company collaborates with the Taiwan Water Industry Development Association to launch a platform called SMART WaterOps Service Platform. Provide member water AI related services through SaaS (Software as a Service) and promote the application of artificial intelligence and the Internet of Things in the water industry. At present, four groups of AI models have been put on the water affairs platform to assist sewage treatment operators of A2O, AO and ASP treatment programs in AI prediction and decision-making, equipment failure prediction and health management; The plan will continue to increase AI models based on customer needs, paired with the platform's Digital Twins technology, to achieve the goal of full cycle management of water operations.

(2) Resources related products

After centralized treatment of wastewater, industrial sludge and up-to-standard discharge water are generated, both of which have the value of resource utilization. However, they have not been fully utilized under the traditional development model, and there is significant room for development. Our company's products cover sludge dewatering machines, high drying belt type sludge machines, and sludge drying equipment. We will integrate intelligent elements and work with customers to create cost-effective solutions to convert disposed sludge resources into fuel.

In the part of water resource utilization, we will combine equipment, physical and chemical treatment modules, AI and other technologies to provide optimization solutions and work with customers to reduce the cost of reclaimed water treatment. At the same time, functional microbiological testing and AIoT technology will be combined to assist in the management of water sources such as lakes and rivers, ensuring the safety of drinking water sources.

(3) Continuously developing efficient products

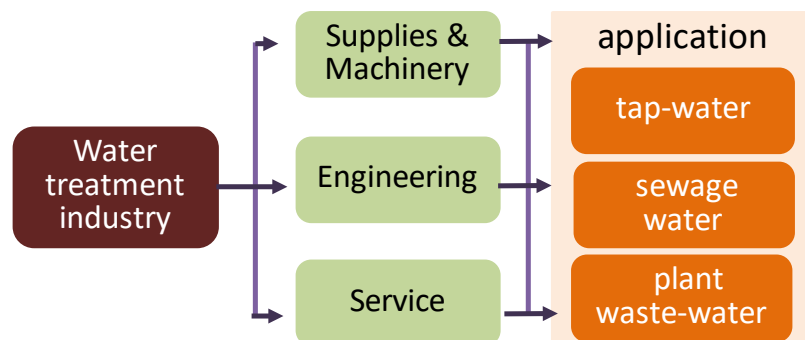
Energy conservation and carbon reduction have become the common goal of mankind. Sewage treatment is a high energy consuming industry, so it is important to continue to develop energy-saving products for the development of the industry; The company helps customers to save energy and carbon by improving mechanical energy conservation, sewage treatment process or

upgrading, and AIoT management. The former is completed through the development of energy-saving equipment, and the latter two can be achieved through the improvement of environmental technology and intelligence. The Company will continue to optimize relevant programs and launch energy-saving and efficient products to help customers achieve the performance goals of ecological environment protection.

5.1.2 Overview of the industry

(1) The current situation and development of the industry

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



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

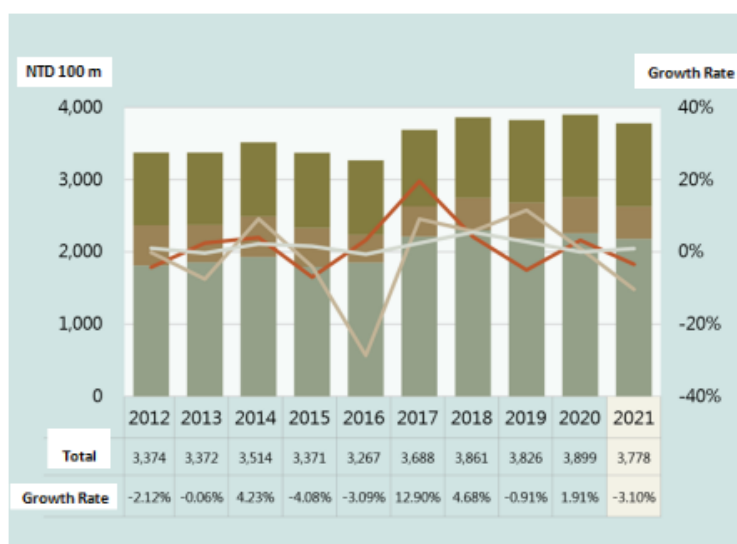
The global water crisis is becoming increasingly severe due to the impact of extreme weather. In response to this long neglected global crisis, the United Nations rarely held a meeting in February 2023 to discuss countermeasures. According to the AFP report quoted by the Central News Agency, the World Meteorological Organization of the United Nations released the "Report on the State of Global Water Resources" in December 2022, pointing out that in 2021, most regions of the world had experienced extreme disasters related to water. Between 2001 and 2018, 74% of the world's natural disasters were

related to water; And it is pointed out that currently, approximately 3.6 billion people worldwide are unable to access adequate fresh water for at least one month per year, and it is estimated that the number of related people will increase to over 5 billion by 2050. The non-profit organization CDP has proposed that as global businesses compete to achieve the goal of "net zero", "water resources" should also be included as the top priority issue in climate strategy.

In response to the crisis of "water resources", the Taiwan Water Resources Administration proposed a nature based solution, focusing on "strengthening the stability of water supply and improving the resilience of flood bearing", and proposed a series of climate response plans including decentralized water resources management, asymmetric flood control, and the start of carbon neutrality process. In China, the focus of ecological civilization construction has shifted from "harmonious coexistence between humans and nature" to "coordinated efficiency reduction and carbon reduction". In response to the demand for pollution reduction and carbon reduction, energy conservation, consumption reduction, intelligence, and resource utilization have become the development focus of water resource management.

A. Taiwan water treatment market

According to the survey and analysis report on Taiwan's bioenergy and environmental protection industry, the estimated number of environmental protection industry manufacturers in Taiwan in 2021 is 12,692, with the highest number of environmental protection service industry manufacturers totaling 10,325 and 372 in the environmental protection equipment industry. Affected by the epidemic, the estimated output value of Taiwan's environmental protection industry in 2021 was NT \$377.8 billion, a decrease of approximately 3.1% overall. Among them, the environmental protection service industry ranks first, accounting for approximately 57.6% of the overall environmental protection industry's output value, while the environmental protection equipment industry accounts for 11.8%. The output value of the first two items has declined, with only the output value of environmental protection resources growing by 0.88%, indicating the increasing importance of resource utilization in the industry.



	2021 output value (NTD 100 million)	Proportion	Overview
Environmental resources	\$1,153	30.5%	Mainly focused on resource oriented product manufacturing (74.8 billion), followed by water resource supply industry (40.4 billion)
Annual growth rate	0.88%↑		
Environmental protection equipment	\$437	11.8%	Mainly equipment and equipment manufacturing (28.7 billion), followed by environmental equipment manufacturing (16 billion)
Annual growth rate	10.41%↓		
Environmental Services	\$2,178	57.6%	Waste removal and treatment industry (102.7 billion yuan), resource recovery industry (34.9 billion NT dollars), and environmental testing services (24.6 billion NT dollars)
Annual growth rate	3.49%↓		

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

Taiwan's pollution prevention and control expenditure in 2021

Unit: NTD 100 million;%

Table 3: Overall Pollution Prevention and Control Expenditure by Purpose

Application	2021		2020	Two years' difference	
	NTD 100	%	NTD 100	NTD 100	%
	million		million	million	
Total	1923.5	100.0	1778.3	145.3	8.2
Air pollution prevention	540.3	28.1	458.7	81.6	17.8
Greenhouse gas reduction	37.0	1.9	24.0	13.0	54.2
Water pollution	437.4	22.7	438.7	-1.4	-0.3
Waste Disposal	661.7	34.4	619.5	42.2	6.8
Noise and vibration	16.3	0.8	14.5	1.8	12.7
Prevention and control of soil and groundwater pollution	19.4	1.0	17.9	1.5	8.3
Research & development	13.0	0.7	9.1	3.9	43.1
Other	198.5	10.3	196.0	2.5	1.3

Source: Environmental Protection Agency Statistics

According to the pollution prevention and control expenditure survey issued by the Environmental Protection Agency in 2022, Taiwan's total pollution prevention and control expenditure in 2021 was approximately NT \$192.35 billion, an increase of 14.53 billion or 8.2% compared to the previous year's 177.83 billion. Among them, government departments reached 92.47 billion, an increase of 3.24 billion (+3.6%); The industrial sector reached 99.88 billion, an increase of 11.29 billion (+12.7%). Air pollution control, water pollution control, and waste disposal account for a high proportion of all pollution control expenditures; In terms of growth rate, it has a high growth rate in air pollution prevention and waste disposal.

The rainfall in Taiwan is 2.6 times the world average, but the rainfall time is uneven, coupled with the steep terrain, most of the rainwater quickly flows into the sea, making it difficult to utilize water resources. In recent years, global warming and climate change have intensified, making water environment management an urgent issue. The government proposed a "forward-looking infrastructure design plan" in April 2017, which is expected to invest approximately NT\$250.8 billion in "water environment construction" within 8 years. The plan aims to integrate resources across departments to create a high-quality water environment that is not short of water, good to drink, flooded, and close to water; Benefiting from the impact of the above environmental policy adjustment, it will drive the sustainable development of water treatment market business in Taiwan.

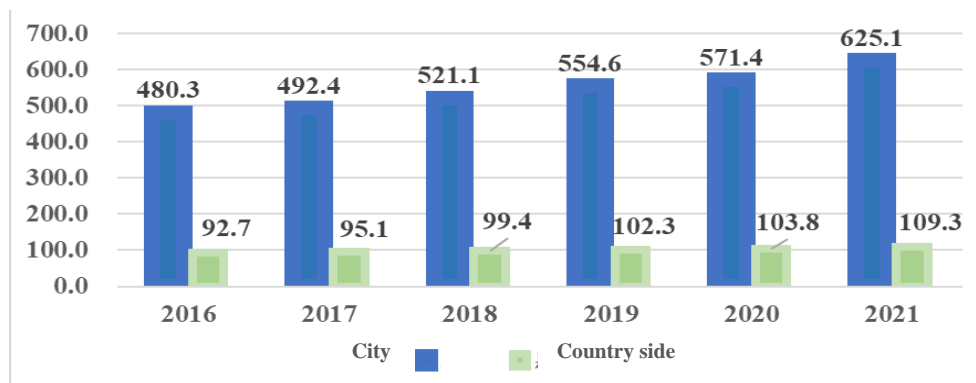
B. China water treatment market

In order to increase efforts in water pollution prevention and control, the State Council of mainland China issued the "Water Pollution Prevention and Control Action Plan" (Water Ten Articles) in April 2015, with improving the quality of the water environment as the core, proposing to comprehensively control pollutant emissions, promote economic structure transformation and upgrading, and strive to save and protect water resources. By 2030, efforts will be made to improve the overall quality of China's water environment.

According to statistics from the Ministry of Housing and Urban Rural Development of China, with the development of the economy, China's wastewater discharge has been increasing year by year, from 48.03 billion cubic meters in 2016 to 62.51 billion cubic meters in 2021, with an increase every year.

Sewage discharge from cities and counties in China

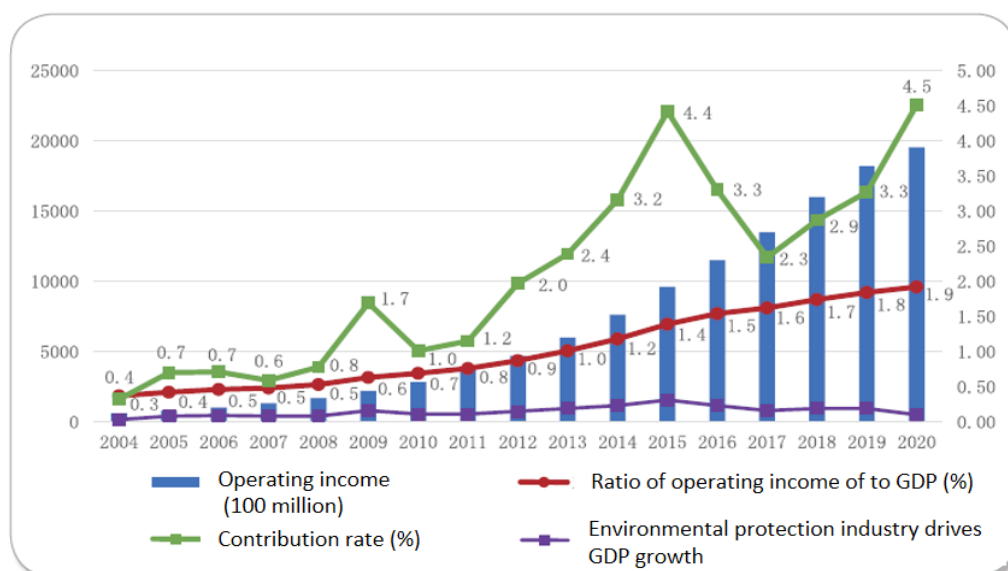
Unit: 100 million cubic meters



Source: Compiled statistical data from the Ministry of Housing and Urban Rural Development of the People's Republic of China

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

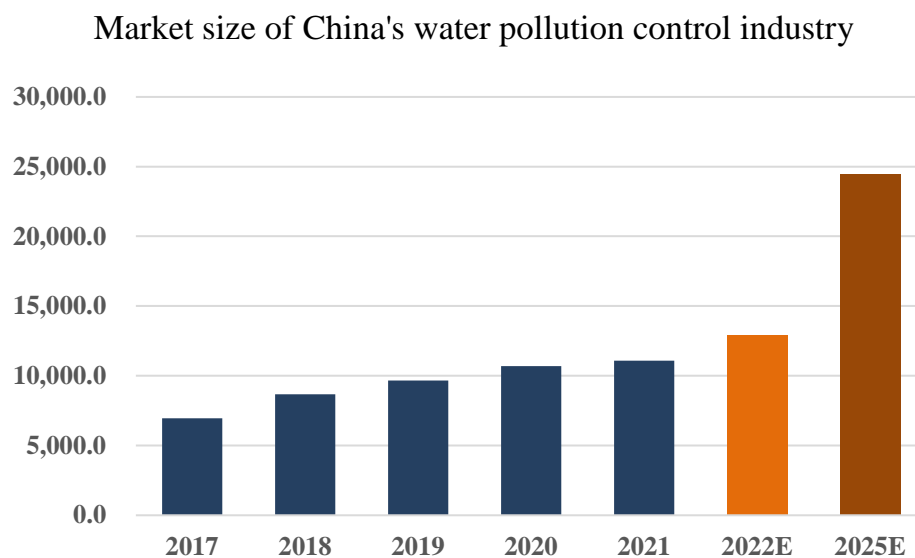
Development of China's environmental protection industry in 2020



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

Since the 12th Five Year Plan, China has clearly regarded energy conservation and environmental protection industry as a strategic emerging industry, and the

government has intensively formulated various environmental protection policies (such as "Ten Water Rules"), which has enabled China's sewage treatment to continue to scale up, enhance its sewage treatment capacity, and increase its sewage treatment capacity. According to statistics on the market size of China's water pollution control industry, it is estimated that the annual compound growth rate from 2017 to 2020 will be about 15.4%, and it will continue to grow in the future.



Source: Mainland China Commercial Industry Research Institute (July 18, 2022)

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

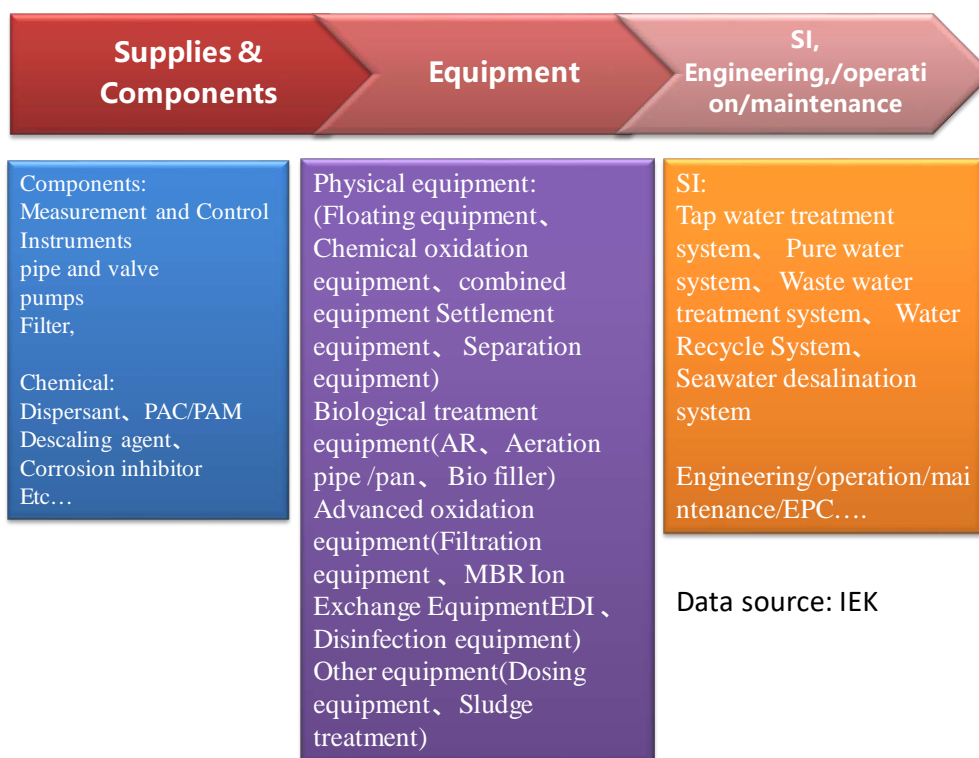
GSD focuses on environmental protection market, taking wastewater treatment as the main business development goal. According to IEK research report, the water treatment industry can be roughly divided into:

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

Midstream: supply of equipment, including physical and chemical treatment (sedimentation equipment and separation module), biological treatment and peripheral systems (aeration machine and biofouling filler), advanced treatment (filtering device and EDI equipment) and other equipment (agent pump and sludge treatment equipment)

Downstream: System Integration and construction service / operation / maintenance, including system integration (wastewater and sewage treatment system and water reclaiming system) and construction

service/operation/maintenance (construction counselling and substitution operation), etc. The relations of the industry are as follows:



According to the classification proposed by the Water Resources Administration in 2019, the water conservancy industry value chain is classified as follows:

	Item	Detail
1	Survey Services	Environmental investigation, monitoring, and testing industry
2	Planning and Design	Consulting company
3	Construction engineering	Engineering companies/construction industry
4	Equipment manufacturing and sales	Medicines, Monitoring & testing instruments, Electromechanical
5	Operation and maintenance	Water supply industry/simple water supply industry; Acting operating company; Soft water, pure water; Waste water treatment; Hydroelectric power generation
6	Added Value	Consumer goods; Information; Other renewable energy sources; Resources

(3) Development Trends of Products

Although the 6th SDG (Clean Water and Sanitation) of the "Sustainable Development Goals" set up by the United Nations hopes that by 2030, all people will have access to water and sanitation facilities, but the shortage of water resources is increasing. Water security and climate change are the two major crises that the world will face in the coming decades. The United Nations report outlines a series of adaptation and mitigation measures, including natural technology to reduce damage, effective measures to limit greenhouse gas emissions and protect the environment, and the "reuse" of untreated wastewater in agriculture and industry.

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

The global water crisis, which has been neglected for a long time, is becoming increasingly severe due to the impact of extreme climate. The United Nations rarely held a meeting in February 2023 to discuss countermeasures. According to the AFP report quoted by the Central News Agency, the World Meteorological Organization of the United Nations released its first "Report on the State of Global Water Resources" in December 2022. The report pointed out that in 2021, most regions of the world had experienced extreme disasters related to water. Between 2001 and 2018, 74% of the world's natural disasters were related to water. It also pointed out that at present, about 3.6 billion people in the world could not get adequate fresh water for at least one month every year, it is estimated that the number of people involved will increase to over 5 billion by 2050. The non-profit organization CDP has proposed that as global businesses compete to achieve the goal of "net zero", "water resources" should also be included as the top priority issue in climate strategy.

In response to the "water resources" crisis, the Taiwan Water Resources Administration proposed a nature based solution, focusing on "strengthening the stability of water supply and improving the resilience of flood bearing", and proposed a series of solutions such as decentralized water resources management, asymmetric flood control and carbon neutrality process launch. In China, the focus of ecological civilization construction has shifted from "harmonious coexistence between humans and nature" to "coordinated

efficiency reduction and carbon reduction". In response to the trend of reducing pollution and carbon emissions, energy conservation, consumption reduction, intelligence, and resource utilization have become the development trend of the water resource industry.

A. Product development toward energy saving and high efficiency

Taiwan proposed a net zero transformation strategy in 2022 to accelerate the pace of carbon reduction, and will increase the 2030 carbon reduction target from 20% to $24\% \pm 1\%$ compared to the base period of 2005 through investment in the "Twelve Key Strategies"; The energy-saving part will promote the improvement of six major industrial processes, the replacement of household and commercial equipment, and the introduction of energy management systems. It is expected to expand the output value of NT \$550 billion.

In China, the Ministry of Ecology and Environment regards respecting nature, conforming to nature and protecting nature as the internal requirements of development, plans to promote the strategy of carbon reduction, pollution reduction, green expansion and growth, does a good job in adhering to the synergy of pollution reduction and carbon reduction, continues to deepen the battle of pollution prevention, and continues to increase the supervision of ecological protection and restoration.

How to reduce pollution and carbon simultaneously has become an important issue faced by the environmental protection industry, especially the sewage treatment process is high energy consumption, and energy conservation and efficiency has become one of the trends of the development of the environmental protection industry. Our company continues to promote product energy-saving certification, and multiple products have obtained energy-saving certificates; At the same time, we will strengthen investment in the research and development of environmental engineering processes and intelligent products, and assist customers in solving energy consumption problems by launching energy-saving products and services.

B. Intelligent

The intelligence of environmentally friendly products has been widely valued in policies. In Taiwan's announcement of the "Twelve Key Strategic Action Plans" to comprehensively promote the net zero transformation, smart energy conservation is one of the important strategies to achieve the goal of energy conservation and carbon reduction. The Energy Bureau promotes plans such as "integrating equipment into intelligent management,

intelligent control of pollution sources of concern for people's livelihood, subsidies for schools to promote intelligent electricity management, and the development of smart energy management systems", in order to effectively promote energy conservation and carbon reduction through intelligence.

In recent years, mainland China has successively introduced a series of policies to support the development of the smart water industry. Against the backdrop of the growing urban population, the demand for urban water construction continues to increase, and the scale of smart water applications is gradually expanding. In March 2021, the 14th Five Year Plan for National Economic and Social Development of the People's Republic of China and the Outline of Long Range Objectives for 2035 proposed the construction of a smart water conservancy system to enhance water regime forecasting and intelligent scheduling capabilities based on watershed units.

C. Resource utilization

After centralized treatment of wastewater, industrial sludge and up-to-standard discharge water are generated, both of which have the value of resource utilization. However, they have not been fully utilized under the traditional development model, and there is significant room for development. In order to promote the development of renewable water resources, respond to climate change and severe drought, reduce water supply risks, and strengthen the resilience of water supply during dry seasons, Taiwan passed a renewable water related bill on April 29, 2022, which stipulates that future development activities of a certain scale or above must use a certain proportion of renewable water. Taiwan plans to build 11 new reclaimed water plants. In addition to the already operational Kaohsiung Fengshan, Tainan Yongkang, and Kaohsiung Linhai reclaimed water plants, there are also 8 plants under continuous construction, including Taoyuan Taobei and Hsinchu Zhubei. The goal is to complete them all by 2031, which can increase the daily water supply by 289,000 tons. In mainland China, the recycling of sewage is still in its infancy, and the utilization rate of reclaimed water in China is estimated to be 22.89% in 2020. There is great room for improvement in the recycling of sewage treatment in the future.

In terms of sludge resource utilization, the National Development and Reform Commission, the Ministry of Housing and Urban Rural Development, and the Ministry of Ecology and Environment of mainland China jointly issued the "Implementation Plan for Harmless Treatment and

Resource Utilization of Sludge". The outline of the "14th Five Year Plan" clearly proposes the centralized incineration and harmless treatment of sludge. Sludge incineration is one of the most direct and effective ways to reduce sludge. High temperature promotes the combustion of organic matter in sludge to release high heat, which can be used for power generation and heating. At the same time, high temperature can kill and decompose pathogenic microorganisms and toxic chemicals. As long as appropriate measures can be taken to address improper pollution of the atmospheric environment and overcome investment cost issues, sludge resource utilization conforms to the development trend of converting waste into energy.

D. Competitiveness of Products

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

Products	Competitors
Water Pump	Kaiquan, East, Liancheng, Nanfang, Yongda, EBARA, KSB, GRUNDFOS, Xylem
Blower	Heng Rong, Longtech, B-Tohin, Trundean, SANNIU, ZHANG GU
Mixer	Blue & Clean, ITT, Beite, Lanshen, Dingheng
Dewatering Machine	SFC, HAIBAR, CHI-SHUN, GENERAL

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

The Company's operation and development strategy has expanded from providing only single equipment to the supply of a full range of environmental protection equipment. According to the needs of customers, GSD can provide special design of sewage treatment plant, after-sales maintenance and AIoT services. The environmental protection equipment provided has a comprehensive layout and diversified types, and has been widely used in urban sewage treatment, industrial sewage treatment, rural sewage treatment, paper-making, textile, pharmaceutical, food, construction, chemical and other fields. Most of the competitors in the

above table focus on the sales of single equipment. In contrast, the Company has a full range of sewage treatment product lines, which can provide more choices for engineering companies / water companies. At the same time, the environmental protection department set up by the company can also put forward more efficient solutions for the current upgrading and transformation or the new sewage treatment process. The Company will gradually put intelligent elements into its equipment or services, which will have more advantages in industrial competition.

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

A. Technical level and R&D

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

(A) Bio: Microorganism

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

At present, relevant research and development achievements, combined with AIoT related technologies, can be applied to blue-green algae warning in lakes, water sources, and receiving ponds. The company's subsidiary in mainland China has cooperated with Zhejiang Jiaying Ecological Environment Monitoring Center

and other academic research units to combine molecular biotechnology with environmental protection applications to implement analytical methods that can quickly detect algae in water bodies, and drafted and formulated the group standard of "real-time fluorescence detection PCR method for the determination of microcystis genes in water bodies". At present, the commercialization will be gradually completed in the audit to help protect the aquatic ecological environment.

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

To accelerate the advancement of smart water services, our company collaborates with the Taiwan Water Industry Development Association to launch the SMART WaterOps Service Platform, which provides member water AI related services through SaaS (Software as a Service) and promotes the application of artificial intelligence and the Internet of Things in the water industry. The platform has ML Ops services, allowing users to analyze data, integrate domain expert knowledge, create models, and thus have AI, build AI, and operate AI. There is no need to recruit a data team throughout the entire process, and through platform services, intelligent water management can be achieved throughout the entire cycle. At present, the platform's functions are continuously being developed and optimized, aiming to assist customers in conveniently using various AIoT services through the platform, in order to accelerate the goal of achieving smart transformation in the water industry.

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

To smart equipment

This includes intelligentizing individual machines, units, and system equipment. It is expected that through IoT monitoring of equipment, effective management of equipment efficiency and energy consumption, as well as equipment health management, intelligent inspection (including personnel safety), and other functions can be achieved to further assist customers in energy conservation and consumption reduction. Our company's water management platform has launched the "PHM" (Prognostic and Health Management) AI model and established a classifier model. The system can automatically distinguish multiple faults that have occurred before. And has assisted manufacturers including blowers, dehydrators, etc. in achieving equipment intelligence or importing equipment health management modules.

AIoT process control

It is to intelligentize the sewage treatment process or process. This part of product development adopts modular design, subdivides and modularizes the sewage treatment process, and then stacks the functional modules in a honeycomb manner according to customer needs to meet customer needs. Relevant modules include functional modules such as "biological treatment process", "physical treatment process", and "chemical treatment process". Three AI models have been put on the water affairs platform to assist sewage treatment operators of A2O, AO and ASP treatment programs in AI prediction and decision-making. In addition to the actual factory verification in the Water Resources Center, and through the chemical treatment intelligent dosing system verification in well-known semiconductor and panel factories, it can help customers expand the application and reduce the dosage.

(C) Equipment

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

(I) Continuous development of high efficient products

The Company will continue to optimize relevant plans and launch energy conservation, consumption reduction and carbon reduction plans to help customers achieve the performance goals of ecological environment protection. Many products manufactured by our company have obtained energy-saving certification, and the sales revenue of energy-saving products has reached nearly 40% of the revenue. In addition to energy-saving water pumps, our company also continues to introduce energy-saving products such as air suspension and magnetic suspension fans, high dryness sludge dewatering machines, and sludge drying equipment.

(II) Professional Matching Solutions Design

The Company has the ability to provide a full set of sewage treatment equipment, which has advantages in the integration and supporting of equipment. In recent years, the Company has successfully developed special water pumps for evaporative cooling, special submersible pumps for integrated sewage treatment equipment and special aeration systems supporting MBR, so as to help customers solve problems and improve the competitiveness of their products.

(D) Integrated

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

In recent years, the Company has successfully integrated and developed intelligent integrated sewage treatment equipment, sludge drying system, Fenton system, MBR (modular bioreactor) system, intelligent water service platform, etc. to help customers solve problems and improve their product competitiveness. In 2022, GSD (China) Co., Ltd. participated in the formulation of enterprise leader standard, drafted the group standard of "integrated domestic sewage treatment equipment" leader standard, and gave full play to the integration advantages.

B. R&D Personnel and their Education Background

Year		2021	2022	Mar. 31, 2023
Academic Background Distribution (%)	Master and Over	12.28%	8.47%	11.59%
	University (College)	85.96%	84.75%	82.61%
	High School (and under)	1.75%	6.78%	5.80%
Average Years of Service (Years)		5.52	6.41	5.66

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

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

Unit: NTD thousands; %

Items \ Year	2021	2022
R&D Expense	82,473	74,072
Net Value of Consolidated Operating Revenue	1,960,518	1,840,584
Ratio of R&D Expense for Net Value of Consolidated Operating Revenue (%)	4.20%	4.02%

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

Period	Item	Description
2021.04-2022.06	Flux testing and development of MBR flat membrane with different layer combinations	Focus on researching the design of multi-layer MBR modules, establish standardized manufacturing models for the corresponding pressure changes of effluent flux, fill the gap in industry standards, and establish complete and reasonable process specifications and standards from three aspects: membrane components, design, and operation.
2021.7-2022.12	Design and Development of Cantilever Energy Saving Centrifugal Pump	The product efficiency meets the energy-saving indicators in the GB 19762-2007 standard and maintains stable performance. Conduct research on the design method without overload, and within the full flow operating range, the pump will not overload and cause the motor to burn out, enabling it to operate within the full head range and improving the reliability of the product.
2021.9-2022.12	Design and Development of Stainless Steel Float Surface Aerator	A surface aerator with a stainless steel floating includes a buoy with a water absorption channel, a water flow guide plate and a motor. The lower part of the buoy is connected with a water inlet conduit connected with the water absorption channel. The buoy includes a shell made of stainless steel, a support mesh supported in the shell, and foam filled in the shell.
2021.10-2023.5	Research and development of rapid detection technology for multiple types of algae	The implementation of the development project focuses on the research of fast detection methods for odorous algae in water bodies, so as to realize real-time monitoring of water environment safety in water sources, Rivers and Lakes and other water bodies.
2021.11-2023.5	Design and development of a stacked screw sludge dewatering machine based on the IoT	The stacked screw type sludge dewatering machine developed in this project utilizes the Internet of Things to monitor the flow rate, pressure, and inlet pressure of sludge, medicine, cleaning water, etc. on the dewatering machine, and instantly check whether the equipment is operating within a reasonable range. At the same time, real-time current monitoring and data transmission are carried out on the important components of the dehydrator.

Period	Item	Description
2022.1-2023.8	Design and Development of SQW Spiral Submersible Sewage Pump	The SQW spiral submersible sewage pump is expected to meet the first level energy efficiency requirements of GB32031 standard. In the current situation where the dual channel impeller is the mainstream impeller of the SQW spiral submersible sewage pump, a special spiral impeller for the submersible sewage pump has been adjusted and designed to continuously reduce the weight of the impeller and improve pump efficiency while ensuring passability.
2022.1-2023.5	Design and Development of Marine Sewage Treatment Equipment	This development project is to build a set of domestic sewage treatment equipment for ships, which can effectively reduce the pollution of sewage discharged by ships in the process of working at sea to sea water resources. The entire set of equipment is tested in the factory and can be directly installed on ships. It has the characteristics of convenient transportation, simple and fast installation and debugging, and easy operation and maintenance.
2023.1-2024.5	Design and Development of ISP-60Hz Series Energy Saving Centrifugal Pump	The ISP-60Hz series energy-saving centrifugal pump does not use a specially designed motor, and can be equipped with a national standard motor to facilitate users to choose their own motor brand. The pump and motor are driven by a coupling, with a reliable structure, low failure rate, and convenient maintenance. At the same time, the design efficiency of the ISP-60Hz series energy-saving centrifugal pump meets the EU energy efficiency indicators.
2023.1-2024.5	Design and development of submersible axial flow pumps for improving performance and structural stability	Using CFD for flow field calculation, optimize the hydraulic model of the axial flow pump based on the calculation results, adjust the blade casting process, and use more advanced precision casting technology (wax loss mold) and blade specialized inspection tools to make the blade deformation better than the GB/T13008 standard specifications.

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

A. Short-term development strategies and plans

The Company focuses on the environmental protection market and supplies a full range of environmental protection equipment; moreover, it also established Environmental Engineering department to promote the “Manufacturing + Service” operation model in 2014. In 2019, GSD Environmental Technology Co., Ltd was established, and a Taiwan branch was established to set up an intelligent department. We invested in the development of smart water related systems and extended our services to the field of smart water. Our short-term goal is to continue this strategy and promote the Company to become a comprehensive service provider that integrates "Equipment+Process solutions+AIoT".

(1) Marketing Strategy

(1.1) Strengthen strategic cooperation and business expansion

In response to the market opportunities brought by the development trend of ESG and water resources management, the marketing activities will be upgraded from the old product promotion mode to the alliance with other industries to promote the construction of sludge drying, magnetic levitation fans and smart water plants, and strengthen the development of industrial wastewater treatment customers and energy consuming industrial customers, integrate the resources of cooperative units, and stand firm under the new trend and industrial dynamics. Redefine and expand the scope of customers, coexist and win with strategic partners, and establish an information center and resource platform. By combining market channels such as water companies, research institutes, and environmental protection companies, we provide customers with more comprehensive services to seize market opportunities.

(1.2) Strengthen dealer layout and brand cooperation

Although the Company has over 30 business locations in mainland China, there are still shortcomings in many regions. The company will comprehensively optimize its distribution system, reorganize existing distributors, accelerate the distribution network layout in blank markets, and expand market penetration. In addition, for markets outside mainland China, in addition to cooperation through distributors, we will give full play to our ability to provide a full set of sewage treatment equipment, cooperate with other brand manufacturers, give play to the complementary function of products, and jointly expand overseas markets.

(1.3) Entering the Taiwan Public Works Market and Accelerating the Landing of Smart Products

The Company has successively established a Taiwan branch, the R&D center, and subsidiaries in Taiwan. The subsidiaries obtained the "Environmental Engineering Professional Construction Industry" license at the end of 2021. The Company will continue to integrate Taiwan's resources, combine consulting companies, engineering companies, and operators to comprehensively expand the company's business scope, actively strive for various bids from public departments and corporate units, in order to further understand customer needs and accelerate the implementation of smart products. The company has actively expanded into the Taiwan market in the past two years, with the operating proportion in the Taiwan region exceeding 10%. The intelligent team has won the "Green Technology Innovation Award Competition" award from the Small and Medium sized Enterprise Division of the Ministry of Economic Affairs in 2022, and has made substantial progress in participating in engineering projects. Currently, GSD have achieved a total amount of approximately NTD 240 million in project proposals.

(2)R&D Orientation

In order to comply with the trend of energy conservation, consumption reduction, intelligence, and resource utilization in the industry, the Company conducts research projects on BAIEI (Bio: Microbiology, AI: Artificial Intelligence, IoT: Internet of Things, Equipment: Equipment, Integrated: Integration and Integration) as the key core technologies for research and development. Please refer to the relevant content of "Technical Level and Research Development of Our Business" in this chapter for relevant content.

(3)Production Strategy

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

In cooperation with the introduction of ESG, the Company is expected to incorporate various ESG indicators into the supplier evaluation system, and constantly evaluate and improve the physique of the supply chain from friendly environment, safety compliance, quality, cost optimization and other aspects. Our

company's Pinghu factory II was put into operation in the second half of 2022, and the Yangzhou new factory was put into operation in the first quarter of 2023. The construction of the new factory integrates green energy, intelligence, lean, and other aspects to continuously improve the physical condition of the company's internal production system, and develops green products through green management to meet the needs of business development. The Company will continue to upgrade its old products and consolidate the maturity and stability of the integrated high-end products; Enhance product integration capabilities, from equipment energy conservation to system energy conservation, to intelligent management energy conservation, and make comprehensive contributions to China's low-carbon energy conservation.

B. Long-term Development Plan

The Company is positioned as a comprehensive service provider for environmental governance. The goal of the long-term development plan is to make the company the most valuable and environmentally friendly comprehensive service provider. In addition, in response to the increasingly serious issue of water resource management, GSD products can also be widely used in drinking water, water conservancy and other related fields. Our company will actively explore the application and market development of water resource related products.

(1) Marketing Strategy

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

(2) Investment strategy

At present, the Company focuses on the environmental protection water

treatment market. In the future, the company will continue to invest in the environmental, social and corporate governance (ESG) fields. The investment focuses on environmental protection and circular economy. The Company will base itself on the mainland China, invest in Taiwan and move forward to Southeast Asia, so as to achieve the goal of diversified operation, implement the Company's development strategy of expanding the Company by means of intelligence, and enhance the competitiveness of the Company. GSD set up a subsidiary, GSD Enviro Tech (Taiwan) Co., Ltd., in 2021 in Taiwan to expand the business related to intelligent water. In the middle of 2021, it invested Yuh Shan Environmental Engineering Co., Ltd. to enter the recycling economy field of soil pollution market and mechanical biological treatment in Taiwan. It would take Vietnam as an outpost to advance the Southeast Asian market in 2022. Through cross regional and cross market investment, the development of the Company can be rapidly improved.

(3) R&D Strategy

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

B (Bio): Integrate research on "Aeration+Microorganisms+Rapid screening+Biological agents" to achieve the goal of "Microbial Control" and precise aeration. After the establishment of the functional microbial database data, biological effects can be regarded as similar chemical reactions for qualitative and quantitative detection and analogy. The intelligent control of the reaction system can be carried out through large data analysis and Internet of Things technology, which can be widely used in water purification, sewage, aquaculture water, reclaimed water and other application fields.

AIoT: Integrate "Big data+Model+Expert System" to achieve the goal of "Life Cycle Management" of water treatment. Based on the basic development work of biological and chemical processing related modules, the basic development has been completed in 2022. The Company will continue to improve various functional modules, using Digital Twins technology and AI models to conduct different tests in this virtual factory, in order to find the most suitable operating method for the physical field. Finally, based on the simulation results, feedback will be given to the real field, using the twin concept of virtual and real complementary, To achieve the goal of "life cycle management" of water treatment; At the same time, relevant technologies will be applied in industrial processes and the field of recycled water, in order to reduce the dosage of chemicals and reduce the treatment cost of recycled

water.

E (equipment): Continuously upgrading the energy consumption performance of existing products through energy-saving and efficient equipment intelligent design to meet the needs of energy conservation and carbon reduction; And in response to ESG and resource utilization trends, develop equipment for water resource regeneration, sludge resource utilization, and expand the application of products outside the environmental protection market.

I (integrated): Integrate a diversified product service model of "Equipment+Environmental Engineering+AIoT" to achieve the goal of "Service Integration". GSD (China), a subsidiary of the Company, participated in the drafting and establishment of group standards for "integrated domestic sewage treatment equipment" and "real-time fluorescence detection PCR method for the determination of microcystis genes in water"; In the future, GSD will continue to integrate relevant core technologies and expand the application of our products in environmental protection, water resource management, and high energy consuming industries.

(4) Production Strategy

The Company production strategy is to use digital technology to build smart factories while developing smart water services to support the diversified development of our business. At present, the second phase of the mainland Pinghu factory has been completed and put into operation in the second half of 2022; The new factory in Yangzhou has been put into operation in the first quarter of 2023. Through capacity expansion and production efficiency improvement, it is expected to meet the company's future business expansion. The Company will continue to improve the product supply chain and reduce the risk of increased fixed costs of the company through strategic cooperation and capital cooperation. And based on the market and business development situation, evaluate the appropriate time to establish production bases outside mainland China.

5.2. Market and Sales Overview

5.2.1 Market analysis:

A. Sales Areas of Main Products

Unit: NTD thousands; %

Year Sales Areas	2020		2021		2022	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	1,840,588	99.67	1,957,078	99.82	1,821,876	98.98
Others	6,086	0.33	3,440	0.18	18,708	1.02
Total	1,846,674	100.00	1,960,518	100.00	1,840,584	100.00

B. Market Share

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

The water industry in mainland China is highly dispersed, with a large number of enterprises and regional dispersion, making statistics difficult. According to the estimation of the China Association of Environmental Protection Industries, the annual revenue of the ecological environmental protection industry in 2022 will be about RMB 2.22 trillion , while the revenue of the largest listed environmental protection company "China Everbright Environment" in 2022 will be RMB 44.08 billion, accounting for 1.98%. The revenue of the top 10 listed Chinese companies will be about 187.641 billion yuan, accounting for no more than 10%. The environmental protection industry is highly decentralized.

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

(A) Global regional water treatment market

According to the Global Water Intelligence (GWI) cited by the Taiwan Foreign Trade Association, the global output value is expected to reach 834.1 billion US dollars in 2020 and 914.9 billion US dollars by 2023. Due to the shortage of water resources and the lack of substitutes, the global demand for 'water' is increasing. The global water industry has grown by an average of over 4% annually, and all countries are fully participating in this market.

According to the statistics of the United Nations, as of 2015, the proportion of global urbanization is about 55%. It is estimated that the proportion of urbanization will rise to 60.4% in 2030 and 68.4% in 2050. As Mega City gradually takes shape, the demand for clean water use and urban wastewater treatment will significantly increase compared to the current plan, which will bring more investment opportunities in water resources.

(B) Taiwan water treatment market

According to the pollution prevention and control expenditure survey issued by the Environmental Protection Agency in 2022, Taiwan's total pollution prevention and control expenditure in 2021 was approximately NTD \$192.35 billion, an increase of 14.53 billion or 8.2% compared to the previous year's 177.83 billion. Among them, government departments reached NTD 92.47 billion, an increase of 3.24 billion (+3.6%). The industrial sector reached NTD 99.88 billion, an increase of 11.29 billion (+12.7%). Air pollution control, water pollution control, and waste disposal account for a high proportion of all pollution control expenditures; In terms of growth rate, it has a high growth rate in air pollution prevention and waste disposal. Please refer to the relevant content of "Current Situation and Development of Industries" in this chapter for relevant information.

(C) China water treatment market

In order to increase the prevention and control of water pollution, the State Council of the mainland of China issued the "Action Plan for Water Pollution prevention and control" (Water 10) in April 2015, taking improving the water environment quality as the core, and proposed to comprehensively control the discharge of pollutants, promote the transformation and upgrading of economic structure, and strive to save and protect water resources, and strive to improve the overall water environment quality in China by 2030.

According to statistics from the Ministry of Housing and Urban Rural Development of China, with the development of the economy, China's wastewater discharge has been increasing year by year, from 48.03 billion m³ in 2016 to 62.51 billion m³ in 2021, with an increase every year.

According to relevant reports from the Ministry of Ecology and Environment of China, the ratio of operating revenue to GDP of China's environmental protection industry exceeded 1% for the first time in 2013, and has continued to grow annually until 2020, reaching 1.9%. However, this ratio is still quite far from the developed countries with a ratio of about 3%, indicating that there is still great room for development in China's

environmental protection market in the future. According to the estimation of China Environmental Protection Industry Association, the annual revenue of the ecological environmental protection industry in 2022 will be about 2.22 trillion yuan, an increase of about 1.9% over the same period in 2021, affected by the epidemic and containment.

Since the 12th Five Year Plan, China has clearly regarded energy conservation and environmental protection industry as a strategic emerging industry, and the government has intensively formulated various environmental protection policies (such as "Water Ten Rules"), which has enabled China's sewage treatment to continue to scale up, enhance its sewage treatment capacity, and increase its sewage treatment capacity. According to statistics on the market size of China's water pollution control industry, it is estimated that the annual compound growth rate from 2017 to 2020 will be about 15.4%. Please refer to the relevant content of "Current Situation and Development of Industries" in this chapter for relevant information.

D. Competitive Edge

(a) Experienced Management Team

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

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

Since its establishment, the Company has been committed to the design of water treatment equipment, system integration and research and development of water treatment process and technology for a long time. Over the years, due to the continuous emphasis on R & D investment, the company has won a number of invention and utility model patents for the development of water treatment equipment and related processes and technologies. The subsidiary GSD (China) Co., Ltd. has won the certificate of "High Tech Enterprise" jointly issued by the Department of science and technology of Zhejiang Province, the Department of finance, the State

Administration of Taxation and the Local Taxation Bureau of China, and has been selected as the "invisible enterprise" of Zhejiang Province in mainland China in 2019 The list of "Champion" cultivation enterprises. At the same time, in 2019, the Company cooperated with National Cheng Kung University of Taiwan to establish "NCKU-GSD Hydrotech Research Center (HTRC)". "Tongji-GSD (China) Research center of Environmental Microbiology" established with Tongji Environmental Research Institute and Zhejiang College of Tongji University respectively. Through industry university cooperation, the Company's technical level can be accelerated. In 2019, the mainland GSD Environmental Technology Co., Ltd. and the Taiwan Branch of GSD Technologies Co, Ltd. Had been established, and the two sides of the Strait will set up intelligent R&D teams at the same time to advance the Company's competitive advantage of "Equipment + Environmental technology + AIoT".

(c) High brand and technology awareness

The Company has been deeply engaged in water treatment business in mainland China for many years, and its own brand products and technology developed are widely used in landmark buildings in mainland China. Since its establishment, the company has been honored as a water industry user satisfaction equipment brand for many consecutive years, and its products and technology have been deeply trusted and affirmed by industry customers. This foreign subsidiary, GSD (China) Co., Ltd., has been recognized by multiple awards over the years: Pinghu City's 2019 "Meritorious Enterprise" title, 2020 Green Ying Award - Excellent Enterprise in Environmental IoT Technology Innovation, 2022 "Smart Water Service Platform Innovation Award", established a good brand image in the environmental protection industry, and was selected as the "High Efficiency and Energy Saving Water Pump Famous Brand" honor in 2023. Taiwan branch participated in the technical forums held by the Taiwan Water Resources Department, the Environmental Protection Department, the Construction Department, the Semiconductor Association and other units. The smart team won the first "Urban Data Realism Competition" held by the SME Division of the Ministry of Economy in 2020, the gold medal of the Open Data Application Group of the Ministry of Economy in 2021, and the "Green Technology Innovation Award Competition" held by the SME Division of the Ministry of Economy in 2022, Successfully established a reputation for our company's smart water services.

(d) Comprehensive product service and complete system integration

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

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

Mainland China has a vast territory, and the Company has a complete service network. Branches, district offices, and distributors in various regions can provide real-time sales and after-sales services; The Company has set up a free consultation hotline, where technical service personnel and customers can respond promptly online; When collaborating with distributors, the company not only strengthens their marketing capabilities, but also conducts training courses related to equipment maintenance and technical consultation. Product training course videos are set up on the company's internal website, and in addition to our employees, distributors and agents in various regions can also participate in online courses for learning. To improve service quality and strengthen trust in the company's products. And in 2019 and 2021, respectively, GSD established GSD Technologies Co., Ltd Taiwan branch and GSD Enviro Tech (Taiwan) Co., Ltd., providing customers with comprehensive services in conjunction with cross-strait teams. In 2022, a Vietnamese subsidiary was established to extend its service reach to Southeast Asia.

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

(1)Favorable Factors

(a)The Global Water Crisis

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

future, and the risk is increasing year by year. Human beings will face a decline in freshwater quality and quantity, leading to competition for resources such as water, food, and energy. The causes and scope of the water crisis are extensive and interconnected. According to the relevant research reports and warnings put forward by the United Nations in recent years, it is pointed out that due to global warming, melting glaciers will endanger the fresh water supply in some regions in the short term, and in the medium and long term, it will change the intensity and frequency of global rainfall, increasing the opportunities for drought and flood. Therefore, countries around the world have invested in water treatment infrastructure and operating expenditures to strengthen their ability to manage water resources.

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

With the progress of the times, countries have paid more attention to environmental protection, and increasingly strict environmental protection laws and regulations. In recent years, the environmental protection regulations and standard requirements of governments and industries have gradually affected the development direction of the industry.

In China, in order to effectively increase the prevention and control of water pollution, the State Council of China issued the Action Plan for Water Pollution Prevention and Control in April 2015. Focusing on improving the quality of the water environment, it proposed to comprehensively control pollutant emissions, promote the transformation and upgrading of the economic structure, strive to save and protect water resources, promote the strengthening of urban domestic pollution control in sewage treatment, and accelerate the construction and transformation of urban sewage treatment facilities. By 2020, the quality of China's water environment will be gradually improved, with a significant reduction in severely polluted water bodies; By 2030, strive to improve the overall quality of China's water environment and preliminarily restore the functions of the water ecosystem.

According to China's 13th Five Year Plan, by 2020, modern information technology will be applied to strengthen the construction of urban sewage treatment facilities' operation and supervision capacity and form a sewage treatment supervision system. The results of the 13th Five Year Plan show that urban and rural sewage treatment has reached the expected goals. The

Chinese government's emphasis on environmental protection policies will continue to be upgraded until the 14th Five Year Plan, and promote and implement precise and scientific pollution control. It is estimated that during the 14th Five Year Plan period, the upgrading and reconstruction of sewage treatment will increase investment.

(c) Enhanced ESG awareness

Environmental, social, and corporate governance (ESG) has gradually become a universal value, and energy conservation and carbon reduction have become the key words of policies in various countries; In 2022, Taiwan announced its 2050 net zero transformation strategy and path, and in 2023, it proposed to increase the 2030 carbon reduction target from 20% to 24% \pm 1% through investment in the "Twelve Key Strategies". By promoting the 'Twelve Key Strategies', in addition to reducing carbon emissions equivalent to 29% by 2020, it can also create huge business opportunities. It is expected that from 2023 to 2030, it will drive private investment of over 4 trillion yuan and create a production value of 5.9 trillion yuan. In September 2020, China put forward the proposal of carbon neutrality, which is expected to reach its peak in 2030, reach carbon neutrality in 2060, and issue a white paper on China's green development in the new era on March 19, 2023, announcing that China will unswervingly follow the path of green development, emphasizing the synergy of pollution reduction and carbon reduction. In recent years, due to the abnormal climate caused by global warming, the difficulty of water resource management has increased worldwide, and the related demand has been continuously increasing, all of which are beneficial for the development of the industry and companies.

(d) Informatization of environmental protection industry

The 13th Five Year Plan in mainland China has achieved the expected goal of promoting pollution prevention and control. During the 14th Five Year Plan period, it will continue to upgrade to ecological civilization construction, relying on information technology to promote and implement precise and scientific pollution control. It is estimated that during the 14th Five Year Plan period, the growth of investment in smart water services will be superior to the overall industry growth. The Company has successively established intelligent teams in mainland China and Taiwan, and proposed a product line of equipment

empowerment + AIoT process control. After multiple discussions and arguments, GSD have successfully established its reputation. The Company proposes to use intelligence as a means, combined with the advantages of equipment and environmental technology, in line with the development trend of precise and scientific pollution control, which will be beneficial for the development of the company's intelligent business.

(2) Unfavorable Factors

(a) Increasingly Fiercer Market Competition

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

Solution :

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

(b) Increase in Raw Material Cost

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

Solution :

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

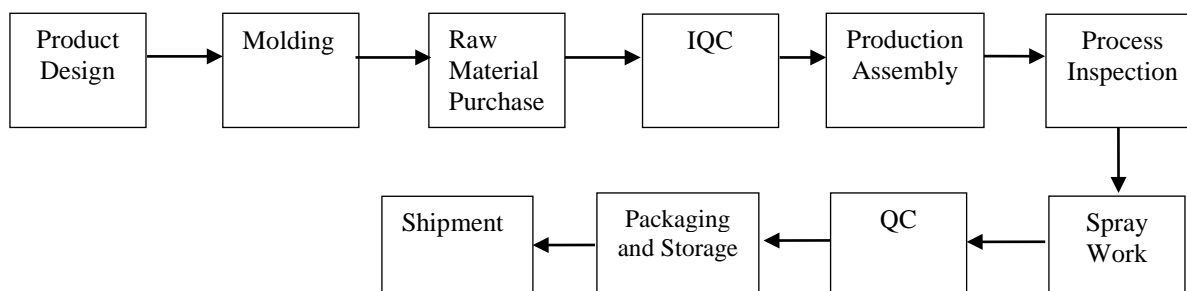
the price difference to customers by adjusting the sales price to cover the raw material price fluctuation.

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

A. Important Use of the Product

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

B. Product Production Process



5.2.3 Supply situation for the Company's major raw materials

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

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

Main Raw Materials	Main Suppliers	Supply Status
Mixer	P02 company	Good

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

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

Unit: NTD thousands

Item	2021				2022			
	Name	Amount	Ratio to the all year net purchase%	Relations to the issuer	Name	Amount	Ratio to the all year net purchase%	Relations to the issuer
1	P01	241,888	20.95	None	P01	193,114	17.52	None
2	Pinghu Hey-Wel	141,143	12.23	Related Party (Note)	Pinghu Hey-Wel	116,661	10.58	Related Party (Note)
3	P02	124,885	10.82	None	P02	98,309	8.92	None
	Others	646,445	56.00		Others	694,323	62.98	
	Net Purchase	1,154,361	100.00		Net Purchase	1,102,407	100.00	

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

The net operating revenue of the Company in 2022 was NT\$1,840,584 thousand, a decrease of approximately 6.12% compared to NT\$1,960,518 thousand in 2021; Among the main purchasing manufacturers, P01 company is the main motor supplier, Pinghu Heiwei is the main supplier of Roots blower, and P02 company is the main supplier of mixer; In 2022, the purchase amount of P01 company decreased. In addition to the decrease in revenue, in order to reduce the impact of the epidemic, the Company increased the proportion of self-owned brand motors, resulting in a decrease in both P01 purchase and proportion; The decrease in purchase amount of Pinghu Heiwei is mainly due to the trend of energy conservation and carbon reduction, and the relatively poor energy efficiency of traditional Roots fans, resulting in a slight decline in sales volume; The decrease in the purchase amount and proportion of P02 company is due to a decrease in revenue and the replacement of some mixer accessories with in-house production.

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

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

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

Unit: PCS (pieces); NTD thousands

Main Products \ Year	2021			2022		
	Production Capacity	Production Quantity	Production Output	Production Capacity	Production Quantity	Production Output
Water Pump	Not Applicable	42,385	581,149	Not Applicable	35,710	607,535
Blower		177	12,589		89	9,827
Mixer		-	-		492	23,559
Others		36,566	91,563		51,195	71,229
Total		79,128	685,301		87,486	712,150

Note: The production of the Company is mainly based on assembly, and all kinds of products can be flexibly produced. Among the products sold by the Company, OEM model is mainly performed for blowers production, with less on-site production.

In 2022, the Company's sales of water pumps would not change much compared with the previous year, but due to changes in product portfolio and rising price of raw materials, the production volume of water pumps increased by about 4.54%. The Company's blower products are mainly outsourced. Because of the decrease in sales, the production volume of self-made products decreased slightly. The Company's mixer products are mainly purchased from vendors. In 2022, the Company started to assembled some mixer parts by itself, so the production volume increased slightly. The output quantity of other products increased but the output value decreased, mainly due to the impact of product portfolio changes.

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

Unit: Thousand PCS (Pieces); NTD thousands

Year	2021				2022			
	Export Sales		Domestic Sales		Export Sales		Domestic Sales	
Main Products	Q'ty	Value	Q'ty	Value	Q'ty	Value	Q'ty	Value
Water Pump	4,234	63,128	38,610	1,067,409	3,125	48,995	33,974	1,092,157
Blower	123	6,382	3,091	296,389	152	14,132	2,528	237,711
Mixer	133	6,974	2,256	188,197	174	14,894	1,599	146,386

Others	22,481	35,974	179,302	296,065	12,238	30,841	318,944	255,468
Total	26,971	112,458	223,259	1,848,060	15,689	108,862	357,045	1,731,722

The sales in 2022 was NT\$1,840,584 thousands, a decrease of about 6.12% over the sales of NT\$1,960,518 thousands in 2021. Compared with 2021, in the domestic sales of water pumps in 2022, the sales quantity decrease, but the sales value increased by 2.32% due to changes of product portfolio. Revenue from other products was affected by factors such as the epidemic control in China, unsmooth logistics, and customer delivery delays, which decreased compared with 2021. In terms of export sales, because Southeast Asia is less affected by the epidemic, the overall export amount decreased by 3.2% in 2022, which is less than the decrease in overall revenue. Among the export sales products, sales value of blowers and mixers increased by 121% and 114% respectively compared with 2021, mainly due to individual cases with large amount.

5.3. Human Resources

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

Year		2021	2022	Mar. 31, 2023
Number of Employees	Administration and sales personnel	348	368	361
	R&D personnel	57	59	69
	Production personnel	149	162	164
	Total	554	589	594
Average Age		38.24	38.58	38.31
Average Years of Service		8.74	8.51	8.59
Distribution of Education Background (Credential)	PhD	0.36%	0.34%	0.34%
	Master	3.07%	3.56%	3.70%
	Bachelor	65.70%	64.18%	65.49%
	High School	21.84%	22.92%	21.38%
	Below High School	9.03%	9.00%	9.09%

5.4. Environmental Protection Expenditure

In the most recent year and up to the date of publication of the annual report, the losses suffered due to pollution of the environment (including compensation and environmental protection audit results that violate environmental protection laws and regulations, and shall list the date of punishment, the number of the punishment letter, the provisions of the statute violation, the content of the statute violation, and the content of punishment) and disclose the current and future estimated loss or expenditure and their

corresponding measures, if it is impossible to reasonably estimate, it shall explain the fact that it cannot be reasonably estimated): None

5.5. Labor Relationship

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

A. Employee welfare measures

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

B. Further study and training

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

complete training course and film on the internal network, and the staff can independently study and leave assessment records as the basis for promotion. The Company's vision for its employees is "a wonderful career, a complete life". The Company expects all employees to achieve extraordinary career.

C. Retirement system and its implementation

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

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

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

Note: According to the regulations of the location of the branch, the endowment insurance allocation ratio is 16% in Suzhou / Beijing / Qingdao / Shanghai Branch, and 14% in GSD (China), CYHK and Guangzhou branches.

Shanghai GSD Industrial Co., Ltd./ GSD Enviro Tech (Yangzhou) Co., Ltd./ CNCN (Beijing) Enviro Tech Co., Ltd.

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

D. Labor-management coordination and various employee rights measures

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

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

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

5.6. Information security management

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

A. Risk Management Framework

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

B. Information security policy

Regulation establishment:

formulate information security management regulations and standardize

information security management measures.

Software and hardware construction:

Build information security-related software and hardware equipment.

Personnel training:

Establish the awareness of information security of all colleagues.

C. Specific management measures

- (1) The information equipment shall be managed by the administrative department, and the fixed assets shall be checked regularly every year.
- (2) All the computers of the company are installed with anti-virus software, and the virus code is updated regularly. In addition, technologies such as AI machine learning and big data cloud are also used to protect the Company's information security risks in a timely manner.
- (3) Establish the "information system data backup and restore plan", and the system will automatically backup day by day, and there is a remote backup mechanism to ensure the normal operation of the information system and the integrity of data preservation, and reduce the risk of data loss caused by natural or man-made disasters without warning. The information division conducts a system restoration test once a year.
- (4) All information systems of the company adopt account management. Data access and application must be in accordance with the signing and approval process and can only be used and changed after being approved by the competent director; Each information system requires users to change their passwords regularly to maintain account security. When an employee's job or department changes, the account permissions are updated synchronously.
- (5) Establish "information system management measures" to standardize the handling procedures of asset security events to avoid the expansion of injury. Mail Server has advanced protection functions such as mail audit protection, anti-SPAM junk mail, Sandstorm isolation, mail virus filtering, etc. If virus intrusion or virus mail is detected, an announcement shall be immediately issued on the employee information platform to prevent employees from opening virus mail or links by mistake.
- (6) The heads of all departments shall supervise the implementation of information security and strengthen the employee's information security awareness. The information division also regularly publicizes common phishing websites and extortion virus techniques to employees.
- (7) Network managers should always pay attention to information security

and changes in network equipment, review and adjust firewall settings and adjust system access permissions to reflect the latest situation. A network warning system shall be established to give an immediate warning in case of abnormal conditions at important network endpoints, so that network management personnel can take effective preventive measures in case of specific abnormal events.

D. Resources invested in information security

Human resource

At present, the Company and its subsidiaries have a total of 9 information personnel, and it is expected to appoint 1 person as the specific person for information security matters and 1 person as information security officer before the end of 2023.

Training

The records of training related to information security in 2022 are as follows.

Course	Total Hours	Note
Information security training	42	In addition to training courses, employees are also reminded to pay attention to them through announcements from time to time.

Certification

The subsidiary, GSD Environmental Technology CO., Ltd. obtained ISO27001 certification in 2022.

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

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

5.7. Important Contracts

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

Agreement	Country Party	Period	Main Contents	Restriction
Supply Agreement	Shanghai Teco Motor Limited	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Supply Agreement	Pinghu Hey Wel Machine Limited	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Supply Agreement	Nanjing Beite Environmental Protection GE Manufacture Co., Ltd	2022/1/1~2024/12/31	Deals on Long-term Supply Terms	None
Project agreement	Jujiang Construction Group	2020/10/13~completed (2022/06)	Pinghu phase II plant project contract	None
Project agreement	Jiangsu Hanjian Group Co., Ltd	2021/10/13~completed (2023/01)	GSD Enviro Tech (Yangzhou) project contract	None
Investment agreement	Pinghu Economic-Technological Development Zone Management Committee	From October 3, 2019	Agreement on land investment of Pinghu phase II	None
Investment agreement	Yangzhou Beishan (automobile) Industrial Park Management Committee	From December 10, 2020	Agreement on land investment of Yangzhou new factory	None
Loan contract	CTBC Commercial Bank	2022/11/30~2023/11/30	The rights and obligations of using loan line	None
Loan contract	Cathay United Commercial Bank	2022/05/16~2023/05/16	The rights and obligations of using loan line	None
Mortgage contract	Bank of Communications Jiaxing Pinghu Branch	2019/08/08~2022/08/08	The real estate content and the maximum amount of creditor's rights and related rights and obligations of the agreed mortgage guarantee	None

VI. Overview of the Company's Financial Status

6.1. Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Comprehensive income statement

A. Consolidated Balance Sheet

Unit: NTD thousands

Year		Financial Information in the Recent 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Items						
Current Assets		1,413,444	1,505,395	1,639,692	1,901,175	1,612,084
Property, Plant and Equipment		134,688	160,819	171,867	278,667	532,017
Intangible Assets		56,189	55,401	57,179	55,850	54,967
Other Assets		106,983	147,466	145,365	282,941	311,100
Total Assets		1,711,304	1,869,081	2,014,103	2,518,633	2,510,168
Current Liabilities	Before Distribution	498,539	554,143	649,259	657,104	627,322
	After Distribution	627,739	707,143	800,009	821,354	(Note 2)
Non-Current Liabilities		40,744	72,690	75,191	379,466	339,467
Total Liabilities	Before Distribution	539,283	626,833	724,450	1,036,570	966,789
	After Distribution	668,483	779,833	875,200	1,200,820	(Note 2)
Equity attributable to owners of the parent		1,172,021	1,228,639	1,279,749	1,482,063	1,524,515
Ordinary shares		340,000	340,000	340,000	370,000	370,000
Capital surplus		531,555	531,555	531,555	651,213	655,509
Retained Earnings	Before Distribution	367,415	469,120	535,478	598,141	616,281
	After Distribution	238,215	316,120	384,728	433,891	(Note 2)
Other Equity		(66,949)	(112,036)	(94,426)	(104,433)	(84,417)
Treasury Shares		-	-	(32,858)	(32,858)	(32,858)
Non-controlling Equity		-	13,609	9,904	-	18,864
Total Equity	Before Distribution	1,172,021	1,242,248	1,289,653	1,482,063	1,543,379
	After Distribution	1,042,821	1,089,248	1,138,903	1,317,813	(Note 2)

Note 1 : The consolidated financial information from 2018~2022 are audited by CPAs.

Note 2 : Distribution of 2022 earnings pending resolutions from the meeting of shareholders.

B. Consolidated Income Statement

Unit: NTD thousands

Item \ Year	Financial Information in the Recent 5 Years (Note)				
	2018	2019	2020	2021	2022
Operating Revenue	1,867,639	1,992,051	1,846,674	1,960,518	1,840,584
Gross Profit	739,292	771,093	739,951	751,949	660,284
Operating Income	263,642	240,532	262,105	203,227	115,651
Non-Operating Income and Expenses	16,857	42,099	28,844	52,899	86,034
Pre-Tax Income	280,499	282,631	290,949	256,126	201,685
Net profit before tax of Continued Business	213,672	227,154	215,511	212,274	173,925
gain(loss) from discontinued operations	-	-	-	-	-
Net Income	213,672	227,154	215,511	212,274	173,925
Other comprehensive income and loss	(20,904)	(45,087)	17,752	(10,089)	19,888
Total comprehensive income and loss for the year	192,768	182,067	233,263	202,185	193,813
Net profit attributable to Owners of the Company	213,672	230,905	219,358	215,623	182,390
Net profit attributable to Non-controlling equity	-	(3,751)	(3,847)	(3,349)	(8,465)
Total comprehensive income and loss to: Owners of the parent company	192,768	185,818	236,968	205,616	202,406
Total comprehensive income and loss to: Non-controlling equity	-	(3,751)	(3,705)	(3,431)	(8,593)
EPS	6.86	6.79	6.52	6.30	5.00

Note: The consolidated financial information from 2018~2022 are audited by CPAs.

6.1.2 Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPAs	Audit Opinion
2018	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2019	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2020	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2021	Deloitte & Touche Taiwan	Yao-Lin Huang, Mei-Hui Wu	Unqualified Opinions
2022	Deloitte & Touche Taiwan	Mei-Hui Wu, Chih-Yuan, Chen	Unqualified Opinions

6.2. Five-Year Financial Analysis

6.2.1 Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial Structure%	Debt Ratio	31.51	33.54	35.97	41.16	38.51
	Ratio of long-term capital to property, plant and equipment	900.43	817.65	794.13	668.01	353.91
Solvency%	Current ratio	283.52	271.66	252.55	289.33	256.98
	Quick Ratio	241.39	243.07	229.39	257.61	225.61
	Interest earned ratio (Times)	158.05	305.23	312.84	98.02	52.32
Operating performance	Average Collection Turnover (Times)	4.54	4.45	4.29	4.45	3.88
	Average Collection Days	80.4	82	85	82	94
	Average Inventory Turnover (Times)	6.93	7.30	8.20	9.41	8.19
	Average Payables Turnover (Times)	3.96	4.36	3.38	3.36	3.12
	Average Inventory Turnover Days	53	50	45	39	45
	Property, Plant and Equipment Turnover Rate (Times)	13.24	13.48	11.1	8.7	4.54
	Total Asset Turnover Rate (Times)	1.2	1.11	0.95	0.87	0.73
Profitability	Return on Total Assets (%)	13.86	12.73	11.14	9.47	7.05
	Return on Equity (%)	22.12	18.82	17.02	15.32	11.5
	Per-Tax Income to paid in capital (%)	82.5	83.13	85.57	69.22	54.51
	Profit ratio (%)	11.44	11.40	11.67	10.83	9.45
	Earnings per share (NT\$)	6.86	6.79	6.52	6.3	5.0
Cash Flow	Cash Flow Ratio (%)	21.74	83.21	69.58	4.66	21.46
	Cash Flow Adequacy Ratio (%)	168.34	198.68	224.25	138.29	96.26
	Cash Re-Investment Ratio (%)	1.33	22.4	19.36	(5.84)	-1.43
Leverage	Operating Leverage	1.68	1.9	1.68	1.9	2.79
	Financial Leverage	1.01	1.00	1.00	1.01	1.04

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

1. Ratio of long-term capital to property, plant and equipment → In 2022, the construction of the Pinghu second plant and the purchase of equipment have been completed, and the construction of the new plant in Yangzhou is almost completed, and only the renovation is still in progress. All of these would increase the amount of real estate, plant and equipment by 91% compared with 2021, resulting in the ratio of long-term funds to real estate, plant and equipment reduce.
2. Interest earned ratio → The net profit before tax in 2022 decreased by 21% compared with 2021. In addition, the convertible corporate bonds were issued in May 2021. In 2021, the corporate bonds would be discounted and amortized for a total of 7.5 months. In 2022, a total of 12 months would be amortized, resulting in an increase in interest expense of 49% in 2022. With the decrease in net profit before tax and the increase in interest expenses, the interest earned ratio dropped from 98.02 times to 52.32 times.
3. Property, Plant and Equipment Turnover Rate → In 2022, the construction of the Pinghu second plant have been completed, and the construction of the new plant in Yangzhou is almost completed, which increased the amount of real estate, plant and equipment by 253,350 thousand compared with 2021. However, due to the impact of the epidemic control by the Chinese authorities, the revenue in 2022 decreased by 6.12% compared with 2021, resulting in a decrease in the turnover rate of property, plant and equipment.
4. Return on Total Assets/ Return on Equity → The net profit in 2022 decreased by 18% compared with 2021, and the

average total assets and equity in 2022 increased compared with 2021 due to the issuance of corporate bonds and cash capital increase. Combining the above mentioned, leads to a decrease in return on assets and return on equity.

5. Per-Tax Income to paid in capital/ Earnings per share→ The net profit before tax in 2022 decreased by 21% compared with 2021, and the net profit in 2022 decreased by 18% compared with 2021, resulting in the decrease of per-tax income to paid in capital ratio and the decline of EPS.
6. Cash Flow Ratio→Net cash flow from operating activities returned to normal in 2022 (net cash flow from operating activities in 2021 was lower than the normal), causing the ratio to rise from 4.66% in 2021 to 21.46% in 2022.
7. Cash Flow Adequacy Ratio→ Although the net cash flow from operating activities in 2022 increased compared with 2021, the average capital expenditure increased by 137% compared with 2021 due to the completion of the Pinghu second plant and the completion of the new plant in Yangzhou, which reducing cash flow adequacy ratio and cash reinvestment ratio.
8. Cash Re-Investment Ratio→Due to the fact that the net cash flow from operating activities was less than the amount of cash dividends distributed, the cash re-investment ratio in the past two years was both negative. The change in the ratio is mainly due to the larger difference between the net cash flow from operating activities and the amount of cash dividends distributed in 2021.

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

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

1. Financial Structure

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

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

2. Solvency

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

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

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

3. Operating Performance

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

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

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

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

(5)Average Turnover Days=365/Inventory Turnover

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

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

4. Profitability

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

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

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

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

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

5. Cash Flow

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

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

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

6. Leverage

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

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

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

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

The Board of Directors hereby submits tabulations of this Company's 2022 business report, consolidated financial statements and earning distribution proposal audited and attested by independent certified public accountants Mei-Hui Wu and Chih-Yuan, Chen of Deloitte & Touche Taiwan. All tabulations have been reviewed by the audit committee and all are produced complying the relevant laws, therefore this report is prescribed in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of this Company Act. For your approval.

**Hereby presented to
GSD Technologies Co., Ltd. 2023 Annual Shareholders' Meeting**

GSD Technologies Co., Ltd.

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

Feb. 24, 2023

6.4. Financial statement for the most recent fiscal year

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

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

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

6.6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2022 and as of the date of this annual report: None.

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

7.1. Analysis of Financial Status

Unit: NTD thousands

Items	2021	2022	Difference	
			Amount	%
Current Asset	1,901,175	1,612,084	(289,091)	(15.21)
Investments accounted for using the equity method	119,684	146,568	26,884	22.46
Property, plant and equipment	278,667	532,017	253,350	90.91
Intangible assets	55,850	54,967	(883)	(1.58)
Other assets	163,257	164,532	1,275	0.78
Total Assets	2,518,633	2,510,168	(8,465)	(0.34)
Current Liabilities	657,104	627,322	(29,782)	(4.53)
Non-Current Liabilities	379,466	339,467	(39,999)	(10.54)
Total Liabilities	1,036,570	966,789	(69,781)	(6.73)
Capital Stock	370,000	370,000	-	-
Additional Paid-In Capital	651,213	655,509	4,296	0.66
Retained Earnings	598,141	616,281	18,140	3.03
Other Equity	(104,433)	(84,417)	20,016	(19.17)
Treasury stock	(32,858)	(32,858)	-	-
Equity Attributed to owners of the Company	1,482,063	1,524,515	42,452	2.86
Non-Controlling Interests	-	18,864	18,864	-
Total shareholders' equity	1,482,063	1,543,379	61,316	4.14
Analysis and explanations of the changes of more than 20% whose amount reaches NTD 10 million in the most recent two fiscal years:				
1. The reason and effect of change on major items:				
(1)Investments accounted for using the equity method : The net profit Yuh Shan Environmental Engineering Co., Ltd., was NT\$125,354 thousand in 2022, and GSD holds 23.53% of shares of Yuh Shan, so the share of profit of associates recognized by GSD leads the increase of investments accounted for using the equity method.				
(2)Property, plant and equipment : Due to the completion of the Pinghu second plant, and the construction of the new plant in Yangzhou is approaching completion, the property, plant and equipment increased by NT\$253,350 thousand in 2022.				
2. If the effect is significant, the future plan should be explained				
The above changes have no significant adverse effect on the Company, and there is no				

significant abnormality in the overall performance of the Company, so it is unnecessary to draw up a contingency plan.

7.2. Analysis of Operation Result

7.2.1 Financial Performance Comparison and Analysis Table

Unit: NTD Thousands

Item	2021	2022	Difference	
			Amount	%
Net Operating Revenue	1,960,518	1,840,584	(119,934)	(6.12)
Operating Cost	1,208,569	1,180,300	(28,269)	(2.34)
Operating Margin	751,949	660,284	(91,665)	(12.19)
Operating Expense	548,722	544,633	(4,089)	(0.75)
Other Profit and Net Expense and Loss	-	-	-	-
Operating Net Profit	203,227	115,651	(87,576)	(43.09)
Non-Operating Income and Expense	52,899	86,034	33,135	62.64
Income from continuing operations before income tax	256,126	201,685	(54,441)	(21.26)
Expense of Income Tax	(43,852)	(27,760)	16,092	(36.70)
Net Profit after Tax	212,274	173,925	(38,349)	(18.07)

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

(1) Operating Net Profit : Because of the epidemic control in China, the revenue in 2022 decreased by 6.12%, but the operating cost decreased by only 2.34%. One of the reasons, causing decrease in cost less than the revenue, is raw materials price increase. The other reason is the proportion of revenue from Taiwan's entities increased, but the business of Taiwan' entities are equipment trading, with a low gross profit margin. Based on the above two factors, the operating margin in 2022 decreased by 12.19% compared to 2021. Although the operating expenses also decreased by 4,089 thousand, the expense decrease is lower than the decrease in operating margin, resulting in a 43.09% decline in operating net profit.

(2) Non-Operating Income and Expense : Non-operating income and expenses in 2022 increased by NT\$33,135 thousands compared with 2021, mainly due to (a) Share of profit of associates and joint ventures accounted for using equity method increased by NT\$14,527 thousands, (b) Gain on financial instruments as fair value through profit or loss increased by NT\$31,213 thousands, (c) Net foreign exchange gain increased by NT\$13,242 thousands and the government subsidy income decreased by NT\$20,298 thousands.

(3)Expense of Income Tax : 2022 income tax expenses decreased by NT\$16,092 thousands compared with 2021, mainly due to the decrease in pre-tax net profit of enterprises in mainland China.

7.2.2 Expected Sales Volume and its Accordance

The main business entities of GSD are GSD (China) Co., Ltd., which are mainly engaged in the manufacturing and sales of environmental protection equipment and provide relevant technical services. According to past experience, about 80~90% of the Company's operating revenue comes from domestic sales in China. China's environmental protection market has always been well developed due to policy support. 2021 is the first year of the 14th five year plan and the beginning of the construction of ecological civilization in mainland China. Mainland China has announced the goal of carbon peak and carbon neutralization to the whole world. It is estimated that the energy saving and consumption reduction of 250 million tons of sewage treatment plants during the 14th Five Year Plan period will be a huge market combined with the policy requirements of carbon emission, which is more confirmed this industry development direction of precise and scientific pollution control. According to the historical data of the company's operating revenue in the past year, with reference to the development trend of the future economic environment and the future forecast of the industry, the company expects that the sales volume and revenue in the next year will remain cautiously optimistic. In the future, we will continue to deepen the operation management and reasonable cost control of the subsidiaries, so as to promote the Company's business growth and improve its profitability.

7.3. Analysis of Cash Flow

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

7.3.1 Cash Flow Analysis for the Recent Years

Item	2021	2022	Difference	
			Amount	%
Cash Inflow by Operating Activities	30,627	134,600	103,973	339.48
Cash Inflow (Outflow) by Investment Activities	(237,606)	(261,732)	(24,126)	10.15
Cash Inflow (Outflow) by Fundraising Activities	285,895	(149,203)	(435,098)	(152.19)

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

(1)The cash inflow from operating activities increased by NT\$103,973 thousands, mainly due to the low cash flow from operating activities in 2021, and the low cash flow from operating activities in 2021 is due to the following factors :

(a)Pre-Tax Income decline : The 15% increase in operating expenses in 2021 is mainly due to the fact that in 2020, the Chinese government reduced social security expenses borne by enterprises due to the epidemic of approximately NT\$33,460 thousands. No social security reduction in 2021, resulting in an increase in operating expenses. In addition, R&D expenses also increased by approximately NT\$20,085 thousands.

(b)Inflow from receiving account receivable decline : The balance of accounts receivable and bills at the beginning of 2020 was relatively high, which led to a larger inflow in 2020, but there was no such situation in 2021, resulting in a 220% decrease in inflow from receiving account receivable in 2021 compared with 2020. There has been no significant change in the terms of payment from customers.

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

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

(2)The increase in cash outflow from financing activities is mainly due to the Company issued convertible bonds and increase cash capital in 2021, which increased cash inflow by NT\$458,016 thousands, and there was no such situation in 2022. The main cash outflow in 2022 is the distribution of cash dividends.

7.3.2 Rectification plans for liquidity shortages

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

7.3.3 Analysis on the Cash Liquidity in the next year

Unit: NTD thousands

Beginning Cash Balance	Estimated cash inflow from operating activities for the entire year	Estimated cash outflow for the entire year	Estimated Amount of Cash Balance (Deficiency)	Compensation Measures under deficiency in estimated cash balance	
				Investment Plans	Financial Management Plans
942,073	1,910,942	(2,011,241)	841,774	—	—
<p>1. Analysis of expected changes in cash flows in 2023:</p> <p>(1) Cash inflow from operating activities: mainly from cash inflow of business income.</p> <p>(2) Cash outflow: mainly used for operating expenses and dividend distribution.</p> <p>2. Remedial measures and liquidity analysis of expected cash shortage: not applicable.</p>					

7.4. Major Capital Expenditure Items

In 2022, the Company spent a total of NT\$269,946 thousand on the construction of the Pinghu second plant and equipment and the new plant in Yangzhou. Most of the above expenses were raised through the issuance of convertible bonds and cash capital increase. The construction of the Pinghu second plant was completed and officially started to operation in June 2022. The new plant in Yangzhou was completed in 2023Q1. After the Pinghu second plant starting operation, it would drive the Company's revenue growth. The new plant in Yangzhou replaced the old leased plant, and the investment benefits are based on the acquisition of the dominant position in the use of the plant, which has little impact on the finance and business.

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

7.5.1 The Company's Re-Investment Policy

Re-investment policy of GSD is based on the core business considerations. In China, the Company focuses on the water treatment field of environmental protection market. In Taiwan, the Company takes smart water affairs as the development strategy and it is expected to use AIoT as the basis to expand the company's operation by developing smart water and involving in other environmental protection fields or circular economy. The Company entered the Southeast Asian market in 2022 by establishing GSD Enviro Tech Vietnam Company Limited, whose business are mainly on sales and

maintenance of water treatment equipment. In addition, since sludge would be produced during the sewage treatment process, the treatment and reuse of sludge is an unavoidable issue. Therefore, the Company also established CNCN (Beijing) Enviro Tech Co., Ltd. in 2022, whose business are mainly on sludge drying and energy management related equipment sales.

Among the investment companies, although GSD-TW and CYHK have been established for a period, because their main business is the research and development of AIoT related technologies, it takes a long time from product development to commercialization, so they are still in a state of loss. Then, GSD-VN and CNTH, which have been established for less than one year, suffered losses due to the business benefit have not yet appeared during the start-up period. In 2022, GSD Yangzhou is building a factory, and it is expected to turn losses into profits after it is officially put into operation in 2023. Except for the above-mentioned, all other investment companies were profitable. The Company has formulated “Investment Cycle”, “ Procedures for financial business between related enterprise groups”, “ Rules for supervision and management subsidiaries” and “ Regulations Governing the Acquisition and Disposal of Assets”, etc. and any relevant investment plan will be handled in accordance with the aforementioned rules and measures.

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

Unit: NTD thousands

Invested Company	Direct (Indirect) Shareholding Ratio	Recognized Investment Profit or Loss in the Most Recent Year	Reasons for Profit or Loss	Rectification Plans
Chuan Yuan Hydraulic Engineering Co., Ltd.	100%	141,270	Great Operation Status	NA
GSD Enviro Tech (Taiwan) Co., Ltd.	100%	(533)	It is established on 2021/2/1, mainly to undertake the business of the Taiwan branch and be responsible for the AIoT technology research and development. The research expense is relatively high, so it is currently a small loss.	NA
GSD Enviro Tech Vietnam Company Limited	85%	(2,594)	It is a newly established subsidiary on 2022/3/29, resulting in losses during	In the future, it will actively expand the

Invested Company	Direct (Indirect) Shareholding Ratio	Recognized Investment Profit or Loss in the Most Recent Year	Reasons for Profit or Loss	Rectification Plans
			the period of start-up.	market to improve the loss situation.
Yuh Shan Environmental Engineering Co., Ltd.	23.53%	26,211	Great Operation Status	NA
GSD (China) Co., Ltd.	100%	169,503	Great Operation Status	NA
Shanghai GSD Industrial Co., Ltd.	100%	16,221	Great Operation Status	NA
GSD Environmental Technology Co., Ltd	60%	(12,157)	It is responsible for the AIoT technology research and development. The research expense is relatively high, so it is currently loss.	In 2022, the research results have been commercialized continuously, and it is expected that the loss will be reduced in the future.
CNCN (Beijing) Enviro Tech Co., Ltd.	60%	(2,344)	It is a newly established subsidiary on 2022/5/10, resulting in losses during the period of start-up.	In the future, it will actively expand the market to improve the loss situation.
GSD Enviro Tech (Yangzhou) Co., Ltd.	100%	(15,736)	It is established on 2020/12/29, the factory is under construction in 2022, and would be started operation in February 2023.	It is expected to turn losses into profits after the start of production.

7.5.3 Investment Plans for the Next Year

From 2020 to 2022, the Company has a large amount of factory construction and equity investment projects. The construction of the new factories has been put into operation in the 2022H2 and 2023Q1 respectively, and the investment benefits would gradually appear. As of the publication date of this annual report, the board of directors has not yet approved any new investment plan. However, the Company continues to pay attention to the development of the environmental protection industry in Southeast Asia and Taiwan. If there is a suitable target, it would submit the investment plan to the board of directors in accordance with the regulations to approve.

7.6. Analysis of Risk Management

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

(1) Interest rate

Year Item	2020		2021		2022	
	Amount	% of Net Sales	Amount	% of Net Sales	Amount	% of Net Sales
Interest income	18,961	1.03%	21,787	1.11%	18,801	1.02%
Interest expense	933	0.05%	2,640	0.13%	3,930	0.21%

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

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

(2) Foreign exchange rates

Year Item	2020	2021	2022
	Amount	Amount	Amount
Exchange benefit (loss)	(3,102)	(2,941)	10,301
Proportion in Sales	(0.17%)	(0.15%)	0.56%

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

(3) Inflation

Under the rapid change of global economic environment, as of the date of publication of the annual report, the Company has not had any significant impact on profit and loss due to the above inflation or deflation crisis. In the

future, the Company will continue to maintain a close and good relationship with suppliers and downstream customers, pay attention to the fluctuation of market price at any time, timely adjust the purchasing strategy and sales quotation, and reduce the impact of inflation on the Company's profit and loss.

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

The Company has always been focused on the operation of the industry, and has not covered other high-risk industries. The financial policy is based on the principle of stability and conservatism, without making high leverage investment. The debt ratio in 2022 and 2021 is 38.41% and 41.16% respectively, with relatively low debt ratio and capital risk; the Company has only fund loan to subsidiaries or fund loans between subsidiaries, but no endorsement guarantee and derivative commodity transaction in the last two years. In the future if necessary for transactions due to business operation, the relevant risks will be strictly controlled by handled in accordance with “Regulations Governing the Acquisition and Disposal of Assets”, “Rules for Loaning of Funds to others”, “Rules for Making of Endorsements/Guarantees” and “Procedures for dealing with derivative transactions”.

7.6.3 Future Research & Development Projects and Corresponding Budget

(1) Future R&D plan

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

In order to adapt to the development trend of the industry, the Company's R&D development focus on BAIEI (Bio: microorganism, AI: artificial intelligence, IoT: Internet of things, Equipment: equipment, Integrated: integration and integration), and the Company provides a full set of equipment

and has the advantages of environmental engineering technology, as well as the detection of functional microorganisms Technology, effective integration and development of related products and services to help customers effectively save energy and reduce carbon and reduce costs.

(2) Expected R&D expenditure

In the past three years, the Company's R&D expenditure accounted for about 3% ~ 5% of the total revenue. The R&D investment amount was adjusted flexibly with the company's strategic development. In 2023, the R&D expenditure accounted for about 3% ~ 5% of the total revenue. The R&D expenses should be able to support future research plans and enhance the Company's industrial competitiveness.

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

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

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

The application of Internet of things and artificial intelligence technology (AIoT) is one of the trends in the development of environmental protection industry. Originally, the Company focused on equipment manufacturing and sales. Since 2014, the Company set up the environmental engineering department and expanded its business to environmental engineering technical services. Compared with the general system industry, the Company knows more about the characteristics and requirements of environmental protection industry (equipment and water environment), and the technologies related to

Internet of things developed can better meet the needs of customers. The Company has established an intelligent team in Taiwan and the mainland at the same time, and has the foundation to invest in the research and development of AIoT.

In recent years, there have been frequent ransomware attacks, and the importance of information security has gradually increased. Please refer to page 121 for the Company's control measures for information security risks.

In the most recent year and up to the date of publication of the annual report, technological changes and industrial changes have not had material adverse effects on the Company's operation.

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

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

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

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

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

In order to increasing production capacity and profit, the company has completed the construction of the Pinghu second plant in 2022, and completed the construction of the new plant in Yangzhou and the relocation of the old plant in 2023Q1.

The possible risk of expansion included : (a)The overall economic downturn causes market demand to fall short of expectations, or (b) local government budgets are insufficient, delaying the replacement of sewage treatment equipment.

The Company's countermeasures include : (a)Conducting a prudent assessment in advance and fully considering the recycling benefits. (b)Improves the overall product competitiveness and added value to reduce the risk of market downturn by expanding the Southeast Asian market and providing energy-saving and carbon-reducing solutions for sewage treatment (rather than simply selling equipment)

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

1. Risks and Countermeasures of centralized purchase

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

2. Risks and Countermeasures of sales concentration

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

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

In the most recent year and as of the date of annual report publication, there has been no substantial transfer shares or replacement of directors, supervisors, and major shareholders.

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

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

7.6.12 Litigation or non litigation

The Company and its directors, supervisors, general manager, substantial principals, major shareholders with a shareholding ratio of more than 10% and subordinate companies shall be listed. If the results may have a

significant impact on the shareholders' rights and interests or the securities price, the facts, the subject amount, the date of commencement of the lawsuit, the main contents of the dispute shall be disclosed. The parties involved and the handling of the annual report as of the date of publication: the Company has not yet had such dispute in the latest year and as of the date of publication of the annual report.

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

Risk evaluation of COVID-19 :

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

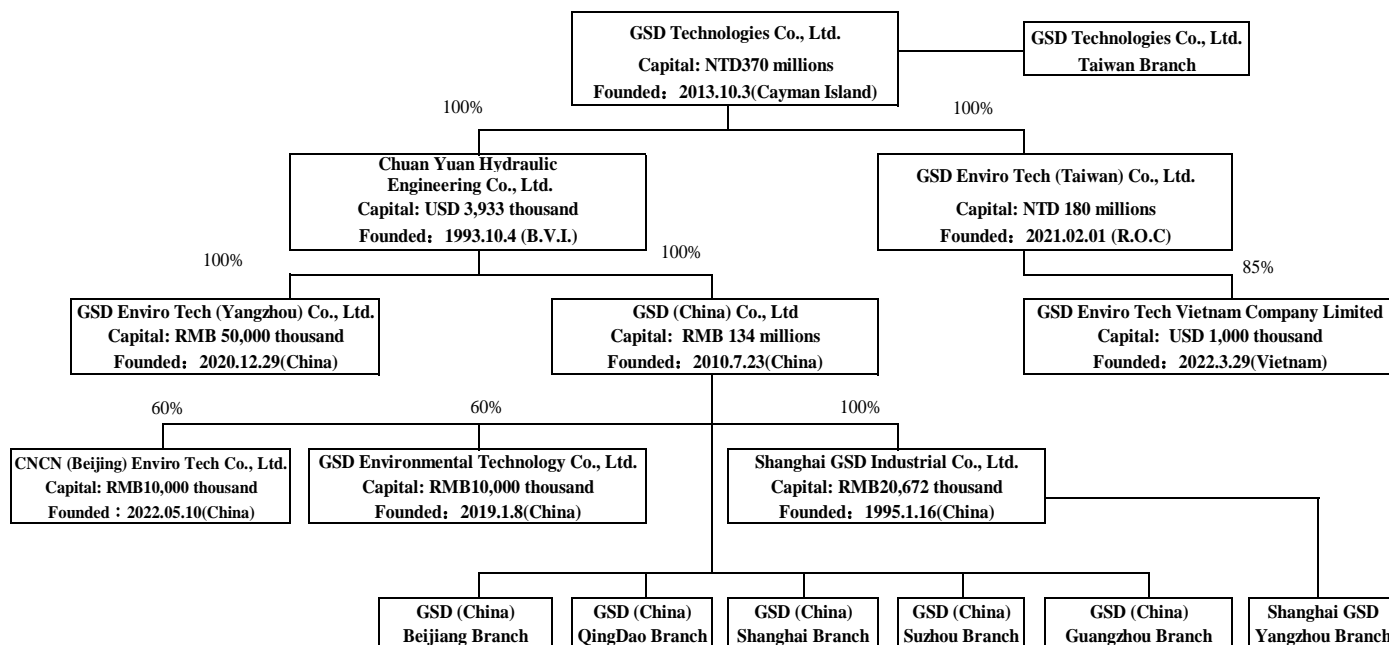
7.7. Other important matters

None

VIII. Special Disclosure

8.1. Summary of Affiliated Companies

A. Organization



B. Brief Information of affiliates

Unit: Thousands				
Company	Founded	Address	Paid-in capital	Business
Chuan Yuan Hydraulic Engineering Co. ltd.	1993.10.4	Portcullis Chambers 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, VIRGIN ISLANDS, BRITISH	USD12,223	Holding, re-investment
GSD Enviro Tech (Taiwan) Co., Ltd.	2021.2.1	NO.15,17,19,Minli St., Gushan Dist., Kaohsiung city 804, Taiwan (R.O.C)	TWD180,000	Mainly for re-investment, the sales, installation, maintenance and provision of related technical services for environmental protection equipment.
GSD Enviro Tech Vietnam Company Limited	2022.3.29	502 Huong Lo 2,Phuong Binh TRI Dong , Quan Binh Tan, Ho Chi Minh City, Vietnam.	USD 1,000	Mainly for the sales, installation, maintenance and provision of related technical services for aquaculture and environmental protection equipment.
GSD (China) Co., Ltd.	2010.7.23	No. 2399, Xinming Road, Pinghu Economic Development Zone,	RMB134,000	Mainly for the production, sales, installation, maintenance and provision

Company	Founded	Address	Paid-in capital	Business
		Zhejiang Province		of related technical services for environmental protection equipment and the agent of environmental protection related products such as pharmaceuticals and consumables.
GSD Enviro Tech (Yangzhou) Co., Ltd.	2020.12.29	No.3-1 Weichai Avenue, Beishan Automobile Industrial Park, Hanjiang District, Yangzhou City, China.	RMB50,000	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment.
Shanghai GSD Industrial Co., Ltd.	1995.1.16	No.796, 1F, Yun Qiao Road, Pudong, Shanghai China ,201206	RMB20,672	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment and the agent of environmental protection related products such as pharmaceuticals and consumables.
GSD Environmental Technology Co., Ltd.	2019.1.8	No. 2399, Xinming Road, Pinghu Economic Development Zone, Zhejiang Province	RMB10,000	Mainly for technology development, technology transfer, technical consulting and technical services in the field of environmental protection technology, and related electronic and mechanical equipment and spare parts trading.
CNCN (Beijing) Enviro Tech Co., Ltd.	2022.5.10	Room 1704, 17th Floor, Building 1, Yard 1, Jinghai 6th Road, Beijing Economic and Technological Development Zone (Tongzhou), Beijing	RMB10,000	Mainly for the sales, installation, repair, and technical support services of sludge drying and energy management equipment.

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

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

March 31, 2023

Company	Title	Name	Holding shares	Holding percentage
Chuan Yuan Hydraulic Engineering Co. Ltd.	Chairman	Hsieh, Hung June (Legal representative of the Company)	3,932,735	100%
GSD Enviro Tech	Chairman	Hsieh, Hung June	18,000,000	100%

(Taiwan) Co., Ltd.		(Legal representative of the Company)		
GSD Enviro Tech Vietnam Company Limited	Chair of shareholders meeting	Hsieh, Hung June	- (Note)	85%
	Legal representative & President	Chen, Shih Hsien		
GSD (China) Co., Ltd.	Chairman	Hsieh, Hung June	- (Note)	100%
	Director	Chen, Shih Hsien		
	Director	Wang, Qian		
	Supervisor	Hsieh, Mu-Chun		
	President	Wang, Qian		
GSD Enviro Tech (Yangzhou) Co., Ltd.	Chairman	Hsieh, Hung June	- (Note)	100%
	Director	Chen, Shih Hsien		
	Director	Wang, Qian		
	Supervisor	Hsieh, Mu-Chun		
	President	Wang, Qian		
Shanghai GSD Co., Ltd.	Chairman	Hsieh, Hung June	- (Note)	100%
	Director	Lee, Tzouh shoou		
	Director	Chen, Shih Hsien		
	Supervisor	Lin, Ming Tzu		
	President	Wang, Qian		
GSD Environmental Technology Co., Ltd.	Chairman	Wang, Qian	- (Note)	60%
	Director	Hsieh, Hung June		
	Director	Liu, Xiao		
	Supervisor	Hsieh, Mu-Chun		
	President	Liu, Xiao		
CNCN (Beijing) Enviro Tech Co., Ltd.	Chairman	Hsieh, Hung June	- (Note)	60%
	Director	Wang, Qian		
	Director	Wang, Sih Ping		
	Supervisor	Hsieh, Mu-Chun		
	President	Wang, Sih Ping		

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

E. Operating performance of affiliates

Dec. 31, 2022, Unit: NT\$ thousands

Company	Capital	Assets	Liabilities	Equity	Net sales	Operating profit	Net Profit	EPS
Chuan Yuan Hydraulic Engineering Co. Ltd.	372,432	1,324,409	32,460	1,291,949	0	(65)	145,829	N/A
GSD Enviro Tech (Taiwan) Co., Ltd.	180,000	210,567	27,452	183,115	36,405	(31,037)	(533)	N/A

GSD ENVIRO TECH VIETNAM COMPANY LIMITED	24,484	40,568	14,409	26,159	13,867	(4,073)	(3,052)	
GSD (China) Co., Ltd.	590,672	1,647,238	546,452	1,100,786	1,648,239	166,758	169,503	N/A
GSD Enviro Tech (Yangzhou) Co., Ltd.	220,400	233,230	28,437	204,793	- (Note)	(17,573)	(15,736)	N/A
Shanghai GSD Co., Ltd.	91,120	208,294	48,589	159,705	225,745	22,042	16,228	N/A
GSD Environmental Technology Co., Ltd.	44,080	13,189	16,025	(2,836)	2,142	(18,847)	(18,602)	N/A
CNCN (Beijing) Enviro Tech Co., Ltd.	44,080	41,493	1,307	40,186	214	(4,071)	(3,906)	N/A

The total amount of assets, liabilities and equity listed in this table are translated at the exchange rate at the end of 2022 (1 RMB: 4.408 TWD); the sales, operating profit and net profit of this period are translated at the average exchange rate in 2022 (1 RMB: 4.422 TWD).

Note: GSD Enviro Tech (Yangzhou) Co., Ltd. was established on December 29, 2020, the factory is still under construction in 2022. It has not yet operated, so no operating income yet.

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

G. Report of affiliates: None.

8.2. Private Placement Securities in the Most Recent Years

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

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

8.4. Other supplementary events: None

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

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

The Company has stipulated the relevant contents for protecting the exercise of shareholders' rights and interests in accordance with the "checklist for the protection of shareholders' rights and interests in the country of registration of foreign issuers" (hereinafter collectively referred to as the "checklist for the protection of shareholders' rights and interests") announced by Taiwan Stock Exchange Co., Ltd. on March 11, 2022. In addition, to comply with the amendments of the "checklist for the protection of shareholders' rights and interests", announced by Taiwan Stock Exchange Co., Ltd. on January 9, 2023, the Company will revise the Articles of association at the annual shareholders meeting. In view of the differences between the Articles of association and the requirements of the "checklist for the protection of shareholders' rights and interests", the reasons, the provisions of the country of registration (if any) and the impact on the shareholders' rights and interests of the Republic of China are as follows:

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
Definition of "Special Resolution": means the shareholder meeting attended by two-thirds of the represented shareholders of total outstanding shares and resolved by half of the attending shareholders' voting. If the total shareholding of the attending shareholders is less than the above-mentioned quota, it can be attended by half of the represented shareholders of	The Company Acts of the Cayman Islands regulated that in principle, a special resolution means the shareholder meeting attended	According to the Rule No. 0991701319 by Taiwan Stock Exchange on April 13, 2010, Article 39 and Article 2(1) of the Articles of Incorporation special resolution shall have half of the represented shareholders of total outstanding shares to attend the shareholding meeting in persons. For institutional shareholders, it shall authorize the legal representatives to attend the meeting. Or a resolution is made with the vote for of two-thirds

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
total outstanding shares and resolved by two-thirds of the attending shareholders' voting.	by half of the represented shareholders of total outstanding shares and resolved by two-thirds of the attending shareholders' voting.	shareholders attended by Power of Attorney. So it meets both the laws of the Cayman Islands and the Company Acts of Taiwan for the requirement of listing company's attendance and voting.
<p>1. Without the resolutions of the shareholder meeting for the capital reduction, a company shall not eliminate its shareholding. And capital reduction shall base on the proportion of shares held by shareholders to reduce the shares.</p> <p>2. For capital reduction, the payment of returned shares can be made by property other than cash. The property for returned shares and the amount of the offset shall be subject to the resolutions of the shareholding meeting and the consent of the shareholders who receive the property.</p> <p>3. The value of the foregoing property and the amount of the offset shall be sent by the board of the director to CPAs for audit before the shareholding meeting</p>	Article 14 to 18 of the Company Acts of the Cayman Islands stipulate the strict procedure and substantive rules for the capital reduction and the relevant rules are mandatory which can't be changed by the articles of the Incorporation.	Article 14 to 18 of the Company Acts of the Cayman Islands stipulate the strict procedure and substantive rules for the capital reduction and the relevant rules are mandatory which can't be changed by the Articles of the Incorporation. For the regulation of capital reduction, this has large differences from the checklist for shareholder rights protection measures on November 30 2018. For the avoidance of doubt, with the opinions of the Cayman Islands' lawyers, the Company has revised Article 14 of the Articles of Incorporation so that the capital reduction will comply with the procedure and conditions of the laws of the Cayman Islands and the applicable public company rules. For the regulation of capital reduction from the November 30 2018 checklist for shareholder rights protection measures, it has stipulated on Article 24(1) of the Articles of Incorporation for local and foreign issuers that buy back the shareholding and eliminate it base on the proportion of the shareholding.
Companies adopt par value shares shall not convert them into no par value shares.	Section 8(1) of the Cayman Islands Company Act "Provided further that no exempted company shall divide its capital into both shares of a fixed amount and shares without nominal or par value." stipulates that exempted companies shall not contain both par value shares and no par value shares in its capital at the same time.	All the GSD's shares issued adopt par value currently, the specification requirements in the left column is inapplicable with GSD. However, to avoid doubt, the Company proposed to amend article 7(5) to "The Company shall neither issue Shares without par value nor convert its Shares from Shares with par value to shares without par value."

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
<p>1. All general meetings to be held in physical locations shall be held in the R.O.C. If the shareholder meeting held in physical locations is convened outside the Republic of China, it shall be declared to TWSE within 2 days of the resolution of the board of director meeting or the permission of the governing institution applied by shareholders.</p> <p>2. When a company convenes the shareholder meeting outside the Republic of China, it shall entrust professional stock agency in the territory of the Republic of China to handle the matters of shareholder voting.</p>	<p>There are no relevant regulations from the laws of the Cayman Islands.</p>	<p>As stated on Article 31 of the articles of association: all general meetings to be held in physical locations shall be held in the R.O.C., the shareholder meeting in the territory of the Republic of China during the period of initial listing without exception. So it is not necessary to stipulate the additional procedure for permission or declaration of shareholder meeting held outside the Republic of the China. In addition, although the Company shall hold the shareholder meeting in the territory of the Republic of China during the initial public listing, the Company still entrust the relevant matters of the shareholders voting to the professional stock agency in the territory of the Republic of the China.</p>
<p>If a shareholder holds more than 3% of the total number of issued shares for more than one year, he / she may record the proposed matters and reasons in writing and request the board of directors to convene an interim meeting of shareholders. Within 15 days after the request is made, if the board of directors fails to give notice of the meeting, the shareholders may, with the permission of the competent authority, convene the meeting on their own.</p>	<p>There is no local authority in the Cayman Islands responsible for examining whether shareholders can convene a shareholders' meeting on their own.</p>	<p>Since the Company is a company incorporated in accordance with the Company Law of the Cayman Islands, and there is no local authority in charge of examining whether shareholders can convene the shareholders' meeting on their own, referring to the intention of tssz No. 0991701319 of the Taiwan Stock Exchange on April 13, 2010, Article 32 of the articles of association of the Company stipulates: "for more than one year, the company holds more than 3% of the total issued shares The shareholders of the above-mentioned shares may specify in writing the reasons and reasons for convening the meeting and request the board of directors to convene the shareholders' meeting. If the board of directors does not give notice of the shareholders' meeting within 15 days after receiving the request, the shareholders of the request may convene the shareholders' meeting by themselves. Without the permission of the competent authority.</p>
<p>Shareholders who exercise their voting rights in written or electronic form shall be deemed to attend the shareholders' meeting in person.</p>	<p>In accordance with the legal opinion of Cayman Islands lawyers, a shareholder who exercises voting rights in writing or electronically shall not be deemed to be present in person, but shall be deemed to have appointed the chairman of the shareholders' meeting as the proxy.</p>	<p>The latter paragraph of Article 57 of the Company's articles of association states: "when a shareholder exercises his or her voting rights in writing or by electronic means, it shall be deemed that he or she entrusts the chairman of the shareholders' meeting as his or her proxy to exercise his or her voting rights in accordance with the contents of the written or electronic document, but the chairman of the shareholders' meeting has no voting rights in respect of matters not mentioned or indicated in such contents, temporary motions or amendments to the original motion. For the avoidance of doubt, when the shareholders exercise their voting rights in the above-mentioned way, the temporary motion of the shareholders' meeting and the amendment to the original motion shall be deemed as abstention. Therefore, there is no significant difference between this article and the laws of the Republic of China in terms of actual operation, but in terms of interpretation, the chairman of the board of shareholders is the proxy of such shareholders who</p>

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
		vote in written or electronic form, so as to meet the requirements of the Cayman Islands law that the resolution of the board of shareholders must be carried out by the participating shareholders in person or by the proxy at the same time on the spot.
<p>1. The charter may explicitly stipulate that the surplus earning distribution or loss off-setting proposal may be proposed at the close of each quarter or each half fiscal year.</p> <p>2. The proposal of surplus earning distribution or loss off-setting for the first three quarters or half fiscal year, together with the business report and financial statements, shall be forwarded to supervisors for their auditing, and afterwards be submitted to the board of directors for approval.</p> <p>3. When distributing surplus earning in accordance with the provision of the preceding paragraph the Company shall estimate and reserve the taxes and dues to be paid, the losses to be covered and the legal reserve to be set aside. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply.</p> <p>4. Distributing surplus earning in the form of new shares to be issued by the Company in accordance with the provision of Paragraph Two shall subject to resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the Company. If the total shareholding of the attending shareholders is less than the abovementioned quota, it can be attended by half of the represented shareholders of total outstanding shares and resolved by two-thirds of the attending shareholders' voting. Those who issue cash should be resolved by the board of directors.</p> <p>5. Earning distribution or loss off-setting proposal by the Company in accordance with the provisions of the preceding four paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.</p>	There are no relevant regulations from the laws of the Cayman Islands.	According to article 100(3), GSD is not adopting the quarterly or semi-annually earning distribution or loss off-setting policy now and requirements set in the left column shall not apply.
<p>1. If the Company has setup the supervisors, they shall be elected by the shareholder meeting. At least one of the supervisors shall have a domestic residence.</p> <p>2. The term of the supervisor shall not</p>	There are no relevant regulations from the laws of the Cayman Islands.	The Company adopt the audit committee system and do not setup the supervisor, so the regulations of the leftmost column is not applicable for the Company

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
<p>exceed 3 years, but they can be reelected, but he may be eligible for reelection.</p> <p>3. When all supervisors are dismissed, the board of directors shall hold the interim shareholder meeting within 60 days to elect.</p> <p>4. The supervisors shall supervise the execution of the Company's business, investigate the situation of the operation and finance at any time, audit the booking and documents and ask board of direct or managers to submit the report.</p> <p>5. The supervisor shall audit the various records of shareholder prepared by the board of directors and report to the shareholder meeting.</p> <p>6. The supervisors can represent the Company to assign CPA and lawyers to audit the matters they are responsible for.</p> <p>7. The supervisor can attend the board of director meeting to state their opinions. Where the board of directors or directors conducts the operations in violation of laws, the articles or the resolutions of the shareholder meeting, the supervisors shall notify the board of director or director to stop their actions.</p> <p>8. The supervisors shall perform the right of supervision independently.</p> <p>9. The supervisor shall not serve as the director, manger or other employee of the Company.</p>		
<p>1. Shareholders who hold more than 1% of the total issued shares of the company for more than six months may request in writing the supervisor to file a lawsuit against the directors of the company, and the Taipei District Court of Taiwan may be the court of first instance.</p> <p>2. Within 30 days after the shareholder's request, if the supervisor does not file a lawsuit, the shareholder may file a lawsuit for the company, and the Taipei District Court of Taiwan may be the court of first instance.</p> <p>3. The Supervisor of the company may convene a general meeting of shareholders when necessary for the benefit of the company in this revised draft of the articles of association, and will submit the resolution of the annual general meeting of shareholders.</p>	<p>There are no relevant regulations from the laws of the Cayman Islands.</p>	<p>As the Company adopts the audit committee system and does not set up a supervisor, with reference to the provisions of paragraph 3, article 14-4 of the Taiwan Securities and exchange law , to replace the function of the supervisor in the leftmost column with an independent director, and Article 86 of the Company's articles of association provides that minority shareholders can request in writing any independence of the audit committee The Company shall file a lawsuit with a court of competent jurisdiction (including Taipei District Court of Taiwan) against a director who damages the Company in the performance of his / her duties or violates the laws of the Cayman Islands, the listing (OTC) regulations or the articles of association of the company. If the independent director does not file a lawsuit within 30 days from the date of receiving the aforesaid request, the shareholder of the request may file a lawsuit for the company to the extent permitted by the Cayman act.</p> <p>In addition, in order to comply with the specifications in the far left column, the company</p>

Difference items	Laws of the Cayman Islands	Regulations of the memorandum & article of association, and explanation
		has removed the requirement that the independent directors of the audit committee may convene a general meeting of shareholders when necessary for the benefit of the company in this revised draft of the articles of association, and will submit the resolution of the annual general meeting of shareholders.
Shareholders who votes against or waives his voting right at the meeting may request the Company to repurchase all of his shares on the grounds of the resolution of the shareholders' meeting on division, merger, acquisition, or share conversion. Any and all votes waived by shareholders shall not be counted toward the number of votes represented by the shareholders present at a general meeting.	There are no relevant regulations from the laws of the Cayman Islands.	The articles of association of the company will be amended at this year's general meeting to meet the requirements of the leftmost column.
When the Company conducts merger, the Company shall specify in the notice of general meeting with descriptions of the essential contents of a Director's personal interest and the reason of approval or disapproval of the resolution in connection with the merger transaction. The essential contents may be posted on the website designated by the R.O.C. competent authorities or the Company, and such website shall be indicated in the above notice.	There are no relevant regulations from the laws of the Cayman Islands.	The articles of association of the Company will be amended at this year's general meeting to meet the requirements of the leftmost column.

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

Appendix 1**Consolidated Financial Statements for the year 2022**

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

**GSD Technologies Co., Ltd.
and Subsidiaries****Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of GSD Technologies Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022 are described as follows:

Revenue Recognition

The Group's sales revenue was \$1,840,584 thousand in 2022, which presented negative growth compared to 2021. The sales revenue from certain sales customers had grown against the trend. Since the amount and proportion thereof are a matter of significance, we have deemed the occurrence of recognition of the sales revenue from the key customers to be a key audit matter for the year ended December 31, 2022.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei-Hui Wu and Chih-Yuan, Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2023

Notice to Readers

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

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

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 942,073	38	\$ 1,202,548	48
Notes receivable (Notes 8 and 21)	36,992	1	33,036	1
Notes receivable from related parties (Notes 4 and 29)	4	-	51,927	2
Trade receivables, net (Notes 4, 8 and 21)	378,002	15	379,836	15
Trade receivable from related parties (Notes 4 and 29)	5,830	-	11,187	1
Other receivables (Note 8)	2,236	-	5,522	-
Other receivable from related parties (Notes 4 and 29)	506	-	481	-
Current tax assets (Notes 4 and 23)	133	-	25	-
Inventories (Notes 4 and 9)	153,083	6	135,018	5
Prepayments	43,720	2	73,417	3
Other current assets (Notes 6 and 32)	49,505	2	8,178	-
Total current assets	1,612,084	64	1,901,175	75
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Note 11)	146,568	6	119,684	5
Property, plant and equipment (Notes 4, 12 and 32)	532,017	21	278,667	11
Right-of-use assets (Notes 4, 13 and 32)	113,738	5	120,147	5
Investment properties (Notes 4, 14 and 32)	16,951	1	15,389	1
Intangible assets (Notes 4 and 15)	54,967	2	55,850	2
Deferred tax assets (Notes 4 and 23)	26,426	1	23,136	1
Refundable deposit	7,417	-	4,585	-
Total non-current assets	898,084	36	617,458	25
TOTAL	\$ 2,510,168	100	\$ 2,518,633	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 5,000	-
Contract liabilities (Notes 21 and 29)	61,180	3	91,770	4
Notes payable	93,417	4	45,522	2
Trade payables	267,636	11	299,570	12
Trade payables to related parties (Note 29)	26,454	1	23,581	1
Other payables (Note 18)	136,080	5	160,585	6
Current tax liabilities (Notes 4 and 23)	33,365	1	23,106	1
Lease liabilities - current (Notes 4 and 13)	9,190	-	7,970	-
Total current liabilities	627,322	25	657,104	26
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 17)	5,790	-	30,030	1
Bonds payable (Notes 4 and 17)	291,704	12	289,287	11
Deferred tax liabilities (Notes 4 and 23)	32,630	1	43,710	2
Lease liabilities - non-current (Notes 4 and 13)	9,101	1	16,199	1
Guarantee deposits (Note 29)	242	-	240	-
Total non-current liabilities	339,467	14	379,466	15
Total liabilities	966,789	39	1,036,570	41
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 20)				
Ordinary shares	370,000	15	370,000	14
Capital surplus	655,509	26	651,213	26
Retained earnings				
Legal reserve	87,735	3	66,393	3
Special reserve	104,433	4	94,425	4
Unappropriated earnings	424,113	17	437,323	17
Total retained earnings	616,281	24	598,141	24
Other equity (Note 4)	(84,417)	(4)	(104,433)	(4)
Treasury shares	(32,858)	(1)	(32,858)	(1)
Total equity attributable to owners of the Company	1,524,515	60	1,482,063	59
NON-CONTROLLING INTERESTS	18,864	1	-	-
Total equity	1,543,379	61	1,482,063	59
TOTAL	\$ 2,510,168	100	\$ 2,518,633	100

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

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE, NET (Notes 4, 21 and 29)	\$ 1,840,584	100	\$ 1,960,518	100
OPERATING COSTS (Notes 4, 9, 22 and 29)	<u>1,180,300</u>	<u>64</u>	<u>1,208,569</u>	<u>62</u>
GROSS PROFIT	<u>660,284</u>	<u>36</u>	<u>751,949</u>	<u>38</u>
OPERATING EXPENSES (Notes 4, 22 and 29)				
Selling and marketing expenses	300,789	17	307,102	16
General and administrative expenses	168,483	9	163,187	8
Research and development expenses	74,072	4	82,473	4
Expected credit loss (gain) (Note 8)	<u>1,289</u>	<u>-</u>	<u>(4,040)</u>	<u>-</u>
Total operating expenses	<u>544,633</u>	<u>30</u>	<u>548,722</u>	<u>28</u>
INCOME FROM OPERATIONS	<u>115,651</u>	<u>6</u>	<u>203,227</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 11, 22 and 29)				
Interest income	18,801	1	21,787	1
Other gains and losses	44,952	3	22,068	1
Share of profit of associates and joint ventures accounted for using equity method	26,211	1	11,684	1
Finance costs	<u>(3,930)</u>	<u>-</u>	<u>(2,640)</u>	<u>-</u>
Total non-operating income and expenses	<u>86,034</u>	<u>5</u>	<u>52,899</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	201,685	11	256,126	13
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(27,760)</u>	<u>(1)</u>	<u>(43,852)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	173,925	10	212,274	11
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 4)	<u>19,888</u>	<u>1</u>	<u>(10,089)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 193,813</u>	<u>11</u>	<u>\$ 202,185</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 182,390	10	\$ 215,623	11

(Continued)

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Non-controlling interests	<u>(8,465)</u>	<u>(1)</u>	<u>(3,349)</u>	<u>-</u>
	<u>\$ 173,925</u>	<u>9</u>	<u>\$ 212,274</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 202,406	11	\$ 205,616	10
Non-controlling interests	<u>(8,593)</u>	<u>-</u>	<u>(3,431)</u>	<u>-</u>
	<u>\$ 193,813</u>	<u>11</u>	<u>\$ 202,185</u>	<u>10</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 5.00</u>		<u>\$ 6.30</u>	
Diluted	<u>\$ 3.78</u>		<u>\$ 5.86</u>	

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

(Concluded)

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock			Retained Earnings			Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
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
Issuance of shares	3,000	30,000	116,658	-	-	-	-	-	146,658	-	146,658
Share-based payments	-	-	3,000	-	-	-	-	-	3,000	-	3,000
Appropriation of 2020 earnings											
Legal reserve	-	-	-	21,935	-	(21,935)	-	-	-	-	-
Special reserve	-	-	-	-	(17,611)	17,611	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(150,750)	-	-	(150,750)	-	(150,750)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(2,210)	-	-	(2,210)	(6,473)	(8,683)
Net profit for the year ended December 31, 2021	-	-	-	-	-	215,623	-	-	215,623	(3,349)	212,274
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(10,007)	-	(10,007)	(82)	(10,089)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	215,623	(10,007)	-	205,616	(3,431)	202,185
BALANCE AT DECEMBER 31, 2021	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 asset during actual acquisition or disposals	-	-	3,608	-	-	-	-	-	3,608	5,412	9,020
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	688	-	-	-	-	-	688	-	688
Net profit for the year ended December 31, 2022	-	-	-	-	-	182,390	-	-	182,390	(8,465)	173,925
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	20,016	-	20,016	(128)	19,888
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	182,390	20,016	-	202,406	(8,593)	193,813
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	22,045	22,045
BALANCE AT DECEMBER 31, 2022	37,000	\$ 370,000	\$ 655,509	\$ 87,735	\$ 104,433	\$ 424,113	\$ (84,417)	\$ (32,858)	\$ 1,524,515	\$ 18,864	\$ 1,543,379

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

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 201,685	\$ 256,126
Adjustments for:		
Depreciation expenses	40,548	33,427
Share of profit of associated and joint ventures accounted for using equity method	(26,211)	(11,684)
Loss (gain) on financial instruments at fair value through profit or loss, net	(24,761)	6,452
Interest costs	(18,801)	(21,787)
Finance costs	3,930	2,640
Amortization expenses	2,122	2,480
Expected credit loss recognize (reversal)	1,289	(4,040)
Gain on lease modification	(899)	-
Loss on disposal of property, plant and equipment	702	283
Reversal of impairment loss recognized on non-financial assets	(149)	(3,016)
Loss on disposal of intangible assets	39	-
Shares-based payment	-	3,000
Changes in operating assets and liabilities		
Notes receivable	(4,007)	(15,629)
Note receivable from related parties	51,923	(51,927)
Trade receivables	261	(55,899)
Trade receivable from related parties	5,357	592
Other receivables	1,885	(1,658)
Other receivable from related parties	(25)	(42)
Inventories	(18,269)	(10,031)
Prepayments	29,697	(44,843)
Other current assets	(41,327)	(4,857)
Notes payable	47,895	21,704
Trade payables	(31,934)	22,564
Trade payables to related parties	2,873	(25,352)
Other payables	(24,505)	1,828
Contract liabilities	(30,590)	(1,304)
Cash generated from operations	168,728	99,027
Interest paid	(1,515)	(1,132)
Income tax paid	(32,613)	(67,268)
Net cash generated from operating activities	134,600	30,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(278,813)	(128,996)
Interest received	20,223	22,260
Increase in refundable deposit	(2,765)	(2,881)
Payments for intangible assets	(387)	(1,504)
Proceeds from disposal of property, plant and equipment	10	200
Acquisitions of investments accounted for using the equity method	-	(108,000)

(Continued)

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Payments for right-of-use assets	<u>-</u>	<u>(18,685)</u>
Net cash used in investing activities	<u>(261,732)</u>	<u>(237,606)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(164,250)	(150,750)
Changes in non-controlling interest	22,045	(8,683)
Repayments of the principle portion of lease liabilities	(11,018)	(9,688)
Proceeds from disposal of ownership of subsidiaries	9,020	-
Repayments of short-term borrowings	(5,000)	(3,000)
Proceeds from issuance of bonds	-	311,358
Proceeds from issuing shares	<u>-</u>	<u>146,658</u>
Net cash generated from (used in) financing activities	<u>(149,203)</u>	<u>285,895</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>15,860</u>	<u>(8,749)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(260,475)	70,167
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,202,548</u>	<u>1,132,381</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 942,073</u>	<u>\$ 1,202,548</u>

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

(Concluded)

GSD TECHNOLOGIES CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 24, 2023.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Revised or Amended Standards and Interpretations	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 will be 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 deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

Depreciation is recognized using the straight-line method.

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

j. Intangible assets separately

1) Intangible assets acquired

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

2) Derecognition of intangible assets

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

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

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

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

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

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

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that internal or external information show the debtor is unlikely to pay its creditors that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method.

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

4) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values. Transaction costs relating to the derivative financial liability component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liability component are included in the carrying amount of the liability component.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Project contract revenue

Customers control the project contracts while the project contracts are in progress; thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the project contracts and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

o. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

r. Share-based payment arrangements - employee share options

Employee share option

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications, climate change and related government policies and regulations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Time deposits	\$ 622,574	\$ 877,010
Demand deposits	257,769	175,148
Foreign deposit	61,455	150,210
Cash on hand	<u>275</u>	<u>180</u>
	<u>\$ 942,073</u>	<u>\$ 1,202,548</u>

As of December 31, 2022 and 2021, the interest rates of the time deposits were 1.20%-6.00% and 1.75%-3.00%, respectively.

As of December 31, 2022 and 2021, restricted demand deposits (bank acceptance bill deposit and warranty letter deposit) which were recognized as "other current assets" were \$33,148 thousand and \$5,160 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial liabilities - non-current</u>		
Held for trading		
Derivative (not-designated for hedging)		
Convertible Corporate Bond conversion right (Note 17)	\$ 5,790	\$ 30,030

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	\$ 37,115	\$ 33,108
Less: Allowance for impairment loss	(123)	(72)
	<u>\$ 36,992</u>	<u>\$ 33,036</u>
<u>Trade receivables</u>		
Trade receivables	\$ 403,562	\$ 404,126
Less: Allowance for impairment loss	(25,560)	(24,290)
	<u>\$ 378,002</u>	<u>\$ 379,836</u>
<u>Other receivables</u>		
Other receivable	\$ 3,134	\$ 6,393
Less: Allowance for impairment loss	(898)	(871)
	<u>\$ 2,236</u>	<u>\$ 5,522</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 GDP 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 recognized a full allowance for impairment loss or 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 notes receivables and trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2022

	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Gross carrying amount	\$ 360,589	\$ 61,668	\$ 10,906	\$ 7,514	\$ 440,677
Loss allowance (Lifetime ECLs)	<u>(4,947)</u>	<u>(7,108)</u>	<u>(6,114)</u>	<u>(7,514)</u>	<u>(25,683)</u>
Amortized cost	<u>\$ 355,642</u>	<u>\$ 54,560</u>	<u>\$ 4,792</u>	<u>\$ -</u>	<u>\$ 414,994</u>

December 31, 2021

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

The expected credit loss rates (exclude 100% bad debt provision for unusual items) for above maturity dates were 1.5%, 10%, 50% and 100%, respectively.

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 72	\$ -
Add: Net remeasurement of loss allowance	<u>51</u>	<u>72</u>
Balance at December 31	<u>\$ 123</u>	<u>\$ 72</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 24,290	\$ 30,078
Add: Net remeasurement (reversal) of loss allowance	1,224	(4,089)
Less: Amounts written off	(303)	(1,472)
Foreign exchange gain (losses)	<u>349</u>	<u>(227)</u>
Balance at December 31	<u>\$ 25,560</u>	<u>\$ 24,290</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 871	\$ 901
Add: Net remeasurement (reversal) of loss allowance	14	(23)
Foreign exchange gain (losses)	<u>13</u>	<u>(7)</u>
Balance at December 31	<u>\$ 898</u>	<u>\$ 871</u>

9. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 99,079	\$ 94,536
Finished goods	<u>54,004</u>	<u>40,482</u>
	<u>\$ 153,083</u>	<u>\$ 135,018</u>

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

	For the Year Ended December 31	
	2022	2021
Cost of inventory sold	\$ 1,164,837	\$ 1,209,712
Loss on inventory retired	13,446	-
Reversal of inventory write down	(149)	(3,016)
Unallocated manufacturing expenses (Note)	<u>2,166</u>	<u>1,873</u>
	<u>\$ 1,180,300</u>	<u>\$ 1,208,569</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
			December 31	2022	2021
The Company	Chuan Yuan Hydraulic Engineering Co., Ltd.	Investment activities	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	b.

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD (China) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	100	c.
Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	100	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	f.
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	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.

(Concluded)

The detail information of the subsidiaries was as follows:

- Chuan Yuan Hydraulic Engineering Co., Ltd, a wholly owned subsidiary of the Group, was founded in 1993 in the British Virgin Islands.
- 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.
- GSD (China) Co., Ltd., a wholly owned subsidiary of the Group, was founded 2010, mainly for manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services.
- GSD Enviro Tech. (Yangzhou) Co., Ltd., a wholly owned subsidiary of the Group, was founded on December 29, 2020, mainly for manufacturing and selling of environmental protection equipment, and providing installation, repair, and technical support services.

- e. 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 CNY2,000 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 CNY1,500 thousand, and transfer 10% of the equity to the managers of GSD Environmental Technology Co., Ltd., with CNY500 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:

			December 31	
			2022	2021
Investment in Associates				
Yuh Shan Environmental Engineering Co., Ltd.			<u>\$ 146,568</u>	<u>\$ 119,684</u>
Name of Associate	Principal Activities	Place of Operation	% of Ownership and Voting Rights Held by the Company	
			December 31	
			2022	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

On March 19, 2021, the board of directors of the Company resolved to acquire part of the equity of Yuh Shan Environmental Engineering Co., Ltd. through GSD Enviro Tech (Taiwan) Co., Ltd., GSD Enviro Tech (Taiwan) Co., Ltd. had subscribed 6,000 thousand shares, with a shareholding ratio of 23.53%, amount NT\$108,000 thousand, on June 30, 2021. Included in the cost of investment in associated is goodwill of 11,042 thousands recognized from the acquisition of the Company.

The share of profit of Yuh Shan Environmental Engineering Co., Ltd. was recognized based on the financial statements which have been audited for the same periods.

All the associates were accounted for using the equity method.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Yuh Shan Environmental Engineering Co., Ltd.

	December 31	
	2022	2021
Current assets	\$ 768,297	\$ 1,152,759
Non-current assets	228,679	233,200
Current liabilities	(387,858)	(895,366)
Non-current liabilities	<u>(93,892)</u>	<u>(97,679)</u>
Equity	<u>\$ 515,226</u>	<u>\$ 392,914</u>
Proportion of the Group's ownership	23.53%	23.53%
Equity attributable to the Group	\$ 121,230	\$ 92,450
Premium representing the difference between fair value and book value of remaining equity investments	<u>25,338</u>	<u>27,234</u>
Carrying amount	<u>\$ 146,568</u>	<u>\$ 119,684</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 983,320</u>	<u>\$ 910,824</u>
Net profit for the year	\$ 125,354	\$ 36,812
Other comprehensive income (loss)	<u>(67)</u>	<u>-</u>
Total comprehensive income	<u>\$ 125,287</u>	<u>\$ 36,812</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other 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	731	196	2,208	3,486	-	272,192	278,813
Disposals	(6,379)	(16,360)	(446)	(5,288)	-	-	(28,473)
Reclassification	224,260	14,357	-	3,245	1,456	(246,986)	(3,668)
Effect of foreign currency exchange differences	<u>2,849</u>	<u>470</u>	<u>318</u>	<u>503</u>	<u>-</u>	<u>2,034</u>	<u>6,174</u>
Balance at December 31, 2022	<u>\$ 464,362</u>	<u>\$ 30,153</u>	<u>\$ 20,719</u>	<u>\$ 39,858</u>	<u>\$ 1,456</u>	<u>\$ 169,536</u>	<u>\$ 726,084</u>

(Continued)

	Buildings	Machinery and Equipment	Transportatio n Equipment	Office Equipment	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ (130,654)	\$ (23,837)	\$ (11,790)	\$ (28,290)	\$ -	\$ -	\$ (194,571)
Disposals	6,276	15,801	446	5,238	-	-	27,761
Reclassification	1,678	(127)	-	127	-	-	1,678
Depreciation expenses	(16,427)	(1,484)	(2,838)	(5,274)	(81)	-	(26,104)
Effect of foreign currency exchange differences	(1,881)	(396)	(166)	(388)	-	-	(2,831)
Balance at December 31, 2022	<u>\$ (141,008)</u>	<u>\$ (10,043)</u>	<u>\$ (14,348)</u>	<u>\$ (28,587)</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ (194,067)</u>
Carrying amounts at December 31, 2022	<u>\$ 323,354</u>	<u>\$ 20,110</u>	<u>\$ 6,371</u>	<u>\$ 11,271</u>	<u>\$ 1,375</u>	<u>\$ 169,536</u>	<u>\$ 532,017</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 243,918	\$ 31,110	\$ 16,265	\$ 34,994	\$ -	\$ 23,633	\$ 349,920
Additions	993	1,345	3,081	4,818	-	118,759	128,996
Disposals	(191)	(730)	(588)	(1,663)	-	-	(3,172)
Effect of foreign currency exchange differences	(1,819)	(235)	(119)	(237)	-	(96)	(2,506)
Balance at December 31, 2021	<u>\$ 242,901</u>	<u>\$ 31,490</u>	<u>\$ 18,639</u>	<u>\$ 37,912</u>	<u>\$ -</u>	<u>\$ 142,296</u>	<u>\$ 473,238</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ (120,500)	\$ (22,939)	\$ (9,748)	\$ (24,866)	\$ -	\$ -	\$ (178,053)
Disposals	78	536	475	1,600	-	-	2,689
Depreciation expenses	(11,129)	(1,606)	(2,587)	(5,202)	-	-	(20,524)
Effect of foreign currency exchange differences	897	172	70	178	-	-	1,317
Balance at December 31, 2021	<u>\$ (130,654)</u>	<u>\$ (23,837)</u>	<u>\$ (11,790)</u>	<u>\$ (28,290)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (194,571)</u>
Carrying amounts at December 31, 2021	<u>\$ 112,247</u>	<u>\$ 7,653</u>	<u>\$ 6,849</u>	<u>\$ 9,622</u>	<u>\$ -</u>	<u>\$ 142,296</u>	<u>\$ 278,667</u>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Main buildings of factory	3-20 years
Main buildings	20 years
Electricity distribution facilities	20 years
Hydrostatic test pump	10 years
Leased improvements	3-5 years
Machinery and equipment	10 years
Transportation equipment	4 years
Office equipment	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

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land use rights	\$ 93,564	\$ 94,858
Buildings	<u>20,174</u>	<u>25,289</u>
	<u>\$ 113,738</u>	<u>\$ 120,147</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets		
Buildings	\$ 17,208	\$ 9,897
Land use rights	<u>-</u>	<u>18,685</u>
	<u>\$ 17,208</u>	<u>\$ 28,582</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 11,168	\$ 9,936
Land use rights	<u>2,184</u>	<u>1,963</u>
	<u>\$ 13,352</u>	<u>\$ 11,899</u>

Except for the addition and recognition of depreciation expenses listed above, there was no major sublease or impairment of the right-of-use assets of the combined company in 2022 and 2021.

The Group has been subleasing its land use rights in China portion since 2012 under operating leases. The related right-of-use assets are presented as investment properties (as set out in Note 14). The amounts disclosed above with respect to the right-of-use assets do not include right-of-use assets that meet the definition of investment properties.

Right-of-use pledged as collateral for bank borrowings are set out in Note 32.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ 9,190	\$ 7,970
Non-current	<u>\$ 9,101</u>	<u>\$ 16,199</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	1.57%-7.00%	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 Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 7,849</u>	<u>\$ 7,182</u>
Expenses relating to low-value asset leases	<u>\$ 705</u>	<u>\$ 659</u>
Total cash outflow for leases	<u>\$ 20,910</u>	<u>\$ 37,072</u>

The Group's leases of certain properties and rent of official cars qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	Buildings	Land Use Rights	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 22,329	\$ 3,464	\$ 25,793
Reclassification	3,668	676	4,344
Effect of foreign currency exchange differences	<u>317</u>	<u>50</u>	<u>367</u>
Balance at December 31, 2022	<u>\$ 26,314</u>	<u>\$ 4,190</u>	<u>\$ 30,504</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ (9,629)	\$ (775)	\$ (10,404)
Reclassification	(1,678)	(159)	(1,837)
Depreciation expenses	(1,092)	-	(1,092)
Amortization expenses	-	(76)	(76)
Effect of foreign currency exchange differences	<u>(133)</u>	<u>(11)</u>	<u>(144)</u>
Balance at December 31, 2022	<u>\$ (12,532)</u>	<u>\$ (1,021)</u>	<u>\$ (13,553)</u>
Carrying amounts at December 31, 2022	<u>\$ 13,782</u>	<u>\$ 3,169</u>	<u>\$ 16,951</u>

(Continued)

	Buildings	Land Use Rights	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 22,499	\$ 3,490	\$ 25,989
Effect of foreign currency exchange differences	<u>(170)</u>	<u>(26)</u>	<u>(196)</u>
Balance at December 31, 2021	<u>\$ 22,329</u>	<u>\$ 3,464</u>	<u>\$ 25,793</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ (8,690)	\$ (711)	\$ (9,401)
Depreciation expenses	(1,004)	-	(1,004)
Amortization expenses	-	(69)	(69)
Effect of foreign currency exchange differences	<u>65</u>	<u>5</u>	<u>70</u>
Balance at December 31, 2021	<u>\$ (9,629)</u>	<u>\$ (775)</u>	<u>\$ (10,404)</u>
Carrying amounts at December 31, 2021	<u>\$ 12,700</u>	<u>\$ 2,689</u>	<u>\$ 15,389</u> (Concluded)

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 \$33,444 thousand and \$28,275 thousand on December 31, 2022, and 2021, respectively.

The investment properties pledged as collateral for bank borrowing are set out in Note 32.

15. INTANGIBLE ASSETS

	Trademark	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2022	\$ 45,133	\$ 22,442	\$ 67,575
Additions	-	387	387
Disposals	-	(715)	(715)
Effect of foreign currency exchange differences	<u>665</u>	<u>301</u>	<u>966</u>
Balance at December 31, 2022	<u>\$ 45,798</u>	<u>\$ 22,415</u>	<u>\$ 68,213</u> (Continued)

	Trademark	Computer Software	Total
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$ -	\$ (11,725)	\$ (11,725)
Disposals	-	676	676
Amortization expenses	-	(2,046)	(2,046)
Effect of foreign currency exchange differences	-	(151)	(151)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (13,246)</u>	<u>\$ (13,246)</u>
Carrying amounts at December 31, 2022	<u>\$ 45,798</u>	<u>\$ 9,169</u>	<u>\$ 54,967</u>

Cost

Balance at January 1, 2021	\$ 45,476	\$ 21,083	\$ 66,559
Additions	-	1,504	1,504
Effect of foreign currency exchange differences	(343)	(145)	(488)
Balance at December 31, 2021	<u>\$ 45,133</u>	<u>\$ 22,442</u>	<u>\$ 67,575</u>

Accumulated amortization and impairment

Balance at January 1, 2021	\$ -	\$ (9,380)	\$ (9,380)
Amortization expenses	-	(2,411)	(2,411)
Effect of foreign currency exchange differences	-	66	66
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (11,725)</u>	<u>\$ (11,725)</u>
Carrying amounts at December 31, 2021	<u>\$ 45,133</u>	<u>\$ 10,717</u>	<u>\$ 55,850</u> (Concluded)

Management believes the Group will renew the trademark continuously to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Company, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually no matter there is an indication that it may be impaired.

Intangible assets are amortized on a straight-line basis over their estimated useful life as follows:

Computer software	2-10 years
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16. SHORT-TERM BORROWINGS

	December 31	
	2022	2021
Unsecured borrowings	<u>\$ -</u>	<u>\$ 5,000</u>

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

17. BOND PAYABLE

	December 31	
	2022	2021
Domestic unsecured convertible bond	\$ 291,704	\$ 289,287

On May 17, 2021, the Company issued 3,000 units NTD denominated un-secured convertible corporate bond with 0% coupon rate and total principal of \$300 million.

Each unit corporate bond holder is entitled to convert the bond into the Company common shares under the price of \$76 per share. After determination of the conversion price, adjustments shall be made in accordance with conversion price adjustment formula in the event of ex-right or ex-dividend. As of December 31, 2022, conversion price is \$64.9 and conversion period starts from August 18, 2021 to May 17, 2026. In the event of unconverted corporate bond upon expiration of aforementioned period, onetime cash repayment of bond face value will be made on May 17, 2026. In the event that condition is met, the Company shall be entitled to request to redeem this convertible corporate bond from creditors based on agreed prices.

During the period starts from the next day after 3 months of issuance and unit 40 days before expiration of the issuance, in the event the Company common share closing price in Taiwan Stock Exchange exceed this bond's conversion price at that time over 30% (included) for 30 consecutive business days, the Company will be entitled to send out a 30-day-expiration "Bond Redemption Notice" within subsequent 30 business days, and redeem all bonds in cash calculated based on face value up expiration of aforementioned period. During the period which starts from the next day after 3 months of issuance and until 40 days before expiration of the issuance, in the event that this bond's outstanding balance is lower than 10% of original total issue amount, the Company will therefore be entitled to send out a 30-day-expiration "Bond Redemption Notice" based on names recorded on bondholder's name list at any time thereafter, and redeem outstanding bond in cash calculated based on face value upon expiration of aforementioned period.

Respective expiration dates of 3-year periods after issuance are pre-mature sell back record dates for bondholders of this bond. Bondholders are entitled to send out notice in writing to the Company share agent within 40 days prior to aforementioned sell back record dates requesting the Company to redeem bond held by them in cash and in 100.75% of face value.

The liability components of this convertible corporate bond include liabilities classified as embedded derivative financial instruments and non-derivative products. Such embedded derivative financial instrument have been assessed at fair value of \$5,790 thousand (included in financial liabilities - noncurrent which are measured through profit/loss based on fair value) on December 31, 2022; non-derivative product liability have been measured on December 31, 2022 is \$291,704 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%	2,417
Gain on Valuation of Financial instrument	(24,761)
Effect of foreign currency exchange differences	521
Net liability components on December 31, 2022 (including \$291,704 thousand of corporate bond payable and \$5,790 thousand of financial liabilities at fair value - noncurrent)	\$ 297,494

As of December 31, 2022, the unsecured convertible bond has not yet been converted.

18. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries or bonuses	\$ 67,241	\$ 81,468
Payables for tax	22,252	13,715
Payables for employee benefits	5,796	7,211
Payables for social insurance and housing fund	2,844	23,615
Others	<u>37,947</u>	<u>34,576</u>
	<u>\$ 136,080</u>	<u>\$ 160,585</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 and Vietnam are members of a state-managed retirement benefit plan operated by the government of China and Vietnam. 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

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

On March 19, 2021, the Company's board of directors resolved to issue 3,000 thousand ordinary shares with a par value of \$10, for a consideration of \$50 per share. On April 21, 2021, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be October 5, 2021.

b. Capital surplus

	December 31	
	2022	2021
Issuance of ordinary shares (1)	\$ 411,863	\$ 411,863
Share capital and capital surplus (2)	250,373	250,373
Difference between consideration and carrying amount of subsidiaries acquired or disposed (1)	3,608	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method (3)	688	-
Adjustment of functional currency (4)	<u>(11,023)</u>	<u>(11,023)</u>
	<u>\$ 655,509</u>	<u>\$ 651,213</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) Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method will be reclassified to profit or loss at the time of disposing of the associate, this type of capital surplus only be used to offset a deficit.
- 4) Since January 1, 2016, the Company had changed the functional currency from U.S. dollars to Chinese Yuan, the Company postponed the adjustments of capital surplus and exchange differences on translating the financial statements of foreign operations.

c. Retained earnings and dividends policy

Dividends distribution and timing

The shareholders approved the amendments to the Company's Articles, about appropriations of earnings as follows:

- 1) As the Company is in the growing stage, the dividend/bonuses of the Company may be distributed in the form of cash dividends/bonuses and/or stock dividends/bonuses. The Company shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends/bonuses the Company wish to distribute.
- 2) During the shares listing period, subject to the Law, the Applicable Listing Rules and these Articles, where the Company has annual profits at the end of a financial year, upon the approval of a majority of the Directors present at a meeting attended by at least two-thirds or more of the total number of the Directors, the Company may distribute not less than three percent (3%) and not more than five percent (5%) of the profits for such year to the Employees as the Employees' compensation in the form of shares and/or in cash and may distribute not more than three percent (3%) hereof to the Directors as the Directors' compensation, provided, however, that the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the Employees and Directors in the proportion set out above. A report of such distribution of Employee and Directors' compensation shall be submitted to the general meeting of the Company. Except otherwise set forth by the Applicable Listing Rules, any Directors' compensation shall not be paid in the form of shares. The term "annual profits" as used herein shall mean the annual profits for

such year before tax without deducting the amount of compensation distributed to the Employees and Directors as prescribed in this Paragraph (2) of this Article.

- 3) During the share listing period, subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company's total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than ten percent (10%) of the remaining balance (including the amounts reversed from the Special Reserve), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than ten percent (10%) of the total amount of dividends/bonuses to Members.
- 4) During the period of listing of the Company, unless otherwise resolved by the general meeting of the Company, the dividends, bonuses or other forms of distributions payable to the Members shall be declared in NTD.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on June 8, 2022 and July 8, 2021, respectively, as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2021	2020
Provision legal reserve	\$ 21,342	\$ 21,935
Provision (reversal)Special reserve	10,008	(17,611)
Cash dividends	164,250	150,750
Cash dividends per share (NT\$)	\$4.5	\$4.5

The appropriation of earnings for 2022 had been proposed by the Company's board of directors on February 24, 2023. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Provision legal reserve	\$ 18,239	\$ -
Reversal special reserve	(20,016)	-
Cash dividends	127,750	3.5

The appropriation of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held on June 7, 2023.

d. Treasury shares

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

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

e. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ -	\$ 9,904
Non-controlling interests arising from acquisition of subsidiaries	22,045	-
Non-controlling interests arising from disposals of subsidiaries' portion ownerships (Note 26)	5,412	-
Attributable to non-controlling interests		
Net loss during the year	(8,465)	(3,349)
Other comprehensive income (loss) during the year	(128)	(82)
Acquisition of non-controlling interests in subsidiaries (Note 26)	<u>-</u>	<u>(6,473)</u>
Balance at December 31	<u>\$ 18,864</u>	<u>\$ -</u>

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	\$ 1,840,410	\$ 1,960,518
Project contract revenue	<u>174</u>	<u>-</u>
	<u>\$ 1,840,584</u>	<u>\$ 1,960,518</u>

a. Contract information

1) 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.

2) Project contract revenue

There is the retention and delay penalty in the project contract, the Group estimates the most possible amount for transaction price by reference to the past contracts of similar conditions and scale.

b. Contract balances

	December 31	
	2022	2021
Notes receivables and trade receivables (Notes 8 and 29)	<u>\$ 446,511</u>	<u>\$ 500,348</u>
Contract liabilities		
Environmental protection equipment sales	\$ 61,125	\$ 91,770
Amounts due to customers for project contracts	<u>55</u>	<u>-</u>
Contract liabilities	<u>\$ 61,180</u>	<u>\$ 91,770</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

c. Disaggregation of revenue

Refer to Note 34 for information relating to the disaggregation of revenue.

d. Partially completed contracts

As of December 31, 2022, the aggregate amounts of the transaction prices allocated to the performance obligations that are unsatisfied is \$ 37,807 thousand. The Group expects to recognize the related revenue as the project is constructed, which is expected to be within 1 to 2 years.

22. NET PROFIT FROM CONTINUING OPERATIONS

Major Components of Net Profit from Continuing Operations

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	<u>\$ 18,801</u>	<u>\$ 21,787</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on financial instruments at fair value through profit or loss, net	\$ 24,761	\$ (6,452)
Net foreign exchange gain (losses)	10,301	(2,941)
Subsidy	9,136	29,434
Rental income	3,563	2,804
Others	<u>(2,809)</u>	<u>(777)</u>
	<u>\$ 44,952</u>	<u>\$ 22,068</u>

c. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on convertible bond	\$ 2,417	\$ 1,509
Interest on lease liabilities	1,338	858
Interest on bank loans	<u>175</u>	<u>273</u>
	<u>\$ 3,930</u>	<u>\$ 2,640</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 26,104	\$ 20,524
Right-of-use assets	13,352	11,899
Intangible assets	2,046	2,411
Investment properties	<u>1,168</u>	<u>1,073</u>
	<u>\$ 42,670</u>	<u>\$ 35,907</u>
An analysis of depreciation by function		
Operating costs	\$ 10,153	\$ 7,560
Operating expenses	29,303	24,863
Non-operating expenses	<u>1,092</u>	<u>1,004</u>
	<u>\$ 40,548</u>	<u>\$ 33,427</u>
An analysis of amortization by function		
Operating expenses	\$ 2,046	\$ 2,411
Non-operating expenses	<u>76</u>	<u>69</u>
	<u>\$ 2,122</u>	<u>\$ 2,480</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Defined contribution plans	\$ 35,956	\$ 34,973
Share-based payments		
Equity-settled	-	3,000
Other employee benefits	<u>375,916</u>	<u>396,578</u>
	<u>\$ 411,872</u>	<u>\$ 434,551</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 55,581	\$ 65,962
Operating expenses	<u>356,291</u>	<u>368,589</u>
	<u>\$ 411,872</u>	<u>\$ 434,551</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at the rate 3%-5%, and no higher than 3%, respectively, of net profit before deducting income tax, employees' compensation and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, approved by the Company's board of directors on February 24, 2023 and February 25, 2022, respectively, were as follows:

Accrual rates

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	3.00%	3.18%
Remuneration of directors	1.91%	1.41%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Cash</u>	<u>Shares</u>	<u>Cash</u>	<u>Shares</u>
Employees' compensation	\$ 5,796	\$ -	\$ 7,211	\$ -
Remuneration of directors	3,703	-	3,193	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current period	\$ 39,695	\$ 57,341
Adjustments for prior years	2,873	70
Deferred tax		
In respect of the current period	<u>(14,808)</u>	<u>(13,559)</u>
	<u>\$ 27,760</u>	<u>\$ 43,852</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	\$ 201,685	\$ 256,126
Income tax expense calculated at the statutory rate	\$ 24,215	\$ 51,006
Unappropriated earnings of subsidiaries	7,968	5,975
Tax-exempt income	(5,777)	(5,228)
Adjustments for prior years' tax	2,873	70
Tax incentives of R&D expense	(10,681)	(10,993)
Unrecognized loss carryforwards	9,508	2,216
Others	(346)	806
Income tax expense recognized in profit or loss	\$ 27,760	\$ 43,852

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

b. Current tax liabilities

	For the Year Ended December 31	
	2022	2021
Current tax assets		
Prepaid income tax	\$ 133	\$ 25
Current tax liabilities		
Income tax payable	\$ 33,365	\$ 23,106

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Allowance for impairment loss	\$ 3,821	\$ 219	\$ 58	\$ 4,098
Provisional assessment payable	7,842	(1,431)	119	6,530
The difference in rent on the application of IFRS 16	185	(112)	3	76
Allowance for inventory write-downs	3,610	(6)	52	3,656
Tax losses	7,659	3,943	12	11,614
Unrealized gross profit	3	2	(1)	4
Unrealized exchange loss	16	433	(1)	448
	<u>\$ 23,136</u>	<u>\$ 3,048</u>	<u>\$ 242</u>	<u>\$ 26,426</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unappropriated earnings of subsidiaries	\$ (39,713)	\$ 11,931	\$ (623)	\$ (28,405)
Unrealized exchange gain	-	(171)	1	(170)
Adjustments for prior periods profit	<u>(3,997)</u>	<u>-</u>	<u>(58)</u>	<u>(4,055)</u>
	<u>\$ (43,710)</u>	<u>\$ 11,760</u>	<u>\$ (680)</u>	<u>\$ (32,630)</u>

For the year ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Allowance for impairment loss	\$ 4,673	\$ (816)	\$ (36)	\$ 3,821
Provisional assessment payable	8,130	(227)	(61)	7,842
The difference in rent on the application of IFRS 16	140	46	(1)	185
Allowance for inventory write-downs	4,237	(595)	(32)	3,610
Tax losses	5,628	2,041	(10)	7,659
Unrealized gross profit	34	(31)	-	3
Unrealized exchange loss	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>
	<u>\$ 22,842</u>	<u>\$ 434</u>	<u>\$ (140)</u>	<u>\$ 23,136</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Temporary differences				
Unappropriated earnings of subsidiaries	\$ (53,249)	\$ 13,125	\$ 411	\$ (39,713)
Adjustments for prior periods profit	<u>(4,027)</u>	<u>-</u>	<u>30</u>	<u>(3,997)</u>
	<u>\$ (57,276)</u>	<u>\$ 13,125</u>	<u>\$ 441</u>	<u>\$ (43,710)</u>

- d. Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 9,310	2024
9,468	2025
8,863	2026
34,236	2027
12,796	2030
11,136	2031
<u>29,671</u>	2032
<u>\$ 115,480</u>	

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Loss carryforwards		
Expiry in 2024	\$ 9,310	\$ 9,310
Expiry in 2025	9,468	9,468
Expiry in 2026	8,863	8,863
Expiry in 2027	<u>29,768</u>	<u>-</u>
	<u>\$ 57,409</u>	<u>\$ 27,641</u>

- f. 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 Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 5.00</u>	<u>\$ 6.30</u>
Diluted earnings per share	<u>\$ 3.78</u>	<u>\$ 5.86</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 182,390	\$ 215,623
Effect of potentially dilutive ordinary shares:		
Convertible corporate bond	<u>(26,612)</u>	<u>1,509</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 155,778</u>	<u>\$ 217,132</u>

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

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	36,500	34,223
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	127	140
Convertible bonds	<u>4,622</u>	<u>2,689</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>41,249</u>	<u>37,052</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

Cash capital increase reserved for employees

On March 19, 2021, the board of directors of the Company resolved to issue 3,000 thousand new shares with a denomination of NT\$10 per share, amounted to \$30,000 thousand. The subscription base date was determined as October 5, 2021. According to Article 267 of Taiwan's Company Act, there shall be 10% of new shares reserved for subscription by the employees. The right to subscription of new shares are reserved for full-time employees. According to IFRS 2 "Share-based Payment", approved by the FSC, the subscription is classified as equity-settled share-based payment.

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

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

Compensation cost recognized was \$3,000 thousand for the year ended December 31, 2021.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 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.

For the year ended December 31, 2022

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

In November 2021, the Group purchase 40% of the shares from a minority shareholders of GSD Environmental Technology Co., Ltd., and increased its continuing interest from 60% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

For the year ended December 31, 2021

	GSD Environmental Technology Co., Ltd.
Consideration paid	\$ (8,683)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>6,473</u>
Differences recognized from equity transactions	<u>\$ (2,210)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (2,210)</u>

27. CAPITAL MANAGEMENT

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

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

28. FINANCIAL INSTRUMENTS

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

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.

December 31, 2022

		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Measured at amortized costs					
Convertible corporate bond	\$ 291,704	\$ -	\$ 282,120	\$ -	\$ 282,120

December 31, 2021

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

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

Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	<u>\$ -</u>	<u>\$ 5,790</u>	<u>\$ -</u>	<u>\$ 5,790</u>

December 31, 2021

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

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,406,208	\$ 1,694,282
<u>Financial liabilities</u>		
FVTPL		
Held for trading	5,790	30,030
Financial liabilities at amortized cost (2)	815,533	823,785

- 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 refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowing, notes payable, trade payables, trade payable - related parties, other payables, bonds payable and guarantee deposits received.

d. Financial risk management objectives and policies

The purpose of the financial risk management of the Group is mainly to manage exchange rate risk, interest rate risk, credit risk and liquidity risk related to operating activities. In order to reduce the related financial risks, the Group assesses the market uncertainty and, the financial risks related to the operation of the Group by analyzing the internal risk report particularly the degree and extent of the risk, including market risk (exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

a) Foreign currency risk

The subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 12% and 14%, of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currency of the Group entity making the sale.

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

Sensitivity analysis

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

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

	U.S. Dollar Impact			
	For the Year Ended December 31			
	2022		2021	
	CNY	NTD	CNY	NTD
Profit or loss*	\$ 230	\$ 1,013	\$ 248	\$ 1,077

* This was mainly attributable to the exposure on outstanding receivables, payables and bank deposit in U.S. dollar which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because the Group has financial assets and liabilities subject to fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
<u>NTD</u>		
Cash flow interest rate risk		
Financial assets	\$ 352,372	\$ 330,518
Financial liabilities	-	5,000
Fair value interest rate risk		
Financial assets	622,574	877,010
Financial liabilities	309,995	313,456

Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would increase/decrease by \$881 thousand and \$814 thousand, respectively, which was mainly attributable to the Group's variable-rate financial assets and liabilities.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Company is exposed to credit risk from operating activities, primarily trade receivables.

In order to maintain and improve the quality of trade receivables, the Group evaluates the credit status of peers and enterprises before the transaction, and establishes trade receivables follow-up mechanisms to reduce the risk of being unable to collect trade receivables.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business operations and able to maintain adequate cash and cash equivalents and banking facilities.

The sales of the Group are mainly paid in the form of cash and remittance. Generally, the trade receivables are collected within 135 days, and the relative accounts payable and other payables are paid within 90 days. Since the Group has sufficient capital to fund its business, and adequate bank facilities, it is not expected to have liquidity risk.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2022

	On Demand or Less than 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>			
Notes payables	\$ 93,417	\$ -	\$ 93,417
Trade payables	267,636	-	267,636
Trade payables - related parties	26,454	-	26,454
Other payables	136,080	-	136,080
Lease liabilities	9,836	9,697	19,533
Guarantee deposits received	-	242	242
Bond payables	-	300,000	300,000
	<u>\$ 533,423</u>	<u>\$ 309,939</u>	<u>\$ 843,362</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	Total
Lease liabilities	<u>\$ 9,836</u>	<u>\$ 9,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,533</u>

December 31, 2021

	On Demand or Less than 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>			
Short-term borrowing	\$ 5,003	\$ -	\$ 5,003
Notes payables	45,522	-	45,522
Trade payables	299,570	-	299,570
Trade payables - related parties	23,581	-	23,581
Other payables	160,585	-	160,585
Lease liabilities	8,728	18,253	26,981
Guarantee deposits received	-	240	240
Bond payables	<u>-</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 542,989</u>	<u>\$ 318,493</u>	<u>\$ 861,482</u>

Additional information about the maturity analysis for lease liabilities:

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

b) Financing facilities

	<u>December 31</u>	
	2022	2021
<u>NTD</u>		
Bank loans and credit lines that will expire in the next year		
Amount used	\$ 78,160	\$ 49,933
Amount unused	<u>620,389</u>	<u>599,139</u>
	<u>\$ 698,549</u>	<u>\$ 649,072</u>

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2022 and 2021, the face amounts of these unsettled bills receivable were \$187,034 thousand and \$177,768 thousand, respectively. The unsettled bills receivable will be due in 9 months and 10 months, respectively after December 31, 2022 and 2021. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 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

<u>Related Party Name</u>	<u>Related Party Category</u>
Pinghu Hey Wel Environmental Protection Equipment Co., Ltd. (Pinghu Hey Wel)	Related party in substance
Hey-Wel Mechanical Co., Ltd. (Hey-Wel Mechanical)	Related party in substance
Yuh Shan Environmental Engineering Co., Ltd. (Yuh Shan Environmental)	Associate
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

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Yuh Shan Environmental	\$ 112,335	\$ 76,162
Pinghu Hey Wel	2,536	3,868
Hey-Wel Mechanical	<u>2,487</u>	<u>1,052</u>
	<u>\$ 117,358</u>	<u>\$ 81,082</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 Year Ended December 31	
	2022	2021
Pinghu Hey Wel	\$ 116,661	\$ 141,143
Hey-Wel Mechanical	<u>4,828</u>	<u>4,080</u>
	<u>\$ 121,489</u>	<u>\$ 145,223</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 December 31, 2022 and 2021, the gross lease payments to be received are \$18,485 thousand and \$935 thousand, respectively. Lease income recognized for the years ended December 31, 2022 and 2021 were \$3,563 thousand and \$2,804 thousand.

e. Operating costs

Related Party Name	For the Year Ended December 31	
	2022	2021
Pinghu Hey Wel	<u>\$ 522</u>	<u>\$ 1,160</u>

f. Other income

Related Party Name	For the Year Ended December 31	
	2022	2021
Pinghu Hey Wel	<u>\$ 1,804</u>	<u>\$ 1,859</u>

g. Other expenses

Related Party Name	For the Year Ended December 31	
	2022	2021
Pinghu Hey Wel	<u>\$ 106</u>	<u>\$ 110</u>

h. Receivables from related parties

Line Item	Related party Name	December 31	
		2022	2021
Trade receivables	Pinghu Hey Wel	\$ 5,476	\$ 8,425
	Yuh Shan Environmental	-	2,642
	Hey-Wel Mechanical	<u>354</u>	<u>120</u>
		<u>\$ 5,830</u>	<u>\$ 11,187</u>
Note receivable	Yuh Shan Environmental	\$ -	\$ 51,810
	Hey-Wel Mechanical	<u>4</u>	<u>117</u>
		<u>\$ 4</u>	<u>\$ 51,927</u>
Other receivables	Pinghu Hey Wel	<u>\$ 506</u>	<u>\$ 481</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized on trade receivables from related parties.

i. Payables to related parties

Related Party Name	December 31	
	2022	2021
Pinghu Hey Wel	\$ 23,615	\$ 23,549
Hey-Wel Mechanical	<u>2,839</u>	<u>32</u>
	<u>\$ 26,454</u>	<u>\$ 23,581</u>

The outstanding trade payables to related parties are unsecured.

j. Guarantee deposits received

Related Party Name	December 31	
	2022	2021
Pinghu Hey Wel	<u>\$ 242</u>	<u>\$ 240</u>

k. Contract liabilities

Related Party Name	December 31	
	2022	2021
Yuh Shan Environmental	<u>\$ -</u>	<u>\$ 4,696</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 Year Ended December 31, 2022	
		Accumulated Percentage of Shares Disposed	Accumulated Transaction Amount
Pinghu Jiayuan	Shares of GSD Environmental Technology Co., Ltd.	30%	\$ 6,765
Wang Qian	Shares of GSD Environmental Technology Co., Ltd.	6%	1,353
Liu Xiao	Shares of GSD Environmental Technology Co., Ltd.	4%	<u>902</u>
			<u>\$ 9,020</u>

m. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 24,655	\$ 37,553
Post-employment benefits	<u>278</u>	<u>276</u>
	<u>\$ 24,933</u>	<u>\$ 37,829</u>

The remuneration of directors and key executives was determined by the board of directors 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:

December 31, 2022

	Unit: Foreign Currencies in Thousand		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,713	6.9646 (USD:CNY)	\$ 113,920
NTD	63,932	0.2269 (NTD:CNY)	63,932
<u>Financial liabilities</u>			
Monetary items			
USD	412	6.9646 (USD:CNY)	12,657
NTD	313,183	0.2269 (NTD:CNY)	313,183

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,365	6.3757 (USD:CNY)	\$ 120,807
NTD	125,208	0.2302 (NTD:CNY)	125,208
<u>Financial liabilities</u>			
Monetary items			
USD	474	6.3757 (USD:CNY)	13,131
NTD	360,056	0.2302 (NTD:CNY)	360,056

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$10,301 thousand and (\$2,941) thousand, respectively.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December, 31	
	2022	2021
Properties	\$ 62,374	\$ 68,514
Right-of-use assets	36,689	37,628
Investment properties	16,951	15,389
Other current assets (restricted demand deposits)	<u>33,148</u>	<u>5,160</u>
	<u>\$ 149,162</u>	<u>\$ 126,691</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 at the end of the year, 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:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - The amount of property transactions and the amount of the resultant gains or losses
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds
 - Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- 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

a. Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

Unit: New Taiwan Dollars in Thousands

	For the Year Ended December, 31, 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	\$ 169,030	\$ 36,405	\$ -	\$ 13,867	\$ 1,648,239	\$ -	\$ 225,745	\$ 2,142	\$ 214	\$ (255,058)	\$ 1,840,584
Expenditure	163,456	67,442	65	17,940	1,481,481	17,573	203,703	20,989	4,285	(252,001)	1,724,933
Gross profit/(loss)	<u>\$ 5,574</u>	<u>\$ (31,037)</u>	<u>\$ (65)</u>	<u>\$ (4,073)</u>	<u>\$ 166,758</u>	<u>\$ (17,573)</u>	<u>\$ 22,042</u>	<u>\$ (18,847)</u>	<u>\$ (4,071)</u>	<u>\$ (3,057)</u>	115,651
Other gains and losses											44,952
Interest income											18,801
Finance costs											(3,930)
Share of profit of associates accounted for using equity method											26,211
Profit before income tax											<u>\$ 201,685</u>
Identified assets											
Notes and accounts receivable	\$ 27,541	\$ 15,947	\$ -	\$ 1,873	\$ 384,688	\$ -	\$ 85,783	\$ 50	\$ -	\$ (95,054)	\$ 420,828
Inventories	653	5,321	-	11,685	116,153	-	21,173	6	17	(1,925)	153,083
Property, plant and equipment	1,584	2,618	-	2,408	364,991	153,476	3,053	1,168	425	2,294	532,017
	<u>\$ 29,778</u>	<u>\$ 23,886</u>	<u>\$ -</u>	<u>\$ 15,966</u>	<u>\$ 865,832</u>	<u>\$ 153,476</u>	<u>\$ 110,009</u>	<u>\$ 1,224</u>	<u>\$ 442</u>	<u>\$ (94,685)</u>	1,105,928
General assets											<u>\$ 2,510,168</u>
Identified liabilities											
Notes and accounts payable	\$ 21,246	\$ 17,164	\$ -	\$ 4,663	\$ 372,561	\$ 29,445	\$ 34,507	\$ 2,803	\$ 11	\$ (94,893)	\$ 387,507
General liabilities											579,282
											<u>\$ 966,789</u>
Depreciation and amortization	<u>\$ 4,225</u>	<u>\$ 861</u>	<u>\$ -</u>	<u>\$ 1,588</u>	<u>\$ 28,624</u>	<u>\$ 407</u>	<u>\$ 3,364</u>	<u>\$ 715</u>	<u>\$ 189</u>	<u>\$ 2,697</u>	<u>\$ 42,670</u>

For the Year Ended December 31, 2021								
	GSD Technologies Co., Ltd.	GSD Enviro Tech (Taiwan) Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	GSD (China) Co., Ltd.	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	GSD Environmental Technology Co., Ltd.	Internal Transfer Pricing
Revenue	\$ 186,857	\$ 13,252	\$ -	\$ 1,758,580	\$ -	\$ 300,815	\$ 1,745	\$ (300,731)
Expenditure	224,459	24,546	58	1,527,416	764	268,092	11,291	(299,335)
Gross profit/(loss)	<u>\$ (37,602)</u>	<u>\$ (11,294)</u>	<u>\$ (58)</u>	<u>\$ 231,164</u>	<u>\$ (764)</u>	<u>\$ 32,723</u>	<u>\$ (9,546)</u>	<u>\$ (1,396)</u>
Other gains and losses								22,068
Interest income								21,787
Finance costs								(2,640)
Share of profit of associates accounted for using equity method								11,684
Profit before income tax								<u>\$ 256,126</u>
Identified assets								
Notes and accounts receivable	\$ 87,071	\$ 5,120	\$ -	\$ 384,169	\$ -	\$ 171,805	\$ -	\$ (172,179)
Inventories	1,598	129	-	92,886	-	40,468	-	(63)
Property, plant and equipment	3,135	490	-	241,658	21,305	7,509	849	3,721
	<u>\$ 91,804</u>	<u>\$ 5,739</u>	<u>\$ -</u>	<u>\$ 718,713</u>	<u>\$ 21,305</u>	<u>\$ 219,782</u>	<u>\$ 849</u>	<u>\$ (168,521)</u>
General assets								<u>1,628,962</u>
								<u>\$ 2,518,633</u>
Identified liabilities								
Notes and accounts payable	\$ 63,126	\$ 5,976	\$ -	\$ 426,572	\$ -	\$ 45,180	\$ -	\$ (172,181)
General liabilities								667,897
								<u>\$ 1,036,570</u>
Depreciation and amortization	<u>\$ 4,796</u>	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 24,289</u>	<u>\$ 187</u>	<u>\$ 3,243</u>	<u>\$ 942</u>	<u>\$ 2,385</u>
								<u>\$ 35,907</u>

The consolidated financial information of the Group's operating department is based on the overall operating conditions of the consolidated entities and used by the management to make operational decisions. Therefore, the operating department information is disclosed on the basis of the consolidated statement.

The revenue reported above is generated from trading with external customers.

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

No other single customers contributed 10% or more to the Group's revenue in 2022 and 2021.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2022	2021
For sale environmental equipment	\$ 1,840,410	\$ 1,960,518
Construction projects	<u>174</u>	<u>-</u>
	<u>\$ 1,840,584</u>	<u>\$ 1,960,518</u>

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations is detailed below.

Revenue from External Customers	For the Year Ended December 31	
	2022	2021
Asia	\$ 1,821,876	\$ 1,957,078
Others	<u>18,708</u>	<u>3,440</u>
	<u>\$ 1,840,584</u>	<u>\$ 1,960,518</u>

TABLE 1

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

LOAN PROVIDED TO OTHER PARTIES
DECEMBER 31, 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) (Note 2)	Ending Balance (Foreign Currencies in Thousands)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Note
													Item	Value			
0	GSD Technologies Co., Ltd.	Chuan Yuan Hydraulic Engineering Co., Ltd.	Other receivables	Yes	\$ 88,160 (CNY 20,000)	\$ -	\$ -	-	The need for short-term financing	\$ -	For counterparty to invest its subsidiary to construct factory and purchase equipment	\$ -	-	\$ -	\$ 609,806	\$ 609,806	
		GSD (China) Co., Ltd.	Other receivables	Yes	88,160 (CNY 20,000)	44,080 (CNY 10,000)	-	-	The need for short-term financing	-	For counterparty to construct factory and purchase equipment	-	-	-	609,806	609,806	
		GSD Enviro Tech Vietnam Company Limited	Other receivables	Yes	30,710 (US\$ 1,000)	30,710 (US\$ 1,000)	-	Least 3%	The need for short-term financing	-	For operational turnaround	-	-	-	609,806	609,806	
		GSD Enviro Tech (Taiwan) Co., Ltd.	Other receivables	Yes	44,080 (CNY 10,000)	44,080 (CNY 10,000)	-	-	The need for short-term financing	-	For operational turnaround	-	-	-	609,806	609,806	
1	GSD (China) Co., Ltd.	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Other receivables	Yes	88,160 (CNY 20,000)	88,160 (CNY 20,000)	-	3%	The need for short-term financing	-	For operational turnaround and purchase equipment	-	-	-	330,236	660,472	

Note 1: Arabic numeral 0 represents GSD Technologies Co., Ltd., and the investee company is numbered in sequence starting from the Arabic numeral 1.

Note 2: Maximum balance and ending balance for the period are calculated based on exchange rate on December 31, 2022.

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

The limits of financing amounts of the Company were as follows:

- a. Where the Company loan funds to the subsidiary which GSD hold, directly or indirectly, 100% of voting shares, both the maximum amount permitted to a single borrower and the aggregate amount of loans shall not exceed 40% of the Company’s net worth.
- b. The restriction mentioned in preceding paragraph is not applicable to the fund loans between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the aggregate loan fund amount shall not exceed 60% of the net worth of the lender, and the amount loan to single borrower shall not exceed 30% of the net worth of the lender.
- c. Where the subsidiary in Taiwan loan funds to others, and where foreign subsidiary loan funds to the Company or the subsidiary in Taiwan, the maximum amount permitted to a single borrower and the aggregate amount of loans shall not exceed 40% of the net worth of the lender.

The limits of financing amounts of the GSD (China) Co., Ltd. were as follows:

- a. The amount of accumulated balance of loan provided to other parties shall not exceed 40% of the latest financial statements of lender, and the maximum amount permitted to a single borrower of loans shall not exceed 10% of the lender’s net worth.
- b. The restriction mentioned in preceding paragraph is not applicable to the fund loans to the subsidiary in which GSD (China) Co., Ltd. holds, directly or indirectly, 100% of the voting shares. However, the aggregate loan fund amount shall not exceed 60% of the net worth of the lender, and the amount loan to single borrower shall not exceed 30% of the net worth of the lender.
- c. The restriction mentioned in preceding paragraph is not applicable to the fund loans to the subsidiary in which the parent company or ultimate parent entity, directly or indirectly, 100% of the voting shares. 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.

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 YEAR ENDED DECEMBER 31, 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 (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	Subsidiary	Purchase	\$ 222,982	20	90 days	The same with normal vendor	The normal payment term is 0-90 days	\$ (85,622)	22	Note
Shanghai GSD Industrial Co., Ltd.	GSD (China) Co., Ltd.	Parent company	Sale	(222,982)	12	90 days	The same with normal customer	The normal payment term is 0-90 days	85,622	20	Note
GSD (China) Co., Ltd.	PinGhu Hey Wel Equipment Co., Ltd.	Related party in substance	Purchase	116,661	11	90 days	The same with normal vendor	The normal payment term is 0-90 days	(23,615)	6	-
GSD Technologies Co., Ltd.	Yuh Shan Environmental Engineering Co., Ltd.	Associate	Sale	(112,335)	6	Contractual payment	The same with normal customer	The normal payment term is 0-90 days	-	-	-

Note: The above amounts were eliminated in the consolidated financial statement.

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
DECEMBER 31, 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	\$ 85,622	-	\$ -	-	\$ -	\$ -

Note: The above amounts were eliminated in the consolidated financial statement.

TABLE 4**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	GSD Technologies Co., Ltd.	GSD (China) Co., Ltd.	a	Purchases	\$ 1,728	90 days	-
1	GSD (China) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	c	Payables to related parties	85,622	90 days	3
		Shanghai GSD Industrial Co., Ltd.	c	Revenue from sale of goods	3,351	90 days	-
		Shanghai GSD Industrial Co., Ltd.	c	Purchases	222,982	90 days	12
		GSD Environmental Technology Co., Ltd.	c	Prepayment	9,918	Contractual payment	-
		GSD Environmental Technology Co., Ltd.	c	Purchases	1,143	30 days	-
		GSD Enviro Tech (Taiwan) Co., Ltd.	c	Receivables from related parties	1,009	90 days	-
		GSD Enviro Tech (Taiwan) Co., Ltd.	c	Revenue from sale of goods	1,700	90 days	-
		GSD Enviro Tech Vietnam Company Limited	c	Receivables from related parties	4,663	90 days after bill of lading date	-
		GSD Enviro Tech Vietnam Company Limited	c	Revenue from sale of goods	19,986	90 days after bill of lading date	1
2	GSD Enviro Tech. (Yangzhou) Co., Ltd.	Shanghai GSD Industrial Co., Ltd.	c	Other payables to related parties	1,949	90 days	-
		Shanghai GSD Industrial Co., Ltd.	c	Acquire fixed assets	1,693	90 days	-
3	GSD Enviro Tech (Taiwan) Co., Ltd.	GSD Environmental Technology Co., Ltd.	c	Receivables from related parties	2,803	Contractual payment	-
		GSD Environmental Technology Co., Ltd.	c	Revenue from sale of goods	2,653	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 financial statement.

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 YEAR ENDED DECEMBER 31, 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 December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 2)	Note
				December, 31, 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	100.00	\$ 1,291,949	\$ 145,829	\$ 141,270	Subsidiary
	GSD Enviro Tech (Taiwan) Co., Ltd.	Taiwan	Investment holding, selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	180,000	150,000	18,000,000	100.00	183,115	(533)	(533)	Subsidiary
GSD Enviro Tech (Taiwan) Co., Ltd.	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	85.00	22,235	(3,052)	(2,594)	Subsidiary
	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	146,568	125,354	26,211	Associates

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

Note 2: Share of profit are recognized by their financial statements which were audited by international CPA firms.

Note 3: Except for Yuh Shan Environment, share of profit, balances of investment and net worth are eliminated in full upon consolidation.

Note 4: Information on investments in mainland China please refer to Table 6.

TABLE 6

GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 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	\$ 590,672 (CNY 134,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	\$ -	\$ -	Not applicable	\$ 169,503	100%	\$ 169,503	\$ 1,100,786	\$ -	-
Shanghai GSD Industrial Co., Ltd.	Mainly for the production, sales, installation, maintenance and provision of related technical services for environmental protection equipment; and agent for environmental protection related products such as pharmaceuticals and consumables	91,120 (CNY 20,672 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable	-	-	Not applicable	16,228	100%	16,221	159,705	-	-
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	44,080 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable	-	-	Not applicable	(18,602)	60%	(12,157)	(1,702)	-	-
CNCN (Beijing) Enviro Tech Co., Ltd.	Selling of sludge drying and energy management equipment and providing installation, repair, and technical support services	44,080 (CNY 10,000 thousand)	Indirect investment in mainland China through GSD (China) Co., Ltd.	Not applicable	-	-	Not applicable	(3,906)	60%	(2,344)	24,112	-	-
GSD Enviro Tech (Yangzhou) Co., Ltd.	Manufacturing and selling of environmental protection equipment and its consumables, and providing installation, repair, and technical support services	220,400 (CNY 50,000 thousand)	Indirect investment in mainland China through a third-area	Not applicable	-	-	Not applicable	(15,736)	100%	(15,736)	204,793	-	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Not applicable	Not applicable	Not applicable

- Note 1: Translated at December 31, 2022.
- Note 2: The financial statements were audited by the auditors of Taiwan parent company.
- Note 3: All share of profit (loss), balances of investment and net worth are eliminated in full upon consolidation.

(Concluded)

TABLE 7**GSD TECHNOLOGIES CO., LTD AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.

GSD Technologies Co. Ltd.

Chairman: Hsieh, Hung-June

April 30, 2023