LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
ACCOUNTANTS DECEMBER 31, 2022 AND 2021
(STOCK CODE: 4552)

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LIDA HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Financial Statements
for the Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report Table of Contents

REPORT OF INDEPENDENT ACCOUNTANTS

(2023) Financial Audit Report No. 22005001

To the Board of Directors and Shareholders of Lida Holdings Limited

Opinion

We have audited the accompanying consolidated balance sheets of Lida Holdings Limited and its subsidiaries (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis of opinion

We conducted our audit of the consolidated financial statements in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). We are independent of the Group in accordance with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in our audit of the Group's consolidated financial statements for the year 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, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year 2022 are stated as follows:

Cash and financial assets at amortized cost

Description

Please refer to Notes 6 (1) and 6 (2) to the consolidated financial statements for the accounting policies on cash and financial assets at amortized cost. As of December 31, 2022, the balances of cash and financial assets at amortized cost amounted to NT$2,564,693 thousand.

The Group designs, manufactures, and sells mechanical and electrical products such as air compressors, electric welding machines and electric tools. Because of stable collection, cash and financial assets at amortized cost are material to the consolidated financial statements, representing 35% of the total consolidated assets. Thus, we consider cash and financial assets at amortized cost as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Evaluated and tested the effectiveness of the internal control over cash management, including segregation of duties for cash receipts and recording, authorization of receipts and payments in cash and book general entry.
2. Sending written confirmation requests regarding all bank accounts, including the control of the procedures for issuance and response to letters of documents and assessing the reliability of the letters to verify the existence, accuracy as well as rights and obligations of cash and financial assets at amortized cost.
3. Performed a test audit for large inflows and outflows of cash and ensured whether the nature of the transactions complied with the business operating needs.
4. Tested the bank reconciliation report by verifying the balance of all accounts against that of the general ledger, checking the balance of the bank account against the bank statements and bank confirmations, and inspecting the reconciling items against the bank statements after the balance sheet date or other supporting documents to ensure the completeness, accuracy as well as the rights and obligations of bank deposit.
5. Perform an inventory audit to confirm the existence of cash on hand, revolving funds and time deposit receipts.

Sale revenue from distribution selling

Description

Please refer to Note 4 (25) to the consolidated financial statements for the accounting policies on revenue recognition. For details of revenue recognition, please refer to Note 6 (15). For the year ended December 31, 2022, the Group's sales revenue was NT$5,140,155 thousand.

The Group primarily adopts a sales distribution model and signs, with distributors each year, agreements that state the rights and obligations of distributors, such as the terms and conditions, sales quotas, delivery method, maintenance and warranty, and refund policy.

Given that the income generated under the above sale distribution model made up 77% of the total Group sales revenue, the sales distribution model and terms of transactions would have a significant impact on the recognition of the sales revenue. Thus, we consider sales revenue from distribution selling as the key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the main or new distributors by checking the owner, major shareholders, registered address, business address, capital, main business items and other relevant information of the distribution companies.
2. Conducted interviews with major distributors to verify the existence of distributors' purchases, checked the veracity of sales pertaining to distributors and confirmed whether the financial information of transactions between the distributors and the Group was consistent with the information in the report.
3. Verified the accuracy of the balance of accounts receivable at period end and total sales revenue for the year by sending confirmation request letters to Group’s major distributors including the control of the procedures for issuance and response to letters of documents and assessed the reliability of the letters.
4. Assessed and tested the effectiveness of internal controls over sales, including the procedures for customer orders, shipping, and sales and collection.
5. Conducted substantive test on sales revenue and subsequent collection.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines are 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgement 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those 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 controls 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 Group’s consolidated financial statements for the year 2021 and are therefore the key audit matters. We describe these matters in our auditor’s 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.

Pricewaterhouse Coopers Taiwan
Chen, Hsien-Cheng
CPA
Laing, Yi-Zhang

Financial Supervisory Commission R.O.C. (Taiwan)
Auditing Approved：Rule No. 1060025060
Rule No. 1070303009
March 27, 2022

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 1,771,253	24	$ 1,602,990	22
1136	Financial assets at amortized cost-current	6 (2)	793,440	11	781,920	11
1170	Accounts receivable, net	6 (3)	1,075,135	14	976,539	14
1180	Accounts receivable－related parties, net	7	46	-	-	-
1200	Other receivables		13,961	-	-	-
130X	Inventories, net	6 (4)	322,854	4	347,683	5
1410	Prepayments		1,080	-	144	-
1470	Other current assets	8	4,414	-	6,936	-
11XX	**Total current assets**		3,982,183	53	3,716,212	52
	Non-current assets					
1535	Financial assets at amortized cost-non-current	6 (2)	-	-	29,192	1
1600	Property, plant and equipment	6 (5) & 8	3,304,868	44	3,170,716	44
1755	Right-of-use assets	6 (6) & 8	156,615	2	158,851	2
1760	Investment property, net	6 (8)	49,845	1	50,188	1
1840	Deferred income tax assets	6 (22)	17,148	-	11,097	-
1915	Prepayment for business facilities		4,548	-	-	-
1990	Other non-current assets-other		877	-	3,419	-
15XX	**Total non-current assets**		3,533,901	47	3,423,463	48
1XXX	**Total assets**		$ 7,516,084	100	$ 7,139,675	100

(continued)

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2022			December 31, 2021		
				Amount	%		Amount	%
	Current liabilities							
2100	Short-term borrowings	6 (9) & 8	$	191,748	3	$	160,728	2
2130	Contract liabilities-current	6 (15)		5	-		137	-
2170	Accounts payable			771,177	10		909,171	13
2200	Other payables	6 (10)		115,588	1		111,854	1
2230	Current income tax liabilities			51,193	1		42,892	1
2250	Provision for liabilities-current			7,598	-		6,085	-
2280	Lease liabilities-current			663	-		1,063	-
21XX	**Total current liabilities**			1,137,972	15		1,231,930	17
	Non-current liabilities							
2570	Deferred income tax liabilities	6 22)		562,701	8		504,151	7
2580	Lease liabilities-non-current			-	-		598	-
25XX	**Total non-current liabilities**			562,701	8		504,749	7
2XXX	**Total liabilities**			1,700,673	23		1,736,679	24
	Equity							
	Equity attributable to owners of parent company's share capital							
	Share capital	6 (12)						
3110	Common stock			1,160,000	15		1,160,000	16
	Capital surplus	6 (13)						
3200	Capital surplus			1,548,200	20		1,548,200	22
	Retained earnings	6 (14)						
3320	Special reserve			605,682	8		605,682	9
3350	Unappropriated earnings			2,978,195	40		2,648,461	37
	Other equity							
3400	Other equity			(476,666)	(6)		(559,347)	(8)
31XX	**Total equity attributable to owners of parent company**			5,815,411	77		5,402,996	76
3XXX	**Total equity**			5,815,411	77		5,402,996	76
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$	7,516,084	100	$	7,139,675	100

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

Chairman: Chien-Leng Wu　　Manager: Yi-Ping Cheng　　Accounting Supervisor: Yun-Xiang Huang

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			2022		2021	
	Items	Notes	Amount	%	Amount	%
4000	Operating revenue	6 (15) & 7	$ 5,140,155	100	$ 5,000,455	100
5000	Operating costs	6 (4) (20) (21)	(3,999,591)	(78)	(4,048,639)	(81)
5900	Gross profit		1,140,564	22	951,816	19
	Operating expenses	6 (4) (5) (11) (20) (21) &7				
6100	Sales and marketing expenses		(114,506)	(2)	(118,332)	(2)
6200	General and administrative expenses		(94,984)	(2)	(96,716)	(2)
6300	Research and development expenses		(251,916)	(5)	(174,745)	(3)
6450	Expected credit impairment (loss) gain	6 (20) & 12 (2)	(21,234)	-	(38,508)	(1)
6000	Total operating expenses		(482,640)	(9)	(428,301)	(8)
6900	Operating profit		657,924	13	523,515	11
	Non-operating income and expenses					
7100	Interest income from bank deposits	6 (16)	19,236	-	19,177	-
7010	Other income	6 (17) & 7	2,388	-	2,390	-
7020	Other gains and losses	6 (18)	4,222	-	(9,185)	-
7050	Finance costs	6 (19)	(6,926)	-	(7,132)	-
7000	Total non-operating income and expenses		18,920	-	5,250	-
7900	**Profit before income tax**		676,844	13	528,765	11
7950	Income tax expense	6 (22)	(231,110)	(4)	(166,055)	(3)
8200	**Profit for the current period**		$ 445,734	9	$ 362,710	8
	Other comprehensive income, net of income tax					
	Not reclassified to profit or loss					
8361	Exchange difference from translation of financial statements of foreign operations		$ 82,681	1	($ 37,752)	(1)
8300	**Other comprehensive income (loss) for the year, net of income tax**		$ 82,681	1	($ 37,752)	(1)
8500	**Total comprehensive income for the year**		$ 528,415	10	$ 324,958	7
	Profit attributable to:					
8610	Owners of parent company		$ 445,734	9	$ 362,710	8
	Total comprehensive income attributable to:					
8710	Owners of parent company		$ 528,415	10	$ 324,958	7
	Earnings per share	6 (23)				
9750	Total basic earnings per share (in dollars)		$	3.84	$	3.13
9850	Total diluted earnings per share (in dollars)		$	3.84	$	3.12

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

Chairman: Chien-Leng Wu Manager: Yi-Ping Chen Accounting Supervisor: Yun-Xiang Huang

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of parent company					
				Retained earnings			
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Special reserve	Unappropriated retained earnings	Exchange difference from translation of financial statements of foreign operations	Total Equity
For the year ended December 31, 2021							
Balance on January 1, 2021		$ 1,160,000	$ 1,548,200	$ 605,682	$ 2,414,511	($ 521,595)	$ 5,206,798
Net income for the year		-	-	-	362,710	-	362,710
Other comprehensive loss for the year		-	-	-	-	(37,752)	(37,752)
Total comprehensive income (loss) for the year		-	-	-	362,710	(37,752)	324,958
Appropriation and distribution of earnings	6 (14)						
Cash dividends		-	-	-	(128,760)	-	(128,760)
Balance on December 31, 2021		$ 1,160,000	$ 1,548,200	$ 605,682	$ 2,648,461	($ 559,347)	$ 5,402,996
For the year ended December 31, 2022							
Balance on January 1, 2022		$ 1,160,000	$ 1,548,200	$ 605,682	$ 2,648,461	($ 559,347)	$ 5,402,996
Net income for the year		-	-	-	445,734	-	445,734
Other comprehensive loss for the year		-	-	-	-	82,681	82,681
Total comprehensive income (loss) for the year		-	-	-	445,734	82,681	528,415
Appropriation and distribution of earnings	6 (14)						
Cash dividends		-	-	-	(116,000)	-	(116,000)
Balance on December 31, 2022		$ 1,160,000	$ 1,548,200	$ 605,682	$ 2,978,195	($ 476,666)	$ 5,815,411

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

Chairman: Chien-Leng Wu　　Manager: Yi-Ping Chen　　Accounting Supervisor: Yun-Xiang Huang

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 676,844	$ 528,765
Adjustments to reconcile net income before tax to net cash			
Provided by (used in) operating activities			
Depreciation (including investment property and right-of-use assets)	6 (5) (6) (8) (20)	67,535	64,869
Loss on expected credit impairment loss	6 (20) & 12 (2)	21,234	38,508
Losses on disposal of property, plant and equipment	6 (18)	1,950	30
Interest income	6 (16)	(19,236)	(19,177)
Interest expense	6 (6) (19) & 7	6,926	7,132
Gain on lease modification	6 (18)	-	(358)
Changes in operating assets and liabilities			
Changes in operating assets-net			
Accounts receivable (including related parties)		(105,754)	(39,177)
Other receivables		(34)	-
Inventories		18,465	(43,448)
Prepayments		(936)	5,013
Other current assets		2,522	17,281
Changes in operating liabilities-net			
Lease liabilities-current		(132)	(7,046)
Accounts payable		(151,867)	235,935
Other payables		(51,553)	(175,312)
Provision for liabilities-current		1,513	(750)
Cash generated from operation		467,477	612,265
Interest received		7,591	18,389
Interest paid		(6,926)	(7,132)
Income tax paid		(121,994)	(125,819)
Net cash generated from operating activities		346,148	497,703
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at amortized cost		29,716	-
Acquisition of property, plant and equipment	6 (24)	(149,562)	(529,147)
Disposal of property, plant and equipment		575	414
Decrease in guarantee deposit paid		-	1,127
Net cash used in investing activities		(119,271)	(527,606)
CASH FLOW FORM FINANCING ACTIVITIES			
Increase in short-term borrowings	6 (25)	192,354	160,629
Decrease in short-term borrowings	6 (25)	(163,611)	(160,629)
Lease repayment	6 (25)	(910)	(3,338)
Distribution of cash dividends	6 (14)	(116,000)	(128,760)
Net cash used in investing activities		(88,167)	(132,098)
Effect of changes in exchange rate on cash and cash equivalents		29,553	(3,832)
Increase (decrease) in cash and cash equivalents of the year		168,263	(165,833)
Cash and cash equivalents at beginning of the year		1,602,990	1,768,823
Cash and cash equivalents at end of the year		$ 1,771,253	$ 1,602,990

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

Chairman: Chien-Leng Wu Manager: Yi-Ping Chen Accounting Supervisor: Yun-Xiang Huang

LIDA HOLDINGS LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Lida Holdings Limited (the “Company”) was incorporated in the British Cayman Islands on May 11, 2012, for the purpose of the restructuring undertaken prior to listing on the Taiwan Stock Exchange. On August 12, 2013, the Company provided its own shares to exchange 100% equity of Wellsoon International Limited (Wellsoon International) at the share exchange ratio of 1,551:1. The Company’s stock has been listed on the Taiwan Stock Exchange since July 20, 2016. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, manufacture and sales of mechanical and electrical products such as air compressors, electric welding machines and electrical tools.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
"IFRS 3 Amendment “Updated Index to Conceptual Framework”	January 1, 2022
Amendment to IAS 16 “Real estate, plant and equipment: the price before reaching the intended state of use”	January 1, 2022
Amendment to IAS 37 “Loss Contracts-Cost of Performing Contracts”	January 1, 2022
“Annual improvement in the 2018-2020 period”	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendment to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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, "Seller-lessee Subsequently Measures Sale and Leaseback Transactions"	January 1, 2024
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of liabilities as current or non-current"	January 1, 2024
Amendments to IAS 1, "Classification of Debt with Covenants as Non-current"	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and declared by the FSC (collectively referred herein as the "IFRSs")

(2) <u>Basis of preparation</u>

A. The consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) <u>Basis of consolidation</u>

A. Basis for preparation of consolidated financial statements

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Subsidiary	Main business activities	Dec. 31, 2022	Dec. 31, 2021	Description
The Company	Wellsoon International Limited (Wellsoon International)	Investment holding	100%	100%	
Wellsoon International Limited	Lida (HK) Holdings Co., Ltd. (Lida (HK)	Investment holding	100%	100%	
Lida (HK) Holdings Co., Ltd.	Lida (China) Machine Equipment Co. Limited (Lida (China)	Design, manufacture and sales of air compressors	100%	100%	
Lida (China) Machine Equipment Co. Limited	Lida (Jiangxi) Machine Equipment Co Limited (Lida (Jiangxi)	Design, manufacture and sales of air compressors	100%	100%	

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is China Yuan (CNY); however, the consolidated financial statements are presented in New Taiwan dollars (NTD) under the regulations of the country where the consolidated financial statements are reported to the regulatory authorities.

A. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Except for the beginning retained earnings balance are brought forward from last year, other items within equity are translated at the historical rate.

(c) Except for dividends are translated at exchange rate on the declaration date, income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(d) All resulting exchange differences are recognized in other comprehensive income.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates on the trade dates or measurement date. Therefore, foreign exchange differences resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange differences are presented in the statement of comprehensive income under ~21~ "Other gains and losses" by the nature of transactions.

(e)

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Group classifies all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:
   (a) Liabilities that are expected to be paid off within the normal operating cycle;
   (b) Liabilities arising mainly from trading activities;
   (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
   (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

The Group classifies all assets that do not meet the above criteria as non-current.

(6) Cash equivalent

Cash equivalents are short term and highly liquid current investment assets that can be converted into cash at any time with minimal risk of value fluctuation.

(7) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:
   (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
   (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10~50 years
Machinery and equipment	4~10 years
Transportation equipment	5 years
Office equipment	5 years
Leasehold improvements	3 years
Other assets	5 years

(14) Leasing arrangements (lessee)-right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate set by the Group. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate; The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use assets.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 48 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Provisions

Provisions (including warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(21) Employee benefits

A. Short-term employee benefits:
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions:
For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration:
Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

A. The income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.

C. Deferred tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. The Group designs, manufactures and sells air compressor products. Sales are recognized when control of the products has transferred, when the products are delivered to the customer, the customer has channel and price discretion over the products, and there is no unfulfilled obligation which could affect to the customer receiving the products. When the products have been shipped to the assigned destination, the risks of obsolescence and loss would transfer to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria have been satisfied. Since the period of transferring committed goods to customer payment is within one year, the Group does not adjust the transaction price to reflect the time value of money.

B. The Group's obligation to provide the standard warranty terms is recognized as a provision.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating department

The information of the Company's operating segments and the internal management reports provided to the primary operating decision-makers are reported consistently. The primary operating decision-makers are responsible for allocating resources to the operating segments and evaluating their performance, identified as the Board of Directors of the Company.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTATINTY

The preparation of the consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There is no such significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year in applying the Group's accounting policies.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	December 31, 2022		December 31, 2021	
Cash on hand and revolving funds	$	273	$	311
Checking accounts and demand deposits		1,770,980		1,602,679
	$	1,771,253	$	1,602,990

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has transferred the performance bond issued by the bank to "Other current assets–other financial assets" on December 31, 2021. Please refer to Note 8 for details.

(2) Financial assets at amortized cost

Items	December 31, 2022		December 31, 2021	
Current items:				
Time deposits over 3 months	$	793,440	$	781,920
Non-current items	,			
Time deposits over 1 year	$	-	$	29,192

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2022		2021	
Interest income	$	14,096	$	14,277

B. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was $793,440 and $811,112, respectively.

C. The Group has no financial assets at amortized cost pledged to others.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The financial institutions the Group transacts with for investment in the certificate of deposit are all with high credit quality, and the possibility of default is expected to be remote.

(3) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	$ 1,136,412	$ 1,016,066
Less: Allowance for uncollectible accounts	(61,277)	(39,527)
	$ 1,075,135	$ 976,539

A. For the ageing analysis of accounts receivable, please refer to Note 12(2).
   The Group grants credit terms to customers are 60~90 days after delivery. Ageing analysis is conducted on the basis of days overdue. Please refer to Note 12 for disclosure of credit risk and information on movement of impairment and analysis of accounts receivable

B. As of December 31, 2022 and 2021, accounts receivable was all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to $983,284 and of the loss on allowance for uncollectible accounts $1,003.

C. The Group has no accounts receivable of the Group pledged to others.

D. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable held by the Group were $1,075,135and $976,539, respectively.

(4) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 147,017	($ 136)	$ 146,881
Work in progress	50,253	-	50,253
Finished goods	125,720	-	125,720
Total	$ 322,990	($ 136)	$ 322,854

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 160,471	($ 510)	$ 159,961
Work in progress	78,888	-	78,888
Finished goods	108,834	-	108,834
Total	$ 348,193	($ 510)	$ 347,683

The cost of inventories recognized as expense for the year

	2022	2021
Cost of goods sold	$ 4,001,739	$ 4,049,772
Gain on reversal of inventory value	(382)	509
Inventory short	18	70
Revenue from sale of scraps	(1,784)	(1,712)
	$ 3,999,591	$ 4,048,639

(5) Property, plant and equipment

	2022						
	Building & structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvement	Unfinished construction and equipment under acceptance	Total
January 1							
Cost	$ 293,043	$ 719,363	$ 21,328	$ 6,068	$ 6,615	$ 2,582,406	$ 3,628,823
Accumulated depreciation and impairment	(86,979)	(341,853)	(18,438)	(5,283)	(5,554)	-	(458,107)
	$ 206,064	$ 377,510	$ 2,890	$ 785	$ 1,061	$ 2,582,406	$ 3,170,716
January 1	$ 206,064	$ 377,510	$ 2,890	$ 785	$ 1,061	$ 2,582,406	$ 3,170,716
Additions	-	90,879	509	-	1,233	59,364	151,985
Disposals	-	(2,525)	-	-	-	-	(2,525)
Transfer	2,324,961	-	-	-	-	(2,324,961)	-
Depreciation expense	(12,668)	(47,936)	(751)	(137)	(255)	-	(61,747)
Net exchange difference	(4,248)	5,435	44	13	13	45,182	46,439
December 31	$ 2,514,109	$ 423,363	$ 2,692	$ 661	$ 2,052	$ 361,991	$ 3,304,868
December 31							
Cost	$ 2,614,998	$ 798,531	$ 22,150	$ 6,158	$ 7,941	$ 361,991	$ 3,811,769
Accumulated depreciation and impairment	(100,889)	(375,168)	(19,458)	(5,497)	(5,889)	-	(506,901)
	$ 2,514,109	$ 423,363	$ 2,692	$ 661	$ 2,052	$ 361,991	$ 3,304,868

2021

	Building & structures	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvement	Other facility	Unfinished construction and equipment under acceptance	Total
January 1								
Cost	$ 287,058	$ 722,446	$ 21,490	$ 6,118	$ 1,606	$ 6,665	$ 2,071,799	$ 3,117,182
Accumulated depreciation and impairment	(77,519)	(297,130)	(17,755)	(4,997)	(753)	(5,223)	-	(403,377)
	$ 209,539	$ 425,316	$ 3,735	$ 1,121	$ 853	$ 1,442	$ 2,071,799	$ 2,713,805
January 1	$ 209,539	$ 425,316	$ 3,735	$ 1,121	$ 853	$ 1,442	$ 2,071,799	$ 2,713,805
Additions	-	2,795	-	27	-	-	525,903	528,725
Disposals	-	(43)	-	(3)	(398)	-	-	(444)
Reclassifications (Note)	5,559	-	-	-	-	-	-	5,559
Depreciation expense	(7,453)	(47,325)	(816)	(351)	(448)	(371)	-	(56,764)
Net exchange difference	(1,581)	(3,233)	(29)	(9)	(7)	(10)	(15,296)	(20,165)
December 31	$ 206,064	$ 377,510	$ 2,890	$ 785	$ -	$ 1,061	$ 2,582,406	$ 3,170,716
December 31								
Cost	$ 293,043	$ 719,363	$ 21,328	$ 6,068	$ -	$ 6,615	$ 2,582,406	$ 3,628,823
Accumulated depreciation and impairment	(86,979)	(341,853)	(18,438)	(5,283)	-	(5,554)	-	(458,107)
	$ 206,064	$ 377,510	$ 2,890	$ 785	$ -	$ 1,061	$ 2,582,406	$ 3,170,716

Note: Transfers from investment property

1. No capitalization of interests for the years ended December 31, 2022 and 2021.
2. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(6) Leasing arrangement-lessee

A. The Group leases various assets including land and buildings. The lease term of land is between 44 and 50 years, and the lease term of buildings is typically made for periods of 2 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants but land. Information about the land were pledged to others as collaterals is provided in Note 8.

B. Short-term leases between the Group and Lida (China) Machine Equipment Co did not exceed 12 months. For the years ended December 31, 2022 and 2021, payments of lease commitments for short-term leases amounted to $7,959 and $7,814, respectively. Please refer to Note 7 for details

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022		December 31, 2021	
	Carrying amount		Carrying amount	
Land	$	155,973	$	157,280
Buildings		642		1,571
	$	156,615	$	158,851

	2022		2021	
	Depreciation expense		Depreciation expense	
Land	$	3,634	$	3,568
Buildings		1,068		3,382
	$	4,702	$	6,950

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $0 and $2,216, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows

	2022		2021	
Items affecting profit or loss				
Interest expense on lease liabilities	($	57)	($	176)
Expense on short-term lease contracts	(	7,959)	(	7,814)
Gain on lease modification		-		358

F. For the years ended December 31, 2022 and 2021, the Group’s total cash outflow for leases amounted to $8,926and $11,328, respectively

(7) Leasing arrangements-lessor

A. The Group leases various assets including plants. The lease periods are from January 2018 to July 2027. All the lease agreements are not renewable at the end of the lease period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the year ended December 31, 2022 and 2021, the Group recognized rent income in the amount of $2,388 and $2,390, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments (including related parties) under the operating leases is as follows:

	December 31, 2022		December 31, 2021	
2022	$	-	$	2,300
2023		2,388		2,300
2024		2,388		575
2025		2,388		-
After 2026		3,782		-
Total	$	10,946	$	5,175

D. Information regarding operating leases with related parties is provided in Note 7(3).

(8) Investment property

	2022		2021	
	Buildings and structures		Buildings and structures	
January 1				
Cost	$	70,521	$	79,268
Accumulated depreciation and impairment	(	20,333)	(	21,929)
	$	50,188	$	57,339
January 1	$	50,188	$	57,339
Reclassification (Note)		-	(	5,559)
Depreciation expense	(	1,086)	(	1,155)
Net exchange differences		743	(	437)
December 31	$	49,845	$	50,188
December 31				
Cost	$	71,560	$	70,521
Accumulated depreciation and impairment	(	21,715)	(	20,333)
	$	49,845	$	50,188

Note: Transfers from properties, plant and equipment.

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

B.

	2022	2021
Rental income from investment property	$ 2,388	$ 2,390
Direct operating expense arising from the investment property that generated rental income during the year	$ 1,086	$ 1,155

C. The fair value of the investment property held by the Group was $76,111 and $68,204, as of December 31, 2022 and 2021, respectively, which was based on the transaction price of similar real estate properties in the neighborhood. The amount was assessed by comparing related market prices and found no major changes as at the balance sheet date.

D. The Group has no investment property pledged to others as collateral.

(9) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Short-term borrowings			
Secured borrowings (Note)	$ 191,748	3.7%~4.4%	Right-of-use assets-land, buildings and structures

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Short-term borrowings			
Secured borrowings (Note)	$ 160,728	4.4%	Right-of-use assets-land, buildings and structures

Note: The Group signed certain secured borrowing contracts with banks which were guaranteed by Lida Machinery Industry Co., Ltd. through pledging its land and building located in Jinfen Village, Dongyuan Town, Quanzhou and Taiwanese Investment Zone. Information regarding guarantees and endorsements with related parties is provided in Note 7(3).

(10) Other payables

	December 31, 2022	December 31, 2021
Salaries payable	$ 68,848	$ 70,824
Social insurance payable	21,501	31,410
Freight payable	6,983	-
Payables on equipment	6,971	-
Employees' compensation payable	6,058	4,671
Professional fees payable	2,720	2,922
Income tax payable	2,031	1,598
Others	476	429
	$ 115,588	$ 111,854

(11) Pensions

A. The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2022 and 2021, was 16% and 16% to 19%, respectively. Such percentage of the pension regulations was managed and implemented by China government. Other than the monthly contributions, the Group has no further obligations.

B. The Company and subsidiary-Wellsoon International as well as indirect subsidiary-Lida (HK) have no related pension plan

C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were $49,308 and $49,152, respectively.

(12) <u>Share capital</u>

As of December 31, 2022 and 2021, Company's authorized capital was $1,500,000, consisting of 150,000 thousand shares and the paid-in capital was $1,160,000 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) <u>Capital surplus</u>

Under the Company's Articles of Incorporation:

A. During the listing period, capital surplus arising from paid -in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Except as required by law, the Board of Directors shall capitalize all or partial share premium account, the balance of other reserves account, earnings account or other distributable earnings and issue new stocks or cash to shareholders in proportion to their share ownership out of the listing period.

(14) <u>Retained earnings</u>

A. Under the Company's Articles of Incorporation, the current year's earnings (including prior years' unappropriated retained earnings), if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as special reserve (if needed, retained earnings to support). The remainder ("distributable earnings"), if any, to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. Except as required by law or regulations, the Group's dividend policy is summarized below:

(a) Before distributing dividends and bonuses, the Board of Directors shall at its discretion retain a certain amount of reserve fund for business operation, investment or others out of the listing period. When distributing dividends and bonuses, the Board of Directors shall issue new stocks and/or cash dividends or others in proportion to their share ownership and authorize the Company to pay out of available fund in accordance with the regulations.

(b) At least 10% of the distributable earnings, if any, (including reversal of special reserve) plus previous years undistributed earnings in full or in part shall be appropriated as dividends or bonus to the shareholders in proportion to its ownership during the listing period. Cash dividends shall account for at least 10% of the total dividends distributed. Dividends, bonus or other interest to shareholders are calculated in NTD unless otherwise resolved at the shareholders' meeting.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of earnings for 2021 and 2020 had been resolved at the shareholders' meeting on June 17, 2022 and July 2, 2021. Details are summarized below:

	2021		2020	
	Amount	Dividends per share (in NTD)	Amount	Dividends pers hare (in NTD)
Cash dividends	$ 116,000	$ 1.00	$ 128,760	$ 1.11

E. The details about the appropriation of 2022 earnings which was proposed at the Board of Directors' meeting on March 27, 2023 are as follows:

	2022	
	Amount	Dividends per share (in NTD)
Cash dividends	$ 150,800	$ 1.30

As of the audit report date, the appropriation proposal of 2022 earnings has not yet approved at the meeting of shareholder

(15) Operating revenue

	2022	2021
Revenue from contracts with customers	$ 5,140,155	$ 5,000,455

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	Within Mainland China		Outside Mainland China		
2022	Air compressor	Others	Air compressor	Air compressor	Others
Revenue from external customer contact	$ 3,878,455	$ 103,576	$ 1,093,397	$ 64,727	$ 5,140,155

	Within Mainland China		Outside Mainland China		
2021	Air compressor	Others	Air compressor	Air compressor	Others
Revenue from external customer contact	$ 3,594,530	$ 108,233	$ 1,245,861	$ 51,831	$ 5,000,455

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Receipts in advance	$ 5	$ 137	$ 7,183

Revenue recognized that was included in the contract liability balance at the beginning of the year:

	2022	2021
Receipts in advance	$ 135	$ 6,997

(16) Interest income

	2022	2021
Interest income from financial assets measured at amortized cost	$ 14,096	$ 14,277
Interest income from bank deposits	5,140	4,900
	$ 19,236	$ 19,177

(17) Other income

	2022	2021
Rent income	$ 2,388	$ 2,390

(18) Other gains and losses

	2022	2021
Foreign exchange losses-net	$ 9,376	($ 5,190)
Losses on disposals of property, plant and equipment	(1,950)	(30)
Donation expense	(1,763)	(2,188)
Depreciation on investment property	(1,086)	(1,155)
Gains on lease modification	-	358
Others	(355)	(980)
	$ 4,222	($ 9,185)

(19) Finance costs

	2022	2021
Interest expense from borrowings	$ 6,869	$ 6,956
Interest expense on lease liabilities	57	176
	$ 6,926	$ 7,132

(20) Expenses by nature

2022	2021

Change in inventory of finished foods and work in progress	$ 12,807	($ 29,893)
Raw materials and supplied used	3,471,825	3,602,001
Employee benefit expense	449,225	429,277
Raw materials for research and development	237,912	89,373
Freight expense	84,182	86,886
Depreciation on property, plant and equipment	61,747	56,764
Electricity expense	37,205	32,695
Low-value consumption goods	23,715	23,024
Losses on expected credit impairments losses	21,234	38,508
Maintenance expense	15,179	9,710
Rental expense	7,959	7,814
Entertainment expense	6,775	3,930
Traveling expense	4,565	5,305
Depreciation on right-of -use assets	4,702	6,950
commissioned research fee	-	73,763
Other costs and expenses	43,199	40,833
Operating costs and expenses	$ 4,482,231	$ 4,476,940

(21) Employee benefit expense

	2022	2021
Wages and salaries	$ 367,305	$ 350,283
Labor and health insurance fees	12,345	9,426
Pension costs	49,308	49,152
Directors' remuneration	1,417	1,745
Other personnel expenses	18,850	18,671
	$ 449,225	$ 429,277

A. In accordance with the Articles of Incorporation of the Company, during the listing period, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 0.5% ～ 3% for employees' compensation and shall not be higher than 2% for directors' remuneration. The employees' compensation will be distributed in the form of cash and/or shares and the directors' remuneration shall not be distributed in the form of shares. The employees' compensation and directors' remuneration are calculated based on NTD unless otherwise resolved by the shareholders at their meeting. The above 'profit' refers to pre-tax profit before deduction of employees' compensation and directors' remuneration.

B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at $3,401and $2,657, respectively; while directors' remuneration were both accrued at $0. The aforementioned amounts were recognized in salary expenses.
The employees' compensation and directors' remuneration were estimated and accrued based on 0.5% and 0% of distributable profit of current year for the year ended December 31, 2021.
Employees' compensation and directors' remuneration of 2021 as resolved by the Board of

Directors were in agreement with those amounts recognized in the 2021 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense

	2022	2021
Current tax:		
Current tax on profits for the year	$ 175,436	$ 153,869
Income tax underestimated (overestimated) for the prior year	10,104	(4,325)
Total current tax	185,540	149,544
Deferred tax		
Origination and reversal of temporary differences	45,570	16,511
Income tax expense	$ 231,110	$ 166,055

B. Reconciliation between income tax expense and accounting profit:

	2022	2021
Tax on net profit before tax calculated at a statutory tax rate	$ 173,169	$ 135,860
Repatriation tax effect in oversea earnings	51,285	42,037
Income tax effect in items excluded by tax law	(3,448)	(7,517)
Income tax underestimation (overestimation) in the previous year	10,104	(4,325)
Income tax expense	$ 231,110	$ 166,055

C. Amounts of deferred tax assets and liabilities as a result of temporary differences and tax are as follows:

	2022			
	January 1	Recognized in Profit or loss	Translation difference	December 31
Deferred income tax assets				
- Temporary differences：				
Warranty expenses	$ 1,265	$ 357	$ 18	$ 1,640
Allowance for expected credit losses	9,810	5,542	126	15,478
Allowance for inventory write-down	22	8	-	30
Subtotal	$ 11,097	$ 5,907	$ 144	$ 17,148
- Deferred income tax liabilities:				
Income tax on overseas earnings	($ 504,151)	($ 51,477)	($ 7,073)	($ 562,701)
Total	($ 493,054)	($ 45,570)	($ 6,929)	($ 545,553)

	2021			
	January 1	Recognized in Profit or loss	Translation difference	December 31
Deferred income tax assets				
- Temporary differences：				
Warranty expense	$ 1,700	($ 422)	($ 13)	$ 1,265
Allowance for expected credit losses	308	9,499	3	9,810
Allowance for inventory write-down	-	22	-	22
Subtotal	$ 2,008	$ 9,099	($ 10)	$ 11,097
- Deferred income tax liabilities:				
Income tax on overseas earnings	($ 482,021)	($ 25,610)	$ 3,480	($ 504,151)
Total	($ 480,013)	($ 16,511)	$ 3,470	($ 493,054)

D. The Company is domiciled in the British Cayman Islands and is exempt from corporate income tax pursuant to local laws.

E. Wellsoon International is domiciled in the British Virgin Islands and is exempt from corporate income tax pursuant to local laws.

F. Lida (HK) is domiciled in the Hong Kong Special Administrative Region of the People's Republic of China. In accordance with the Hong Kon g's Tax Act, only the income sourced in Hong Kong is taxable. Lida (HK) did not generate taxable income for the years ended December 31, 2022 and 2021.

G. According to Regulation on the Implementation of the Enterprise Income Tax Act of People's Republic of China, the applicable income tax rate of Lida (China) and Lida (Jiangxi) is 25%.

(23) Earnings per share

	2022		
	Amount after tax	Weighted average number of ordinary shares of outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company-net	$ 445,734	116,000	$ 3.84
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 445,734	116,000	
Effect of dilutive potential ordinary share			
Employees' compensation	-	191	
Profit attributable to ordinary	$ 445,734	116,191	$ 3.84

shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares

	2021		
	Amount after tax	Weighted average number of ordinary shares of outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company-net	$ 362,710	116,000	$ 3.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 362,710	116,000	
Effect of dilutive potential ordinary share			
Employees' compensation	-	142	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 362,710	116,142	$ 3.12

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	$ 151,985	$ 528,725
Add: opening balance of payables on equipment	-	422
Less: ending balance of payables on equipment	(6,971)	-
Add: ending balance of prepayment for equipment	4,548	-
Cash paid during the year	$ 149,562	$ 529,147

(25) Changes in liabilities from financing activities

	2022		
	Short-term Borrowing	Lease Liabilities	Liabilities from financing activities-gross
January 1	$ 160,728	$ 1,661	$ 162,389
Changes in cash flow from financing activities	28,743	(910)	27,833
Number of payments for interest expense (Note)	-	(57)	(57)
Effects of changes in foreign exchange rates	2,277	43	2,320

December 31	$ 191,748	$ 663	$ 192,411

	2021		
	Short-term Borrowing	Lease Liabilities	Liabilities from financing activities-gross
January 1	$ 161,949	$ 4,938	$ 166,887
Changes in cash flow from financing activities	-	(3,338)	(3,338)
Number of payments for interest expense (Note)	-	(176)	(176)
Changes in other non-cash items	-	2,216	2,216
Effects of changes in foreign exchange rates	(1,221)	(1,979)	(3,200)
December 31	$ 160,728	$ 1,661	$ 162,389

Note: shown as Cash flows from operating activities

7. RELATED PARTY TRANSACTIONS

(1) Parent company and ultimate controlling party

The Company was incorporated in the British Cayman Islands, and owns 100% of Wellsoon International (incorporated in the British Virgin Islands) in a share exchange transaction on August 12, 2013, becoming ultimate controlling party of the Group.

(2) Names of related parties and relationship

Name of related parties	Relationship with the Group
Lida Machinery Industry Co., Ltd. (Lida Machinery)	Chairman of the related party is the Company's Vice Chairman
Midakang (Jiangxi) Electric Co., Ltd. (Midakang)	The General Manager of the Company is the legal agent of the Company
Director, general manager and deputy general manager, etc.	Key management of the company

(3) Significant transactions with related parties

A. Operating revenue

	2022	2021
Product sales:		
Midakang	$ 116	$ -

Transaction price and payment conditions for the sale of the main products are the same as for general customers.

B. Related party receivables

	December 31, 2022	December 31, 2021

Accounts receivable:		
Midakang	$ 46	$ -

C. Lease transactions-lessee

(a) The Group leased plants from Lida Machinery. Rental contracts are made for no more than 12 months. The lease contracts are based on the market price in the neighborhood. Payments are made in accordance with the lease agreement

(b) Acquisition of right-of -use assets

	2022	2021
Lida Machinery	$ 7,959	$ 7,814

D. Lease transactions-lessor

Lida (Jiangxi) leased plants to Midakang. The Rental contracts are made for periods from April 1, 2019 to July 31, 2027. The lease contracts are based on the market price and monthly payments are made in accordance with the lease agreement.

	2022	2021
Midakang	$ 2,283	$ 2,345

E. Endorsement and guarantees provided to related parties

For the years ended December 31, 2022 and 2021, Lida Machinery guaranteed the Group's short-term borrowings through pledging its land and building in Jinfen Village, Dongyuan Town, Quanzhou and Taiwanese Investment Zone. The Group has borrowing facilities of RMB $20,884 thousand and RMB $16,000 thousand.

(4) Compensation for key management executives

	2022	2021
Salaries and other short-term employee benefits	$ 3,403	$ 3,198
Post-employment benefits	260	233
Total	$ 3,663	$ 3,431

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged assets	December 31, 2022	December 31, 2021	Purpose
Land (shown as right-of use assets)	$ 10,006	$ 10,193	Short-term borrowings
Buildings and structures	63,659	67,316	〃
Other financial assets (shown as other current assets)	-	584	Contract bond
	$ 73,665	$ 78,093	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Information of the Group's operating lease agreements is provided in Notes 6 (6) and 7 (3).

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 390,629	$ 437,292

10. SIGNICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Details for the appropriations of the 2021 earnings are provided in Note 6(14).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortized cost		
Cash	$ 1,771,253	$ 1,602,990
Financial assets measured at amortized cost	793,440	811,112
Account receivables (including related parties)	1,075,181	976,539
Other receivables	13,961	-
Refundable deposits	174	157
	$ 3,654,009	$ 3,390,798

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	$ 191,748	$ 160,728
Accounts payable	771,177	909,171
Other payables	115,588	111,854
	$ 1,078,513	$ 1,181,753
Lease liabilities	$ 663	$ 1,661

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as interest rate risk, foreign exchange risk, credit risk and non-derivative financial instruments, and investment of excess liquidity.

C. The nature and extent of the material financial risk

(a) Market risk

Foreign exchange risk

(i) The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

(iii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(iv) The Group's businesses involve some non-functional currency operations (the Company's functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (in NTD)
(Foreign currency: functional currency)			
Financial assets			

Monetary items					
USD: CNY	$	1,961	6.958	$	60,141

	December 31, 2021				
	Foreign currency amount (in thousands)		Exchange rate	Book value (in NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD: CNY	$	3,619	6.374	$	100,204

(v) Total exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to $9,376 and ($5,190), respectively.

(vi) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit and loss	
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: CNY	1%	$	601

	2021	
	Sensitivity analysis	
	Degree of variation	Effect on profit and loss
(Foreign currency: functional currency)		
Financial assets		
Monetary items		
USD: CNY	1%	$ 1,002

Price risk

The Group is not exposed to significant price risk as the Group does not hold equity securities financial assets at the consolidated balance sheet.

Cash flow and fair value interest risk

The Group's main interest rate risk arises from short-term borrowings with fixed rates, which expose the Group to fair value interest rate risk. During 2022 and 2021, the Group's borrowings at fixed rate were mainly denominated in CNY Dollars.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks, only independently rated parties with optimal credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecast ability of China Manufacturing Purchasing Managers Index to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

December 31, 2022	Not past due	1-30 days past due	31-60 days past due	61-120 days past due	Total
Expected loss rate	1.99%	28.78%	64.03%	64.03~100%	
Total book value	$ 1,003,533	$ 124,359	$ 8,566	$ -	$ 1,136,458
Loss allowance	$ 20,000	$ 35,793	$ 5,484	$ -	$ 61,277

December 31, 2021	Not past due	1-30 days past due	31-60 days past due	61-120 days past due	Total
Expected loss rate	2.42%	32.04%	63.18%	64.03%~100%	
Total book value	$ 970,914	$ 42,816	$ -	$ 2,336	$1,016,066
Loss allowance	$ 23,473	$ 13,718	$ -	$ 2,336	$ 39,527

ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022 Accounts receivable	2021 Accounts receivable
January 1	($ 39,527)	($ 1,003)
Provision for impairment losses	(21,234)	(38,508)
Reversal of impairment losses	(516)	(16)
Effect of interest rate	($ 61,277)	($ 39,527)

The Group's recognized gain (loss) allowance of reversal of impairment loss amounted to $21,234and $38,508 for the years ended December 31, 2022 and 2021, respectively

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the

Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head -room as determined by the above-mentioned forecasts. As of December 31, 2022 and 2021, the Group held money market position of $1,771,253and $1,602,990, respectively, and financial assets at amortized cost of $793,440 及$811,112, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group's non-derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. Except that the contractual undiscounted cash flows of accounts payable and other payables, are approximately equal to its book value and matured within one year. The amounts disclosed in the table are the contractual undiscounted cash flows of financial liabilities as follows:

Non-derivative financial liabilities:						
December 31, 2022		Less than 3 months		Within 3 months to 1 year		Within 1 to 2years
Short-term borrowings	$	50,228	$	146,164	$	-
Lease liabilities		289		385		-
	$	50,517	$	146,549	$	-

Non-derivative financial liabilities:						
December 31, 2021		Less than 3 months		Within 3 months to 1 year		Within 1 to 2years
Short-term borrowings	$	49,370	$	115,205	$	-
Lease liabilities		339		781		608
	$	49,709	$	115,986	$	608

iv. The Group does not expect that, on the basis of the analysis of cash flow on the maturity date, an obvious occurrence time will move ahead of time or the actual amount will be significantly different.

(3) Fair value information

A. The definition for the levels of valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the public companies can access at the measurement date. An active market is a market that routinely experiences high volumes of transactions of assets or liabilities with pricing information provided on an ongoing basis.

Level 2: Inputs other than quoted prices included within level 1 observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Please refer to Note 6 (8) for fair value information of investment property measured at costs.

C. The Group's financial instruments not measured at fair value, include the book value of cash and cash dividends, accounts receivable, other receivables, refundable deposits, short-term borrowings, accounts payable and other payables, which are reasonable approximations of fair value.

D. The Group has no financial and non-financial instruments measured at fair value for the years ended December 31, 2022, and 2021.

13. SUPPLIMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: please refer to table 1.

B. Provision of endorsement and guarantees to others: None

C. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): None

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 2.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information investee companies (not including investees in Mainland China): please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: please refer to table 6.

(4) Major shareholders information

Major shareholders information: please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Company has only one reportable operating segment

(2) Measurement of segment information

The Board of Directors evaluates the performance of the operating segments based on a measure of pretax income or loss

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

:

	2022	2021
Total segment revenue		
Net revenue from external customers	$ 5,140,155	$ 5,000,455
Inter-segment revenue	-	-
	$ 5,140,155	$ 5,000,455
Segment profit before tax	$ 676,844	$ 528,765
Depreciation expense	$ 67,535	$ 64,869
Interest income	$ 19,236	$ 19,177
Interest expense	$ 6,926	$ 7,132
Income tax expense	$ 231,110	$ 166,055

	2022	2021
Segment assets and liabilities		
Total segment assets	$ 7,516,084	$ 7,139,675
Total segment liabilities	$ 1,700,673	$ 1,736,679

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm’s length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

(5) Product information

Revenue from external customers arising mainly from design, manufacture and sales of mechanical and electrical products such as air compressors and electric welding machines. Manufacture and sales of air compressors and electric welding machines are mainly for the Group’s owned brand such as “Luowei”, “Lida” and “Eagleland”. Details of revenue are as follows:

Type of products	2022	2021
Air compressors	$ 4,971,852	$ 4,840,391
Others	168,303	160,064
	$ 5,140,155	$ 5,000,455

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
Geographical Information	Revenue	Non-current Assets	Geographical Information	Revenue
China	$ 3,982,031	$ 3,511,328	$ 3,702,763	$ 3,379,755
Australia	226,643	-	253,891	-
Malaysia	132,928	-	91,934	-
UK	120,951	-	97,643	-
South Africa	107,735	-	80,413	-
Indonesia	88,150	-	65,091	-
Turkey	85,709	-	141,853	-
France	77,214	-	76,445	-
Germany	55,672	-	78,878	-
Belgium	36,965	-	33,319	-
Others	226,157	-	378,225	-
	$ 5,140,155	$ 3,511,328	$ 5,000,455	$ 3,379,755

Non-current assets refer to real estate, plant and equipment, right-of-use assets and investment properties.

(7) Major customer information

The Group did not have customers with which the revenues from a single customer account for more than 10% of the consolidated operating revenue in the statement of comprehensive income for the years ended December 31, 2022 and 2021.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Loans to others

January 1 to December 31, 2022

Table 1

Unit: in thousands

(Unless otherwise spe

No.	Lending company	Financing company	Transaction accounts	Related party	Maximum outstnading Balance for current period	Ending balance	Actual loan amount	Interest rate	Nature of loan	Business transation amount	Reason for short-term finanacing	Allowance for uncollectible accounts	Collateral Item	Collateral Value	Loan limit to individual	Total limit
1	Lida (HK)	Lida (China)	Long-term accouts receivalbe-related party	Yes	$ 428,070	$ 286,520	$ 286,520	2.00%	Note 1	$ -	Operating asset turnover	$ -	-	$ -	$ 5,815,411	$ 5,815,411

Note 1: those in need of financing

Note 2: the Company’s total loans granted and limit on loans granted to its foreign investment companies with 100% direct and indirect shareholdings shall not exceed the net value in its latest financial statements audited or reviewed by an independent accountant.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Total Purchase of real estate amounting to over 300 million New Taiwan dollars or 20% of paid-in capital

January 1 to December 31, 2022

Table 2

Unit: in thousands

(Unless otherwise specified)

								Previous transaction of related party						
Purchase company	Real estate	Occurence date	Transaction currencies	Transaction amount	Payment status	Name of counterparty	Relation	All parties	Relation to the company	Date of transfer	Amount	Basis of price determination	Purpose and usage	Other agreed matter
Lida (China)	Construction site for new factory facilities	April 1, 2019 Nov. 25, 2020 Dec. 28, 2021	CNY	$ 709,343	Note	Fujian Province Minyu Construction Co., Ltd.	Non-related party	-	-	-	$ -	The price was determined under the Group's negotiation procedure and was agreed upon by both parties	For self-use	None

Note: The Group has paid CNY608,889 in accordance with the contract from 2019 to 2021, and paid CNY13,878 for the current period.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Total related party receivables amounting to over 100 million New Taiwan dollars or 20% of paid-in capital

January 1 to December 31, 2022

Table 3

Unit: in thousands of NTD

(Unless otherwise specified)

Creditor	Name of counterparty	Relation	Balance of related party receivables	Turnover rate	overdue related party receivables - Amount	overdue related party receivables - Action taken	Rrecovery amount for overdue related party receivables	Allowabce for uncollectible accounts
Lida (HK)	Lida (China)	Sub-subsidiary	$ 286,520	Note	$ -	-	$ -	$ -

Note: not applicable as it is classified as other receivables arising from the capital loan.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

The business relationship and significant transactions between the parent company and its subsidiaries

January 1 to December 31, 2022

Table 4

Unit:

(Unless o

				Transaction status			
No.(Note 1)	Name of the company	Name of the counterparty	Relation to the company (Note 2)	Acount	Amount	Transaction terms	Ratio of the tot revenue or tota
1	Lida (HK)	Lida (China)	(3)	Long-term accounts receivable-related party	$ 286,520	(Note 3)	3.8

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from "1" according to company type.

Note 2: Relation among parties involved in the transaction is marked as follows: (The same transaction between the parent company and the subsidiary or between the subsidiaries does not need to be disclosed repeatedly. For example, suppose the parent co transaction between the parent company and the subsidiary company. The subsidiary does not need to disclose the same transaction again; and in the case when one of its subsidiaries has disclosed the transaction, the other subsidiary does not need to repea

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: It is a loan to the subsidiary company with a loan term of 2years, and a 2% annual interest rate. Interest is paid once a year, and the principal and remaining interest must be paid in one lump sum within 30 days after the loan term expires.

Note 4: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount operating income.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Name and location of investee companies and other related infomraion (excluding investee companies in Mainland China)

January 1 to December 31, 2022

Table 5

(

Name of investor company	Name of iinvestee company	Location	Main Businesses and Products	Original investment amount: Current ending Balance	Original investment amount: Balance at the end of previous year	Shareholding structure at year end: Shares	Shareholding structure at year end: Ownership Ratio	Shareholding structure at year end: Book value	Current profits (losses) of the Investee	Current in profits (l Reco
The Group	Wellsoon International Co., Ltd.	British Virgin Islands	General investment	$ 1,038,589	$ 1,038,589	10,000	100%	$ 5,819,352	$ 465,499	$ 465,49
Wellsoon International Co., Ltd.	Lida (HK)	Hong Kong	General investment	42	42	201,669,137	100%	5,814,068	464,137	464,13

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Information on investment in Mainlaand China-Basic information

January 1 to December 31, 2022

Table 6

Unit: i

(Unless

Investee company name	Main business and products	Total amound of paid-in capital	Investment method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows Outflow	Investment flows Inflow	Accumulated investment outflow from Taiwan at the end of the reproting Period	Current profit or loss of the investee Company	Ownership of direct or indirect investment	Current recognized investment profit or loss (Note 2)	Book value at the end of the period	Accum inward re of inve earnings of rep P
Lida (China)	Design, manufacture and sales of air compressors	$ 304,928	1	$ -	$ -	$ -	$ -	$ 512,849	100%	$ 512,849	$ 6,058,367	$
Lida (Jiangxi)	Design, manufacture and sales of air compressors	535,924	2	-	-	-	-	(8,721)	100%	(8,721)	259,795	

Note 1: The Group's investment through Lida (HK)
Note 2: The Group's investment through Lida (China)
Note 3: Evaluation and disclosure for current recognized investment profit or loss are based on the financial report audit and approved by the parent company's certified accountant.

Company name	Accumulated investment outflow from Taiwan to Mainland China at the end of current period	Investment amount approved by the MOEAIC	Investment restriction under the regulation of the MOEAIC
-	$ -	$ -	$ -

No significant transaction occurs directly or indirectly between the Group and an investee company in China via the 3rd region.

LIDA HOLDINGS LIMITED AND SUBSIDIARIES

Major Shareholder Information

December 31, 2022

Table 7

Name of major shareholders	Shares	
	Number of shares	Sharholding ratio
Yi Yuan Enterprise Co., LTD.	36,540,000	31.50%
Gain Fortune Development Limited	19,070,557	16.44%