

**KMC (KUEI MENG) International Inc. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KMC (KUEI MENG) INTERNATIONAL INC.

By

YING-CHIN WU
Chairman
March 14, 2023.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
KMC (KUEI MENG) International Inc.

Opinion

We have audited the accompanying consolidated financial statements of KMC (KUEI MENG) International Inc. and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Taiwan, the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

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

The description of the key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is as follows:

Revenue recognition

The Group sells its products in Asia, the Americas and Europe. Sales revenue is significant to the consolidated financial statements and is presumed risk account under the Regulations Governing Auditing and Attestation of Financial Statements; thus, we deemed the validity and occurrence of sales of specific customers whose gross margin rate has significant growth than last year to be key audit matter.

The main audit procedures we performed in response to the key audit matter described above were as follows:

1. We understood and tested the operating effectiveness of internal controls and operation procedures in sales and payment collection cycle.
2. We selected a moderate number of samples from sales revenue and inspected delivery documents or documents of customs, and relevant documents of collections to tested the authenticity of the sales.

Other Matter

We have also audited the parent company only financial statements of KMC (KUEI MENG) International Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of Taiwan, the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Chi-Chen Lee and Chao-Chin Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023.

Notice to Readers

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,392,135	27	\$ 2,030,624	18
Financial assets at fair value through profit or loss-current (Notes 4, 7 and 26)	-	-	640	-
Financial assets at amortized cost - current (Notes 4 and 8)	263,827	2	207,197	2
Notes receivable (Notes 4, 9 and 26)	69,548	1	58,790	-
Notes receivable from related parties (Notes 4, 9, 26 and 32)	-	-	4,875	-
Accounts receivable (Notes 4, 9 and 26)	913,292	8	1,230,817	11
Accounts receivable from related parties (Notes 4, 9, 26 and 32)	17,473	-	90,544	1
Other receivables (Notes 4 and 32)	27,362	-	31,535	-
Current tax assets (Note 28)	1,156	-	1,547	-
Inventories (Notes 4 and 10)	1,309,816	11	1,300,961	11
Prepayments (Note 12)	158,413	1	313,707	3
Other current assets (Notes 4 and 12)	40,714	-	81,810	1
Total current assets	6,193,736	50	5,353,047	47
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 13)	13,735	-	12,974	-
Property, plant and equipment (Notes 4, 14 and 32)	3,577,059	29	3,374,006	29
Right-of-use assets (Notes 4, 15 and 32)	851,560	7	856,995	7
Investment properties (Notes 4 and 16)	114,713	1	122,103	1
Goodwill (Notes 4 and 18)	1,340,461	11	1,339,894	12
Other intangible assets (Notes 4 and 19)	155,791	1	178,322	2
Deferred tax assets (Notes 4 and 28)	105,218	1	89,389	1
Other financial assets - non-current (Note 11)	1,869	-	1,869	-
Other non-current assets (Note 12)	89,444	-	107,540	1
Total non-current assets	6,249,850	50	6,083,092	53
TOTAL	\$ 12,443,586	100	\$ 11,436,139	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 21)	\$ 457,102	4	\$ 532,356	5
Short-term bills payable (Notes 4 and 21)	-	-	249,852	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,506	-	-	-
Contract liabilities - current (Note 26)	32,006	-	88,430	1
Notes payable (Note 22)	944	-	944	-
Accounts payable (Note 22)	256,992	2	408,836	4
Accounts payable to related parties (Notes 22 and 32)	21,215	-	51,840	-
Other payables (Note 23)	406,555	3	356,966	3
Dividends payable (Notes 25)	567,000	5	850,500	7
Current tax liabilities (Notes 4 and 28)	479,406	4	461,473	4
Lease liabilities - current (Notes 4, 1 and 32)	6,030	-	1,757	-
Current portion of bonds payable (Notes 4 and 20)	993,942	8	-	-
Other current liabilities	2,245	-	2,091	-
Total current liabilities	3,225,943	26	3,005,045	26
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 20)	-	-	986,664	9
Long-term borrowings (Notes 4 and 21)	1,191,000	10	393,600	4
Deferred tax liabilities (Notes 4 and 28)	453,690	4	458,108	4
Lease liabilities - non-current (Notes 4, 15 and 32)	7,385	-	2,927	-
Net defined benefit liabilities - non-current (Notes 4 and 24)	39,674	-	44,756	-
Other non-current liabilities	2,974	-	2,919	-
Total non-current liabilities	1,694,723	14	1,888,974	17
Total liabilities	4,920,666	40	4,894,019	43
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)				
Capital stock - common stock	1,260,000	10	1,260,000	11
Capital surplus	1,633,538	13	1,633,538	14
Retained earnings				
Legal reserve	1,064,548	9	850,056	7
Special reserve	554,250	4	863,580	8
Unappropriated earnings	3,650,519	29	2,763,025	24
Total retained earnings	5,269,317	42	4,476,661	39
Other equity	(640,109)	(5)	(828,297)	(7)
Total equity attributable to owners of the Company	7,522,746	60	6,541,902	57
NON-CONTROLLING INTERESTS	174	-	218	-
Total equity	7,522,920	60	6,542,120	57
TOTAL	\$ 12,443,586	100	\$ 11,436,139	100

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26, 32 and 36)	\$ 7,116,283	100	\$ 7,750,983	100
OPERATING COSTS (Notes 10 and 27)	<u>3,715,459</u>	<u>52</u>	<u>4,161,758</u>	<u>54</u>
GROSS PROFIT	<u>3,400,824</u>	<u>48</u>	<u>3,589,225</u>	<u>46</u>
OPERATING EXPENSES (Notes 9, 27 and 32)				
Selling and marketing expenses	492,620	7	449,551	6
General and administrative expenses	500,483	7	520,142	7
Research and development expenses	63,094	1	41,864	-
Expected credit loss	<u>8,582</u>	<u>-</u>	<u>77</u>	<u>-</u>
Total operating expenses	<u>1,064,779</u>	<u>15</u>	<u>1,011,634</u>	<u>13</u>
OTHER OPERATING INCOME AND EXPENSES (Note 27)	<u>3,943</u>	<u>-</u>	<u>(1,246)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>2,339,988</u>	<u>33</u>	<u>2,576,345</u>	<u>33</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 13, 20, 27 and 32)				
Interest income	44,977	-	32,804	1
Other income	65,325	1	57,277	1
Other gains and losses	45,513	1	(47,505)	(1)
Share of profit of associates	1,322	-	623	-
Finance cost	<u>(24,648)</u>	<u>-</u>	<u>(18,652)</u>	<u>-</u>
Total non-operating income and expenses	<u>132,489</u>	<u>2</u>	<u>24,547</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,472,477	35	2,600,892	34
INCOME TAX EXPENSE (Notes 4 and 28)	<u>550,355</u>	<u>8</u>	<u>592,935</u>	<u>8</u>
NET PROFIT	<u>1,922,122</u>	<u>27</u>	<u>2,007,957</u>	<u>26</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 24)	5,612	-	879	-

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 28)	\$ (1,122)	-	\$ (176)	-
	<u>4,490</u>	-	<u>703</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 25)	<u>188,188</u>	<u>3</u>	<u>(111,838)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>192,678</u>	<u>3</u>	<u>(111,135)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,114,800</u>	<u>30</u>	<u>\$ 1,896,822</u>	<u>24</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,922,166	27	\$ 2,007,962	26
Non-controlling interests	<u>(44)</u>	-	<u>(5)</u>	-
	<u>\$ 1,922,122</u>	<u>27</u>	<u>\$ 2,007,957</u>	<u>26</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,114,844	30	\$ 1,896,833	24
Non-controlling interests	<u>(44)</u>	-	<u>(11)</u>	-
	<u>\$ 2,114,800</u>	<u>30</u>	<u>\$ 1,896,822</u>	<u>24</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 15.26</u>		<u>\$ 15.94</u>	
Diluted	<u>\$ 14.64</u>		<u>\$ 15.33</u>	

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Retained Earnings				
BALANCE, JANUARY 1, 2021	\$ 1,260,000	\$ 1,633,538	\$ 550,646	\$ 810,893	\$ 2,864,157		\$ (716,465)	\$ 6,402,769	\$ 229	\$ 6,402,998
Appropriation of earnings (Note 25)										
Legal reserve	-	-	299,410	-	(299,410)		-	-	-	-
Special reserve	-	-	-	52,687	(52,687)		-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,757,700)		-	(1,757,700)	-	(1,757,700)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	2,007,962		-	2,007,962	(5)	2,007,957
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	703		(111,832)	(111,129)	(6)	(111,135)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,008,665		(111,832)	1,896,833	(11)	1,896,822
BALANCE, DECEMBER 31, 2021	1,260,000	1,633,538	850,056	863,580	2,763,025		(828,297)	6,541,902	218	6,542,120
Appropriation of earnings (Note 25)										
Legal reserve	-	-	214,492	-	(214,492)		-	-	-	-
Special reserve	-	-	-	(309,330)	309,330		-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,134,000)		-	(1,134,000)	-	(1,134,000)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	1,922,166		-	1,922,166	(44)	1,922,122
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	4,490		188,188	192,678	-	192,678
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,926,656		188,188	2,114,844	(44)	2,114,800
BALANCE, DECEMBER 31, 2022	<u>\$ 1,260,000</u>	<u>\$ 1,633,538</u>	<u>\$ 1,064,548</u>	<u>\$ 554,250</u>	<u>\$ 3,650,519</u>		<u>\$ (640,109)</u>	<u>\$ 7,522,746</u>	<u>\$ 174</u>	<u>\$ 7,522,920</u>

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,472,477	\$ 2,600,892
Adjustments for:		
Depreciation expenses	328,558	301,581
Amortization expenses	32,623	45,385
Expected credit loss recognized on accounts receivable	8,582	77
Finance costs	24,648	18,652
Interest income	(44,977)	(32,804)
Share of profit of associates	(1,322)	(623)
Gain (loss) on disposal of property, plant and equipment	(3,943)	1,246
Impairment loss recognized in profit or loss, property, plant and equipment	-	6,079
Write-down of inventories	26,939	-
Unrealized loss on foreign currency exchange	13,926	3,694
Gain on lease modification	-	(106)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	640	460
Notes receivable	(5,883)	40,739
Accounts receivable	309,106	(92,566)
Accounts receivable from related parties	61,448	(28,344)
Other receivables	(815)	(153)
Inventories	(38,155)	(475,642)
Prepayments	155,294	(22,394)
Other current assets	41,096	(7,639)
Financial liabilities at fair value through profit or loss	2,506	(58)
Contract liabilities	(56,424)	-
Accounts payable	(151,844)	(16,388)
Accounts payable to related parties	(30,371)	(2,603)
Other payables	42,000	51,072
Deferred revenue - current	-	(7,119)
Other current liabilities	154	(3,897)
Net defined benefit liability	(5,082)	(653)
Cash generated from operations	3,181,181	2,378,888
Income tax paid	(557,837)	(462,038)
Net cash generated from operating activities	2,623,344	1,916,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(56,630)	-
Disposal of financial assets at amortized cost	-	64,066
Acquisition of property, plant and equipment	(446,891)	(590,388)
Proceeds from disposal of property, plant and equipment	60,427	11,507
Increase in refundable deposits	(4,102)	(788)
Decrease in refundable deposits	301	1,662

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KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

	2022	2021
Acquisition of intangible assets	\$ (2,445)	\$ (2,120)
Other financial assets - non-current	-	1,375
Increase in other non-current assets	(11,298)	-
Decrease in other non-current assets	-	723
Increase in prepayments for equipment	(600)	-
Decrease in prepayments for equipment	-	4,705
Interest received	<u>50,526</u>	<u>31,834</u>
Net cash used in investing activities	<u>(410,712)</u>	<u>(477,424)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	6,360,600	4,176,037
Repayments of short-term borrowings	(6,444,702)	(4,246,945)
Proceeds from short-term bills payable	249,349	730,148
Repayments of short-term bills payable	(500,180)	(601,109)
Proceeds from long-term borrowings	1,867,400	1,568,800
Repayments of long-term borrowings	(1,070,000)	(2,034,552)
Proceeds from guarantee deposits received	221	651
Refund of guarantee deposits received	(221)	-
Repayment of the principal portion of lease liabilities	(5,292)	(3,165)
Cash dividends	(1,417,500)	(907,200)
Interest paid	<u>(15,658)</u>	<u>(10,686)</u>
Net cash used in financing activities	<u>(975,983)</u>	<u>(1,328,021)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>124,862</u>	<u>(72,173)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,361,511	39,232
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,030,624</u>	<u>1,991,392</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,392,135</u>	<u>\$ 2,030,624</u>

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

KMC (KUEI MENG) International Inc. (the “Company”) was incorporated in April 1989 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells various types of chains, motorcycle components and vehicle components.

The Company’s shares had been publicly offered since August 1993 and have been listed and traded on the Taipei Exchange (TPEX) since December 1995. On March 8, 2022, the Company’s shares were listed on the Taiwan Stock Exchange.

The consolidated financial statements of the Company and its subsidiaries (referred to collectively as the “Group”) are presented in the Company’s functional currency, New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The Company’s board of directors approved the consolidated financial statements for issue on March 14, 2023.

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

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

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

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

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

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - 3) Level 3 inputs are unobservable inputs for an asset or liability.
- c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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

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

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

See Note 17, Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquire, and the fair value of the acquirer's previously held equity interests in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency which are not retranslated.

For the purpose of presenting consolidated financial statements, the Group and the functional currencies of the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

g. Inventories

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

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

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

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of property, plant and equipment, right of use asset, investment properties and intangible assets (except goodwill)

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

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

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

n. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted

from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, accounts and notes receivable, other receivables, refundable deposits (classified under other non-current assets) and other non-current financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Impairment of financial assets

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

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as at FVTPL including held for trading.

b) Derecognition of financial liabilities

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

3) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

4) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

o. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of various types of chains, motorcycle components and vehicle components.

Revenue and accounts receivable are recognized when the transaction terms have been achieved or after accepting by the buyers, which means the Group has transferred to the buyer the significant risks and rewards of ownership of the goods to the buyers, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

p. Leases

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

1) The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

q. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan.

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred

tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes for the year

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

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in a subsidiary.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has no critical accounting judgements and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 4,766	\$ 2,097
Checking accounts and demand deposits	1,987,743	1,072,805
Cash equivalent (investments with original maturities less than three months)		
Time deposits	1,365,845	951,570
Repurchase agreements	<u>33,781</u>	<u>4,152</u>
	<u>\$ 3,392,135</u>	<u>\$ 2,030,624</u>

The ranges of interest rates of time deposits and repurchase agreements were as follows:

	December 31	
	2022	2021
Time deposits	0.54% - 8.2%	0.3% - 4%
Repurchase agreements	4.05%	0.25%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2022	2021
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 140
Convertible options (Note 20)	<u>-</u>	<u>500</u>
	<u>\$ -</u>	<u>\$ 640</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 2,506</u>	<u>\$ -</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Buy	EUR/RMB	2023.1.30	EUR 600 / RMB 4,253
	EUR/RMB	2023.2.24	EUR 600 / RMB 4,256
	EUR/RMB	2023.3.31	EUR 540 / RMB 3,831

December 31, 2021

Buy	USD/RMB	2022.4.8	USD 1,000 / RMB 6,440
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The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ <u>263,827</u>	\$ <u>207,197</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.8% - 6.8% and 0.5% - 5.3% per annum as of December 31, 2022 and December 31, 2021, respectively.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable - operating</u>		
At amortized cost		
Gross carrying amount	\$ <u>69,548</u>	\$ <u>58,790</u>
Notes receivable from related parties	\$ <u>-</u>	\$ <u>4,875</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>944,925</u>	\$ <u>1,284,598</u>
Less: Allowance for impairment loss	<u>31,633</u>	<u>53,781</u>
	\$ <u>913,292</u>	\$ <u>1,230,817</u>
Accounts receivable from related parties	\$ <u>17,473</u>	\$ <u>90,544</u>

The average credit period of sales of goods was 30 to 180 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

a. Notes receivable

All of the Group's notes receivable were not past due as of December 31, 2022 and 2021 and no loss allowance were accrued.

b. Accounts receivable (including related parties)

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0% - 2%	0% - 10%	0% - 25%	0% - 40%	100%	-
Gross carrying amount	\$ 799,371	\$ 137,696	\$ 1,694	\$ 765	\$ 22,872	\$ 962,398
Loss allowance (Lifetime ECLs)	(753)	(7,287)	(356)	(365)	(22,872)	(31,633)
Amortized cost	<u>\$ 798,618</u>	<u>\$ 130,409</u>	<u>\$ 1,338</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ 930,765</u>

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0% - 2%	0% - 10%	0% - 25%	0% - 40%	100%	-
Gross carrying amount	\$ 1,215,165	\$ 105,780	\$ 1,960	\$ 2,692	\$ 49,545	\$ 1,375,142
Loss allowance (Lifetime ECLs)	(563)	(2,240)	(469)	(1,044)	(49,465)	(53,781)
Amortized cost	<u>\$ 1,214,602</u>	<u>\$ 103,540</u>	<u>\$ 1,491</u>	<u>\$ 1,648</u>	<u>\$ 80</u>	<u>\$ 1,321,361</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 53,781	\$ 54,578
Add: Net remeasurement of loss allowance	8,582	77
Less: Amounts written off	(31,973)	(438)
Foreign exchange gains and losses	<u>1,243</u>	<u>(436)</u>
Balance at December 31	<u>\$ 31,633</u>	<u>\$ 53,781</u>

10. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 321,517	\$ 139,000
Finished goods	234,928	242,725
Work in process	338,713	370,995
Raw materials and supplies	<u>414,658</u>	<u>548,241</u>
	<u>\$ 1,309,816</u>	<u>\$ 1,300,961</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 3,816,994	\$ 4,411,844
Write-down of inventories	26,939	-
Revenue from sale of scrap	<u>(128,474)</u>	<u>(250,086)</u>
	<u>\$ 3,715,459</u>	<u>\$ 4,161,758</u>

11. OTHER FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2022	2021
Cash surrender value of life insurance	<u>\$ 1,869</u>	<u>\$ 1,869</u>

12. PREPAYMENTS AND OTHER ASSETS

	December 31	
	2022	2021
<u>Prepayments</u>		
Prepayments for suppliers	\$ 94,531	\$ 245,733
Prepaid expense	<u>63,882</u>	<u>67,974</u>
	<u>\$ 158,413</u>	<u>\$ 313,707</u>
<u>Current</u>		
Input tax	\$ 19,185	\$ 41,824
Excess VAT Paid	16,177	34,596
Others	<u>5,352</u>	<u>5,390</u>
	<u>\$ 40,714</u>	<u>\$ 81,810</u>
<u>Non-current</u>		
Prepaid equipment	\$ 68,547	\$ 101,689
Refundable deposits	7,007	3,259
Others	<u>13,890</u>	<u>2,592</u>
	<u>\$ 89,444</u>	<u>\$ 107,540</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
<u>Associates that are not individually material</u>		
Pro (Taiwan) Procurement Co., Ltd.	<u>\$ 13,735</u>	<u>\$ 12,974</u>

In February 2016, the Group contributed to set up a company Pro (Taiwan) Procurement Co., Ltd. with non-related party. The proportion of the Group's ownership was both 49% as of December 31, 2022 and 2021.

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Aggregate information of associates that are not individually material.

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Profit from continuing operations and total comprehensive income for the year	<u>\$ 1,322</u>	<u>\$ 623</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based

on the associates' financial statements which have been audited for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

See Table 11 for the movements of property, plant and equipment.

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The following items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Building	
Main building	25 - 40 years
Outside building construction	3 - 25 years
Machinery and equipment	2 - 10 years
Transportation equipment	3 - 10 years
Leasehold improvements	5 - 15 years
Furniture and fixtures	3 - 6 years
Miscellaneous equipment	2 - 15 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 838,189	\$ 852,316
Buildings	4,256	4,203
Transportation equipment	<u>9,115</u>	<u>476</u>
	<u>\$ 851,560</u>	<u>\$ 856,995</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 13,943</u>	<u>\$ 4,862</u>
Depreciation charge for right-of-use assets		
Land	\$ 25,693	\$ 25,304
Buildings	1,593	1,469
Transportation equipment	<u>3,634</u>	<u>1,719</u>
	<u>\$ 30,920</u>	<u>\$ 28,492</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	\$ <u>6,030</u>	\$ <u>1,757</u>
Non-current	\$ <u>7,385</u>	\$ <u>2,927</u>

Discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land, buildings and transportation equipment	0.4362% - 0.8541%	0.7134%-1.05%

c. Material leasing activities and terms

As lessee, the Group leases certain land, buildings and transportation equipment with lease terms of 3 to 50 years.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>3,653</u>	\$ <u>1,631</u>
Expenses relating to low-value asset leases	\$ <u>13,166</u>	\$ <u>7,737</u>
Total cash outflow for leases	\$ <u>22,214</u>	\$ <u>12,676</u>

As lessee, the Group's leases of certain assets qualify as short-term leases and leases of certain assets qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

	Right-of-use assets	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 9,432	\$ 202,745	\$ 212,177
Effect of foreign currency exchange differences	(71)	(1,528)	(1,599)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2021	<u>\$ 9,361</u>	<u>\$ 201,217</u>	<u>\$ 210,578</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 2,803	\$ 76,605	\$ 79,408
Depreciation	187	9,471	9,658
Effect of foreign currency exchange differences	(20)	(571)	(591)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2021	<u>\$ 2,970</u>	<u>\$ 85,505</u>	<u>\$ 88,475</u>
Carrying amounts at December 31, 2021	<u>\$ 6,391</u>	<u>\$ 115,712</u>	<u>\$ 122,103</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 9,361	\$ 201,217	\$ 210,578
Effect of foreign currency exchange differences	138	3,730	3,868
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2022	<u>\$ 9,499</u>	<u>\$ 204,947</u>	<u>\$ 214,446</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 2,970	\$ 85,505	\$ 88,475
Depreciation	191	9,794	9,985
Effect of foreign currency exchange differences	43	1,230	1,273
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2022	<u>\$ 3,204</u>	<u>\$ 96,529</u>	<u>\$ 99,733</u>
Carrying amounts at December 31, 2022	<u>\$ 6,295</u>	<u>\$ 108,418</u>	<u>\$ 114,713</u>

Right-of-use assets included in investment properties were leasehold land located in China and were subleased under operating leases to non-related parties.

The abovementioned investment properties were leased out for 1 to 3 years, with an option to extend for additional lease terms. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2022	2021
Year 1	\$ 25,047	\$ 22,082
Year 2	25,047	24,611
Year 3	25,047	24,611
Year 4	-	24,611
	<u>\$ 75,141</u>	<u>\$ 95,915</u>

The investment properties are depreciated by the straight-line method over 10-20 years of useful lives.

17. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.	Manufacturing, selling various chains and components of motorcycle and vehicle.	100	100	
	K.M.C. Automobile Transmission Co., Ltd.	Selling equipment and materials for chains and designing products	100	100	
	KMC Industries (Vietnam) Co., Ltd.	Selling various chains and components	100	100	
	Kynamic Inc.	Selling various bicycle chains and components	100	100	
	KMC Global GmbH	Selling of parts and accessories other than bicycle chains	100	-	Note a
KMC Chain Industrial Co., Ltd.	KMC (BVI) Holding Co., Ltd. (KMC BVI)	Investing activities	100	100	
	KMC Chain Europe N.V. (KMC Europe)	Selling various bicycle chains and components	100	100	
	KMC Chain American Corporation (KMC America)	Selling various bicycle chains and components	100	100	
	P. T. Kuei Meng Chain Indonesia (KMC Indonesia)	Selling various motorcycle chains and components	99	99	
	KMC Investment (China) Co., Ltd. (KMC China)	Investing activities and selling various bicycle chains and components	100	100	
KMCBVI	KMC Chain (Vietnam) Co., Ltd. (KMC Vietnam)	Manufacturing and selling various chains and components	100	100	
KMC Chain Europe N.V.	KME B.V.	Leasing owned properties and plant	100	-	Note b
KMC Investment (China) Co., Ltd	KMC Transmission (Tianjin) Co., Ltd. (KMC Tianjin)	Manufacturing and selling various chains and components	100	100	
	Taicang Tec Industry and Trade Co., Ltd. (Taicang Tec)	Selling various bicycle chains and components	100	100	
	Suzhou KMC Industry and Trade Co., Ltd. (Suzhou KMC)	Selling various bicycle chains and components	100	100	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
KMC Transton Company Limited.	KMC Chain (Shenzhen) Co., Ltd. (KMC Shenzhen)	Manufacturing and selling various chains and components	100	100	
	KMC Chain (Suzhou) Co., Ltd. (KMC Suzhou)	Manufacturing and selling various chains and components	100	100	
	KMC Transton Company Limited. (KMC Transton)	Manufacturing and selling Garage Door Opener (GDO)	100	100	
	KMC Automotive Transmission Co., Ltd. (KMC Automotive Shenzhen)	Manufacturing and selling Automotive Timing System (ATS)	100	100	
	Maya Chain Co., Ltd. (Maya Chain)	Manufacturing and selling various chains and components	-	-	Note c
	Suzhou Maya Trading Co., Ltd. (Maya Trading)	Manufacturing and selling various chains and components	100	100	
	KMC International Trading (Taicang) Co., Ltd. (KMC Taicang)	Selling various chains and components	100	100	
	KMC (Suzhou) Automotive Transmission Co., Ltd.	Manufacturing and selling Automotive Timing System (ATS)	100	100-	
	Shenzhen KMC Industrial Co., Ltd. (Shenzhen KMC)	Selling of components of garage door	100	100	
(Concluded)					

- a. The Company founded KMC Global GmbH. The main business is selling of parts and accessories other than bicycle chains.
- b. The Company founded KME B.V. The main business is leasing owned properties and plant.
- c. Maya Chain Co., Ltd. was approved to cancel in October 2021, and remaining payment was repatriated to KMC Investment (China) Co., Ltd.

18. GOODWILL

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 1,339,894	\$ 1,340,187
Effect of foreign currency exchange differences	<u>567</u>	<u>(293)</u>
Balance at December 31	<u>\$ 1,340,461</u>	<u>\$ 1,339,894</u>

At the end of each year, the Group performs impairment assessment by reviewing the recoverable amounts based on value in use calculation which incorporates cash flow projections covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady 8.72% and 10.20% per annum discount rate as of December 31, 2022 and 2021 to reflect the specific risk of related cash-generating units.

For the years ended December 31, 2022 and 2021, the Group did not recognize impairment loss on goodwill.

19. OTHER INTANGIBLE ASSETS

	Customer Relationships	Computer Software	Patents	Skills	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 371,852	\$ 82,604	\$ 121,177	\$ 68,701	\$ 644,334
Additions	-	2,120	-	-	2,120
Effect of foreign currency exchange differences	(1,670)	(111)	(706)	(518)	(3,005)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2021	<u>\$ 370,182</u>	<u>\$ 84,613</u>	<u>\$ 120,471</u>	<u>\$ 68,183</u>	<u>\$ 643,449</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2021	\$ 327,927	\$ 43,280	\$ 34,857	\$ 15,267	\$ 421,331
Amortization expense	23,132	9,443	5,239	7,571	45,385
Effect of foreign currency exchange differences	(1,323)	(86)	(69)	(111)	(1,589)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2021	<u>\$ 349,736</u>	<u>\$ 52,637</u>	<u>\$ 40,027</u>	<u>\$ 22,727</u>	<u>\$ 465,127</u>
Carrying amounts at December 31, 2021	<u>\$ 20,446</u>	<u>\$ 31,976</u>	<u>\$ 80,444</u>	<u>\$ 45,456</u>	<u>\$ 178,322</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 370,182	\$ 84,613	\$ 120,471	\$ 68,183	\$ 643,449
Additions	-	2,445	-	-	2,445
Reclassification	-	2,099	-	-	2,099
Effect of foreign currency exchange differences	3,239	3,550	1,388	1,004	9,181
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2022	<u>\$ 373,421</u>	<u>\$ 92,707</u>	<u>\$ 121,859</u>	<u>\$ 69,187</u>	<u>\$ 657,174</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2022	\$ 349,736	\$ 52,637	\$ 40,027	\$ 22,727	\$ 465,127
Amortization expense	10,219	9,368	5,326	7,710	32,623
Effect of foreign currency exchange differences	2,908	217	196	312	3,633
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2022	<u>\$ 362,863</u>	<u>\$ 62,222</u>	<u>\$ 45,549</u>	<u>\$ 30,749</u>	<u>\$ 501,383</u>
Carrying amounts at December 31, 2022	<u>\$ 10,558</u>	<u>\$ 30,485</u>	<u>\$ 76,310</u>	<u>\$ 38,438</u>	<u>\$ 155,791</u>

Intangible assets are amortized on a straight-line basis over the estimated useful life as follows:

Customer Relationships	4.5 - 10 years
Computer Software	2 - 8 years
Patents	5 - 20 years
Skills	9 years

20. BONDS PAYABLE

	December 31	
	2022	2021
Third secured domestic convertible bonds	\$ 1,000,000	\$ 1,000,000
Less: discount on bonds payable	<u>6,058</u>	<u>13,336</u>
	993,942	986,664
Less: current portion	<u>(993,942)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 986,664</u>

On October 30, 2020, the Company issued the Third secured domestic convertible bonds with a term of 3 years from October 30, 2020 to October 30, 2023. Each of the convertible bonds has a par value of \$100 thousand; the total number of convertible bonds is 10 thousand; the aggregate principal amount is \$1 billion; the bonds are issued at 107.5% of the par value. The coupon rate of the convertible bonds is 0%.

a. Conversion rights of bondholders

From January 31, 2021 (3 months after the date of issuance) to October 30, 2023 (expiration date), each bond entitles the holder to convert it into ordinary shares through broker-dealer informing Taiwan Depository & Clearing Corporation to request the Company's agent for stock affairs in accordance with the conditions of the issuance of the bonds except for (1) Period of suspension of transfer of ordinary shares according to the law; (2) Fifteen business days before the stop transfer date of issuance of bonus shares , the stop transfer date of the cash dividend or the stop transfer date of issuance of ordinary shares for cash subscription, and the rights distribution base date; (3) The capital reduction base date to the capital reduction of stocks one day before the trading day; (4) The start date of the suspension of the conversion (subscription) or revising of denomination of the stocks to the day before the trading day of the new shares. The conversion price of the convertible bonds is NT\$ 205.2 per share. Afterwards, the price will be adjusted according to the conversion price adjustment formula. (As of December 31, 2022, the conversion price had been adjusted to NT\$ 184.6 per share since issued cash dividends).

b. The Company's right to redeem the bonds

- 1) From January 31, 2021 (3 months after the date of issuance) to September 20, 2023 (40 days before the date of expiration), if the closing price of ordinary shares in continuous 30 business days exceeds the conversion price by 30 % (inclusive), the Company may, within 30 business days thereafter, redeem the outstanding bonds in cash according to the conditions of the issuance of the bonds.
- 2) From January 31, 2021 (3 months after the date of issuance) to September 20, 2023 (40 days before the date of expiration), if the balance of the outstanding bonds is less than 10% of the original total issuance amount, the Company may redeem the outstanding bonds in cash according to the conditions of the issuance of the bonds measures.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.5717% per annum on initial recognition.

a. Liability component

The movement of liability component as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 986,664	\$ 979,427
Interest expense	<u>7,278</u>	<u>7,237</u>
Balance at December 31	<u>\$ 993,942</u>	<u>\$ 986,664</u>

The movement of financial assets at fair value through profit or loss - current as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 500	\$ 1,100
Adjustment for valuation	<u>(500)</u>	<u>(600)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 500</u>

b. Equity component (presented in equity under the heading of capital surplus, refer to Note 25)

The balances were all \$92,517 thousand on December 31, 2022 and 2021.

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 457,102</u>	<u>\$ 532,356</u>

The ranges of weighted average effective interest rates on bank loans were 1.22%-2.55% and 0.16%-1.1% per annum as of December 31, 2022 and 2021, respectively.

b. Short-term bills payable

Outstanding short-term bills payable as follows:

December 31, 2021

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of collateral
<u>Commercial Paper</u>						
International Bills Finance Corporation	\$ 100,000	\$ (57)	\$ 99,943	0.91%	None	\$ -
Mega Bills Finance Corporation	100,000	(59)	99,941	0.90%	None	-
China Bills Finance Corporation	<u>50,000</u>	<u>(32)</u>	<u>49,968</u>	0.89%	None	<u>-</u>
	<u>\$ 250,000</u>	<u>\$ (148)</u>	<u>\$ 249,852</u>			<u>\$ -</u>

c. Long-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings		
Amount	\$ <u>1,191,000</u>	\$ <u>393,600</u>

The range of weighted average effective interest rates on bank loans were 1.76%-1.85% and 0.79% per annum as of December 31, 2022 and 2021, respectively.

22. NOTES PAYABLE AND ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Both notes payable and accounts payable resulted from operating activities. The average period of purchases is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

23. OTHER PAYABLES

	December 31	
	2022	2021
Payable for salaries or bonus	\$ 97,005	\$ 96,004
Payable for compensation of employees	50,963	45,330
Payable for taxes	27,431	10,418
Payable for purchase of equipment	24,290	17,324
Payable for promotions	11,442	2,595
Payable for remuneration to directors and supervisors	8,400	8,400
Payable for annual leave	4,099	3,579
Output tax	1,908	15,429
Others	<u>181,017</u>	<u>157,887</u>
	<u>\$ 406,555</u>	<u>\$ 356,966</u>

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, KMC Chain Industrial Co., Ltd. and K.M.C Automobile Transmission Co., Ltd. adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Starting from 2009, the employees of the Group's subsidiary, KMC Vietnam, are members of a state-managed retirement benefit plan operated by the government of Vietnam. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified

percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by KMC Chain Industrial Co., Ltd. of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of KMC Chain Industrial Co., Ltd. and KMC Vietnam's defined benefit plans were as follows:

	December 31	
	2022	2021
KMC Chain Industrial Co., Ltd.		
Present value of defined benefit obligation	\$ 55,246	\$ 65,468
Fair value of plan assets	(20,035)	(24,846)
Net defined benefit liabilities	35,211	40,622
KMC Vietnam		
Net defined benefit liabilities	4,463	4,134
	<u>\$ 39,674</u>	<u>\$ 44,756</u>

Movements in net defined benefit liability of KMC Chain Industrial Co., Ltd. were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 67,361	\$ (26,162)	\$ 41,199
Service cost			
Current service cost	444	-	444
Net interest expense (income)	337	(132)	205
Recognized in profit or loss	781	(132)	649
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(352)	(352)
Actuarial loss - changes in financial assumptions	697	-	697
Actuarial gain - experience adjustments	(1,224)	-	(1,224)
Recognized in other comprehensive income	(527)	(352)	(879)
Contributions from the employer	-	(347)	(347)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Benefits paid	\$ (2,147)	\$ 2,147	\$ -
Balance at December 31, 2021	<u>65,468</u>	<u>(24,846)</u>	<u>40,622</u>
Service cost			
Current service cost	308	-	308
Net interest expense (income)	<u>409</u>	<u>(156)</u>	<u>253</u>
Recognized in profit or loss	<u>717</u>	<u>(156)</u>	<u>561</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,983)	(1,983)
Actuarial gain - changes in financial assumptions	(3,426)	-	(3,426)
Actuarial gain - experience adjustments	<u>(203)</u>	<u>-</u>	<u>(203)</u>
Recognized in other comprehensive income	<u>(3,629)</u>	<u>(1,983)</u>	<u>(5,612)</u>
Contributions from the employer	<u>-</u>	<u>(360)</u>	<u>(360)</u>
Benefits paid	<u>(7,310)</u>	<u>7,310</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 55,246</u>	<u>\$ (20,035)</u>	<u>\$ 35,211</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.375%	0.625%
Expected rate of salary increase	2.5%	2.5%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ <u>(1,077)</u>	\$ <u>(1,308)</u>
0.25% decrease	\$ <u>1,109</u>	\$ <u>1,348</u>
Expected rate of salary increase		
0.25% increase	\$ <u>1,076</u>	\$ <u>1,300</u>
0.25% decrease	\$ <u>(1,051)</u>	\$ <u>(1,268)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
Expected contributions to the plan for the next year	\$ <u>365</u>	\$ <u>394</u>
Average duration of the defined benefit obligation	8 years	8.1 years

Before 2008, the employees' retirement benefit plan of the subsidiary in Vietnam was a defined benefit plan. The amount of retirement benefit was calculated by service years and the average salary of the six months before retirement. The balance of net defined benefit liabilities amounted to \$4,463 thousand and \$4,134 thousand as of December 31, 2022 and 2021.

25. EQUITY

a. Share capital

	December 31	
	2022	2021
Number of authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Amount of authorized shares	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>126,000</u>	<u>126,000</u>
Amount of issued and fully paid shares	\$ <u>1,260,000</u>	\$ <u>1,260,000</u>

A total of 16,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 1,536,427	\$ 1,536,427
Recognized from share-based payment	4,594	4,594
<u>May not be used for any purpose (2)</u>		
Share option from convertible bonds	<u>92,517</u>	<u>92,517</u>
	<u>\$ 1,633,538</u>	<u>\$ 1,633,538</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

2) Such capital surplus arises from convertible bonds, and will be adjusted when converted or expired.

c. Retained earnings and dividend policy

The Company approved the amendments to its corporation by-laws in a board resolution on July 1, 2021, stipulating that surplus earnings distribution proposal or loss make-up proposal shall be made at the end of every quarter, and distribution of cash dividends and bonuses shall be reported at the shareholders' meeting.

In accordance with regulations and surplus earnings distribution policy of the Company, the surplus earnings distribution proposal or loss make-up proposal shall be made at the end of every quarter. The earnings distribution in cash authorize the board of directors attend by at least two-thirds, the consent of a majority of the directors present, and the directors will be reported in the shareholders' meeting. Dividends and bonuses shall not be distributed when the Company has deficit. The Company should estimate and reserve earnings for tax payable, capital reserve, and 10% of earnings for legal reserve until the accumulated legal reserve equals the paid-in capital of the Company. Distribution of special reserve may be made according to regulations and competent authority.

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 27(h).

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The quarterly appropriation of earnings and cash dividends per share for 2021. The appropriations and dividends per share were as follows:

	The fourth quarter of 2021	The third quarter of 2021	The first quarter and second quarter of 2021
Date of board resolution	2022.03.21	2021.11.10	2021.8.31
Legal reserve	\$ 51,916	\$ 50,776	\$ 98,174
Special reserve	\$ (35,283)	\$ 147,115	\$ -
Cash dividends	\$ 283,500	\$ 283,500	\$ 567,000
Cash dividends per share (NT\$)	\$ 2.25	\$ 2.25	\$ 4.5

The above cash dividends were distributed in accordance with the resolution of the board. The remaining items for distribution of earnings were approved by the shareholders' meeting on June 30, 2022.

The appropriations of earnings for 2020 had been approved in the shareholders' meetings on July 1, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2020
Legal reserve	\$ 150,460
Special reserve	\$ (94,428)
Cash dividends	\$ 907,200
Cash dividends per share (NT\$)	\$ 7.2

The quarterly appropriation of earnings and cash dividends per share for 2022 had been proposed by the Company's board of directors. The appropriations and dividends per share were as follows:

	The fourth quarter of 2022	The third quarter of 2022	The second quarter of 2022	The first quarter of 2022
Date of board resolution	2023.03.14	2022.11.10	2022.08.12	2022.05.11
Legal reserve	\$ 30,090	\$ 60,654	\$ 52,058	\$ 49,864
Special reserve	\$ 85,859	\$ (96,406)	\$ 103,488	\$ (281,129)
Cash dividends	\$ 283,500	\$ 283,500	\$ 283,500	\$ 283,500
Cash dividends per share (NT\$)	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25

The above cash dividends were distributed in accordance with the resolution of the board. The rest yet to be approved by the shareholders' meeting.

d. Special reserve

Under Rule No. 1010012865 issued by the FSC, the Company set aside special reserve of \$52,687 thousand in 2022 and had reversed special reserve of \$94,428 thousand in 2021 to reinstate amounts previously transferred to make up for deficit.

e. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (828,297)	\$ (716,465)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>188,188</u>	<u>(111,832)</u>
Balance at December 31	<u>\$ (640,109)</u>	<u>\$ (828,297)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 218	\$ 229
Attributable to non-controlling interests:		
Share of loss for the year	(44)	(5)
Exchange difference on translation of the financial statements of foreign entities	<u>-</u>	<u>(6)</u>
Balance at December 31	<u>\$ 174</u>	<u>\$ 218</u>

26. REVENUE

The Company and its subsidiaries which sell components of various chains, motorcycle and vehicle and garage door have been aggregated into a single operating segment. Contract revenue is as follows:

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods - transmission goods	<u>\$ 7,116,283</u>	<u>\$ 7,750,983</u>

a. Contract information

Revenue from sale of goods

Transmission goods are sold at respective fixed amounts as agreed in the contracts. Accounts receivable, which usually have short term of payment and without significant financing component, are recognized in most of contract when the goods are transferred, and the Group has an unconditional right to receive the transaction price. Some of contract set that the Group receive part of transaction price before transferring the goods to the buyers. The Group has the obligation to undertake the transfer, which contract liabilities are recognized.

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 9)	<u>\$ 69,548</u>	<u>\$ 58,790</u>	<u>\$ 88,294</u>
Notes receivable from related parties (Note 9)	<u>\$ -</u>	<u>\$ 4,875</u>	<u>\$ 16,110</u>
Accounts receivable (Note 9)	<u>\$ 913,292</u>	<u>\$ 1,230,817</u>	<u>\$ 1,137,324</u>
Accounts receivable from related parties (Note 9)	<u>\$ 17,473</u>	<u>\$ 90,544</u>	<u>\$ 62,872</u>
Contract liabilities			
Sale of goods	<u>\$ 32,006</u>	<u>\$ 88,430</u>	<u>\$ 92,250</u>

The changes in the balance of contract liabilities primarily result from the timing of the performance obligations which were satisfied.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 87,155</u>	<u>\$ 68,273</u>

27. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	<u>\$ 3,943</u>	<u>\$ (1,246)</u>

b. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	<u>\$ 44,977</u>	<u>\$ 32,804</u>

c. Other income

	For the Year Ended December 31	
	2022	2021
Government grants	\$ 33,784	\$ 22,381
Rental income	19,913	12,249
Others	<u>9,628</u>	<u>22,647</u>
	<u>\$ 65,325</u>	<u>\$ 57,277</u>

d. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 138,218	\$ 33,806
Foreign exchange losses	(68,941)	(50,694)
Financial assets (liabilities) at fair value through profit or loss	(14,275)	1,727
Others	<u>(9,489)</u>	<u>(32,344)</u>
	<u>\$ 45,513</u>	<u>\$ (47,505)</u>

e. Finance cost

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 16,939	\$ 10,376
Interest on convertible bonds	7,278	7,237
Interest on bills payable	328	979
Interest on lease liabilities	<u>103</u>	<u>60</u>
	<u>\$ 24,648</u>	<u>\$ 18,652</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 201,222	\$ 184,252
Operating expenses	117,351	107,671
Other losses	<u>9,985</u>	<u>9,658</u>
	<u>\$ 328,558</u>	<u>\$ 301,851</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ 20
Operating expenses	<u>32,623</u>	<u>45,365</u>
	<u>\$ 32,623</u>	<u>\$ 45,385</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 914,075	\$ 997,007
Post-employment benefits		
Defined contribution plans	52,574	53,465
Defined benefit plans (Note 24)	<u>562</u>	<u>649</u>
	<u>53,136</u>	<u>54,114</u>
	<u>\$ 967,211</u>	<u>\$ 1,051,121</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 534,011	\$ 597,584
Operating expenses	<u>433,200</u>	<u>453,537</u>
	<u>\$ 967,211</u>	<u>\$ 1,051,121</u>

h. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of 0.5%-5% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors.

The compensation of employees and remuneration of directors and supervisors for the year ended December 31, 2022 and 2021 which were approved by the Company's board of directors on March 14, 2023 and March 21, 2022, respectively are as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	1.36%	0.99%
Remuneration of directors and supervisors	0.37%	0.36%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 30,825	\$ 23,000
Remuneration of directors and supervisors	8,400	8,400

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the

Taiwan Stock Exchange.

28. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 548,309	\$ 607,696
Income tax on unappropriated earnings	28,098	27,068
Adjustment for prior periods	<u>(246)</u>	<u>(2,695)</u>
	576,161	632,069
Deferred tax		
In respect of the current year	<u>(25,806)</u>	<u>(39,134)</u>
Income tax expense recognized in profit	<u>\$ 550,355</u>	<u>\$ 592,935</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 2,472,477</u>	<u>\$ 2,600,892</u>
Income tax expense calculated at the statutory rate	\$ 520,741	\$ 557,421
Deductible income in determining taxable expense	1,233	943
Unrecognized deductible temporary differences	529	10,198
Additional income tax on unappropriated earnings	28,098	27,068
Adjustments for prior years' tax	<u>(246)</u>	<u>(2,695)</u>
Income tax expense recognized in profit	<u>\$ 550,355</u>	<u>\$ 592,935</u>

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ (1,122)</u>	<u>\$ (176)</u>

- c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Prepaid income tax	<u>\$ 1,156</u>	<u>\$ 1,547</u>
Current tax liabilities		
Income tax payable	<u>\$ 479,406</u>	<u>\$ 461,473</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Provision for loss on inventories	\$ 1,717	\$ 53	\$ -	\$ 1	\$ 1,771
Allowance for impair receivables	58	-	-	1	59
Unrealized foreign exchange loss	286	293	-	-	579
Defined benefit obligation	8,125	40	(1,122)	-	7,043
Unrealized gross profit	62,675	18,347	-	-	81,022
Exchange difference on translation of the financial statements of foreign operations	11,429	-	-	-	11,429
Unrealized impairment loss	1,216	-	-	-	1,216
Others	781	(782)	-	1	-
	86,287	17,951	(1,122)	3	103,119
Tax losses	3,102	(1,052)	-	49	2,099
	<u>\$ 89,389</u>	<u>\$ 16,899</u>	<u>\$ (1,122)</u>	<u>\$ 52</u>	<u>\$ 105,218</u>
<u>Deferred Tax Liabilities</u>					
Unrealized foreign exchange gain	\$ 32	\$ (32)	\$ -	\$ -	\$ -
Cash surrender value of life insurance	374	-	-	-	374
Unappropriated earnings of subsidiaries	30,492	-	-	-	30,492
Reserve for land value increment tax	124,388	-	-	-	124,388
Deferred revenue	302,822	(8,875)	-	4,489	298,436
	<u>\$ 458,108</u>	<u>\$ (8,907)</u>	<u>\$ -</u>	<u>\$ 4,489</u>	<u>\$ 453,690</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Provision for loss on inventories	\$ 2,209	\$ (489)	\$ -	\$ (3)	\$ 1,717
Allowance for impair receivables	26	33	-	(1)	58
Unrealized foreign exchange loss	581	(295)	-	-	286
Defined benefit obligation	8,240	61	(176)	-	8,125
Unrealized gross profit	23,002	39,673	-	-	62,675
Exchange difference on translation of the financial statements of foreign operations	11,429	-	-	-	11,429
Unrealized impairment loss	-	1,216	-	-	1,216
Others	538	317	-	(74)	781
	46,025	40,516	(176)	(78)	86,287
Tax losses	13,157	(9,949)	-	(106)	3,102
	<u>\$ 59,182</u>	<u>\$ 30,567</u>	<u>\$ (176)</u>	<u>\$ (184)</u>	<u>\$ 89,389</u>
<u>Deferred Tax Liabilities</u>					
Unrealized foreign exchange gain	\$ -	\$ 32	\$ -	\$ -	\$ 32
Cash surrender value of life insurance	261	113	-	-	374
Unappropriated earnings of subsidiaries	30,492	-	-	-	30,492
Reserve for land value increment tax	124,388	-	-	-	124,388
Deferred revenue	313,907	(8,712)	-	(2,373)	302,822
	<u>\$ 469,048</u>	<u>\$ (8,567)</u>	<u>\$ -</u>	<u>\$ (2,373)</u>	<u>\$ 458,108</u>

- e. As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$3,324,460 thousand and \$2,755,480 thousand, respectively.

- f. Income tax assessments

The tax returns of the Company, KMC Chain Industrial Co., Ltd. and K.M.C Automobile Transmission Co., Ltd. through 2020 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 1,922,166	\$ 2,007,962
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>5,001</u>	<u>4,884</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,927,167</u>	<u>\$ 2,012,846</u>

Number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,000	126,000
Effect of potentially dilutive ordinary shares:		
Convertible bonds	5,417	5,133
Compensation of employees	<u>245</u>	<u>128</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>131,662</u>	<u>131,261</u>

If the Company offered to settle compensation to employees in cash or shares, the Company assume that the entire amount of the compensation will be settled in shares, and any resulting potentially dilutive shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. CAPITAL MANAGEMENT

The Group requires significant amount of capital to build and expand its production facilities and equipment. The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, debt service payments and dividend payments requirements.

31. FINANCIAL INSTRUMENTS

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

In the consolidated financial statements, for financial instruments that are not measured at fair value, the carrying amounts recognized approximate the fair value; these financial instruments include cash and cash equivalents, financial assets at amortized cost - current, notes and accounts receivable (including related parties), other receivables (including related parties), refundable deposits (classified under other non-current assets), other financial assets - non-current, bank loans, notes and accounts payable (including related parties), other payables, dividends payable and guarantee deposits received (classified under other non-current liabilities).

December 31, 2022

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Convertible bonds	\$ 993,942	\$ -	\$ -	\$ 988,900	\$ 988,900

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Convertible bonds	\$ 986,664	\$ -	\$ -	\$ 990,900	\$ 990,900

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives - foreign exchange forward contracts	\$ -	\$ 2,506	\$ -	\$ 2,506

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives - foreign exchange forward contracts	\$ -	\$ 140	\$ -	\$ 140
Derivative financial assets - Convertible bonds	-	-	500	500
	\$ -	\$ 140	\$ 500	\$ 640

There were no transfers between Levels 1 and 2 in 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

Financial Assets at FVTPL	Convertible Bonds
Balance at January 1, 2021	\$ 500
Recognized in profit or loss (included in other gains and losses)	(500)
	<hr/>
Balance at December 31, 2021	<u>\$ -</u>

For the year ended December 31, 2021

Financial Assets at FVTPL	Convertible Bonds
Balance at January 1, 2021	\$ 1,100
Recognized in profit or loss (included in other gains and losses)	(600)
	<hr/>
Balance at December 31, 2021	<u>\$ 500</u>

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	The fair value of foreign exchange forward contracts is estimated based on the quoted forward exchange rate, and the yield curve derived from the quoted interest rate during the contract period.

4) Evaluation technique and inputs applied for Level 3 fair value measurement

Derivatives-convertible bond redemption rights are estimated by using a binary tree transferable evaluation model to estimate the fair value, and the significant unobservable input used is the stock price volatility. When the volatility of stock prices increases, the fair value of the derivatives will increase.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ -	\$ 640
Financial assets at amortized cost (1)	4,692,513	3,659,510
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	2,506	-
Amortized cost (2)	3,330,724	3,834,477

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), financial assets at amortized cost-current, other financial assets non-current and refundable deposits (classified under other non-current assets).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, guarantee deposits received (classified under other non-current liabilities), bonds payable (including current portion) and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to the currencies United States dollars (USD), Euro dollars (EUR) and Ren Min Bi (RMB).

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (NTD, the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when NTD weakens by 1% against the relevant currency. For a 1% strengthening of NTD against the relevant currency, there would be an equal and opposite impact on the profit before income tax and the balances below would be negative.

	USD impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 9,020	\$ 4,052

	EUR impact	
	For the Year Ended December 31	
	2022	2021

Profit or loss	\$ 774	\$ 431
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	RMB impact	
	For the Year Ended December 31	
	2022	2021

Profit or loss	\$ (465)	\$ (370)
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The Group's sensitivity to the currency rate increased during the current period mainly due to the increase in net assets in the currency USD.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 1,665,322	\$ 1,162,276
Financial liabilities	1,007,357	1,241,200
Cash flow interest rate risk		
Financial assets	1,987,743	1,072,805
Financial liabilities	1,648,102	925,956

Sensitivity analysis

If interest rates had been 1% higher and all other variables were held constant, the Group's profit before tax for the year ended December 31, 2022 and 2021 would increase by \$3,396 thousand and increase by \$1,468 thousand, respectively; the change was mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings and deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities in relation to financial guarantees provided by the Group.

The Group's customers are creditworthy counterparties; the customers were no significant credit risk exposure. The Group continuously review the customer's credit status.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the yield curves at the end of the reporting period.

December 31, 2022

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,214,270	\$ 38,357	\$ 79
Lease liabilities	1,529	2,567	9,450
Variable interest rate liabilities	944,888	247,951	476,505
Fixed interest rate liabilities	<u>1,401</u>	<u>1,417</u>	<u>995,841</u>
	<u>\$ 2,162,088</u>	<u>\$ 290,292</u>	<u>\$ 1,481,875</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 6,114</u>	<u>\$ 7,432</u>

December 31, 2021

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,646,322	\$ 22,528	\$ 236
Lease liabilities	502	463	3,766
Variable interest rate liabilities	439,185	94,062	395,686
Fixed interest rate liabilities	<u>251,397</u>	<u>1,406</u>	<u>994,190</u>
	<u>\$ 2,337,406</u>	<u>\$ 118,459</u>	<u>\$ 1,393,878</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>1,784</u>	\$ <u>2,947</u>

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2022

	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 54,393	\$ -	\$ -	\$ -
Outflows	(56,899)	-	-	-
	<u>\$ (2,506)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 28,324	\$ -	\$ -	\$ -
Outflows	(28,184)	-	-	-
	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,648,102	\$ 1,175,808
Amount unused	<u>7,244,598</u>	<u>7,365,934</u>
	<u>\$ 8,892,700</u>	<u>\$ 8,541,742</u>

32. TRANSACTIONS WITH RELATED PARTIES

The Company's parent, ultimate parent, and ultimate controlling party is KMC Transton Industries Limited, which held 37.63% of the ordinary shares and served as the key management personnel of the Company as of December 31, 2022 and 2021.

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

Name of Related Party	Relationship with the Group
KMC Transton Industries Limited	Ultimate parent company
Wincorp Enterprises Limited	Same members of the key management personnel
Surmount Technology Shenzhen Co., Ltd.	Same members of the key management personnel
President Industry Development (Shenzhen) Co., Ltd.	Same members of the key management personnel
KMC Transmission (Tianjin) Co., Ltd.	Same members of the key management personnel

a. Sales of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Same members of the key management personnel	\$ 137,195	\$ 246,264

The prices and terms to related parties were negotiated by considering the location of sales, product type and sales amount and not significantly different from transaction with third parties. The credit terms for related parties were 60 to 180 days and for non-related parties were 30 to 90 days.

b. Receivables from related parties

Account Item	Related Party Type	December 31	
		2022	2021
Notes receivable from related parties	Same members of the key management personnel	\$ -	\$ 4,875
Accounts receivable from related parties	Same members of the key management personnel	\$ 17,473	\$ 90,544
Other receivables from related parties (classified under other receivables)	Same members of the key management personnel	\$ 2,912	\$ 1,946

The outstanding receivables from related parties are unsecured. For the year ended December 31, 2022 and 2021, no impairment loss was recognized for receivables from related parties.

c. Payables to related parties

Account Item	Related Party Type	December 31	
		2022	2021
Accounts payable to related parties	Same members of the key management personnel	\$ 21,215	\$ 51,840

The outstanding payables to related parties are unsecured and would be paid in cash.

d. Acquisitions of property, plant and equipment

Related Party Type / Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
Same members of the key management personnel President Industry Development (Shenzhen) Co., Ltd.	\$ 16,410	\$ 36,492

e. Lease arrangements - Group as lessee

Acquisition of right-of-use assets

The Group leases offices and plants from the parent company. The lease terms are from November 2021 to October 2024, and the rentals are paid quarterly.

Account Item	Related Party Category	December 31	
		2022	2021
Lease liabilities	Parent company	\$ 2,731	\$ 4,509

Related Party Category	For the Year Ended December 31	
	2022	2021

Interest expense

Parent company	\$ 25	\$ 46
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Depreciation Expenses

Parent company	\$ 1,484	\$ 247
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f. Lease arrangements

Lease arrangements - Group as lessor under operating leases

The Group leases out lands and buildings to key management personnel under operating leases with lease term of 1 year. The contract is re-signed every year. The lease prices are determined in accordance with mutual agreements. The rental income is received monthly.

Future lease payment receivable are as follows:

Related Party Category / Name	December 31	
	2022	2021
Same members of the key management personnel President Industry Development (Shenzhen) Co., Ltd. Surmount Technology Shenzhen Co., Ltd.	\$ 1,158 2,792	\$ 1,328 3,053
	\$ 3,950	\$ 4,381

Lease income was as follows:

Related Parties Types / Name	For the Year Ended December 31	
	2022	2021
Same members of the key management personnel		
President Industry Development (Shenzhen) Co., Ltd.	\$ 1,353	\$ 2,205
Surmount Technology Shenzhen Co., Ltd.	<u>3,109</u>	<u>3,198</u>
	<u>\$ 4,462</u>	<u>\$ 5,403</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 15,366	\$ 14,946
Post-employment benefits	<u>195</u>	<u>195</u>
	<u>\$ 15,561</u>	<u>\$ 15,141</u>

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, unrecognized commitments of the Group were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	<u>\$ 70,012</u>	<u>\$ 142,171</u>

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 21,420	30.71 (USD : NTD)	\$ 657,804
USD	399	23,410 (USD : VND)	12,259
			(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
USD	\$ 8,630	6.96 (USD : RMB)	\$ 265,034
EUR	10,543	32.72 (EUR : NTD)	344,973
EUR	351	7.42 (EUR : RMB)	11,496
RMB	50,630	4.408 (RMB : NTD)	223,175
Financial liabilities			
Monetary items			
USD	207	30.71 (USD : NTD)	6,361
USD	847	23,410 (USD : VND)	26,015
USD	23	15,510 (USD : IDR)	718
EUR	8,530	32.72 (EUR : NTD)	279,102
RMB	61,169	4.408 (RMB : NTD)	269,634
(Concluded)			

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
Financial assets			
Monetary items			
USD	\$ 7,487	27.68 (USD : NTD)	\$ 207,238
USD	1,364	22,780 (USD : VND)	37,752
USD	13,183	6.37 (USD : RMB)	364,893
EUR	4,098	31.32 (EUR : NTD)	128,354
EUR	635	7.11 (EUR : RMB)	19,877
RMB	76,793	4.344 (RMB : NTD)	333,589
(Continued)			

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 6,287	27.68 (USD : NTD)	\$ 174,032
USD	764	22,780 (USD : VND)	21,140
USD	354	13,980 (USD : IDR)	9,549
EUR	3,358	31.32 (EUR : NTD)	105,168
RMB	85,299	4.344 (RMB : NTD)	370,539
			(Concluded)

The Group is mainly exposed to USD, EUR and RMB. The following information is an aggregation of the functional currencies of the Group entities, and disclosure of the exchange rates between the respective functional currencies and the presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
	2022		2021	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 32,021	1 (NTD:NTD)	\$ (10,769)
VND	0.00131 (VND:NTD)	1,411	0.00122 (VND:NTD)	1,577
IDR	0.00198 (IDR:NTD)	(734)	0.00198 (IDR:NTD)	(259)
RMB	4.408 (RMB:NTD)	<u>36,579</u>	4.344 (RMB:NTD)	<u>(7,437)</u>
		<u>\$ 69,277</u>		<u>\$ (16,888)</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries and associates). (N/A)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 3)
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital. (N/A)

- 6) Disposal of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital. (N/A)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (Note 7)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 9)
- b. Information on investees. (Table 6)
- c. Information on investments in mainland China:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income or loss, and the limit on amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 8)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 8)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (N/A)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (N/A)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (N/A)
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10).

36. SEGMENT INFORMATION

The main business of the Group is manufacturing and selling the transmission goods, and the Group's operating segments are aggregated into a single reportable segment. The Group's chief operating decision maker reviews segment information measured on the same basis as the financial statements. Information about reportable segment sales and profit or loss is referred to the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021, and information on assets is

referred to the consolidated balance sheets as of December 31, 2022 and 2021.

a. Geographical information

The Group operates in three principal geographical areas - Asia, Europe and America.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers For the Year Ended December 31	
	2022	2021
Asia	\$ 5,405,221	\$ 6,116,971
Europe	1,426,204	1,400,386
America	<u>284,858</u>	<u>233,626</u>
	<u>\$ 7,116,283</u>	<u>\$ 7,750,983</u>
	Non-current Assets	
	December 31, 2022	December 31, 2021
Asia	\$ 5,912,346	\$ 5,830,420
Europe	161,587	101,001
America	<u>48,088</u>	<u>44,180</u>
	<u>\$ 6,122,021</u>	<u>\$ 5,975,601</u>

Non-current assets excluded those classified as financial instruments, refundable deposits, deferred tax assets and investments accounted for using equity method.

b. Information about major customers

There are no single customers who contributed 10% or more to the Group's revenue for the years ended December 31, 2022 and 2021.

TABLE 1**KMC (KUEI MENG) INTERNATIONAL INC.**

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount (Note 3)	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
1	KMC Chain (Shenzhen) Co., Ltd.	KMC Automotive Transmission Co., Ltd.	Other receivable	Y	\$ 22,040 (RMB 5,000 thousand)	\$ 22,040 (RMB 5,000 thousand)	\$ -	3.5%	2	\$ -	Operating capital	\$ -	-	-	\$ 5,707,745	\$ 15,045,492	
2	KMC Investment (China) Co., Ltd. (KMC China)	KMC Transmission (Tianjin) Co., Ltd.	Other receivable	Y	88,160 (RMB 20,000 thousand)	88,160 (RMB 20,000 thousand)	-	2.5%	2	-	Operating capital	-	-	-	34,923,289	15,045,492	

Note 1: The upper limit is equivalent to 500% of the net asset value of financier. But the total upper limit is equivalent to 200% of the net asset value of the Company.

Note 2: Nature of financing:

1) For business transaction is 1.

2) For short-term financing is 2.

Note 3: The needed amount for operation in the latest year.

Note 4: The rate of exchange was NT\$4.408 to one RMB.

TABLE 2**KMC (KUEI MENG) INTERNATIONAL INC.**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	KMC (KUEI MENG) International Inc.	KMC (BVI) Holding Co., Ltd.	Subsidiary	\$ 15,045,492	\$ 368,520 (USD 12,000 thousand)	\$ 368,520 (USD 12,000 thousand)	\$ -	\$ -	4.90	\$ 15,045,492	Y	N	N
		KMC Chain (Vietnam) Co., Ltd.	Subsidiary	15,045,492	460,650 (USD 15,000 thousand)	460,650 (USD 15,000 thousand)	-	-	6.12	15,045,492	Y	N	N

Note 1: The total amount of guarantee is two hundred percent (200%) of net equity.

Note 2: The amount endorsed and guaranteed of credit facilities approved by the board of directors.

Note 3: The rate of exchange was NT\$30.71 to one US dollar.

TABLE 3**KMC (KUEI MENG) INTERNATIONAL INC.**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.'s stock	Investment using the equity method	KMC Chain Industrial Co., Ltd	100% transfer of investment to subsidiaries	88,600,000	\$ 8,375,846	1,400,000	\$ 700,000	-	\$ -	\$ -	\$ -	90,000,000	\$ 9,076,647

Note : Amount of investment using the equity method including share from subsidiaries comprehensive benefits accounted for using the equity method \$824,999 thousand, were allotted cash dividends of \$899,183 thousand, exchange differences on translation of the financial statements of foreign operations \$184,848 and unrealized gross profit of \$109,863 thousand.

TABLE 4

KMC (KUEI MENG) INTERNATIONAL INC.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	Subsidiary	Sales	\$ (1,317,550)	(37)	Net 90 days after month end close or advance payment	Negotiation method	Net 90 days after month end closing or advance payment	\$ 340,041	60	
	KMC Chain American Corporation	Subsidiary	Sales	(164,193)	(5)	Net 90 days after month end close	No comparable payment terms for general customers	No comparable payment terms for general customers	16,786	3	
	WINCORP ENTERPRISES LIMITED	Same members of the key management personnel	Sales	(136,286)	(4)	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	17,358	3	
	KMC Chain Industrial Co., Ltd.	Subsidiary	Purchases	1,036,276	55	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(343,001)	(56)	
	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	683,952	37	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(251,072)	(41)	
KMC Chain Industrial Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	104,498	16	Net 120 days after month end close	No comparable payment terms for general customers	No comparable payment terms for general customers	(278)	(1)	
KMC Transmission (Tianjin) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(250,597)	(34)	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	60,920	37	
	KMC Chain Co., Ltd.	Fellow subsidiary	Sales	(115,004)	(16)	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	15,565	10	
	Suzhou Maya Trading Co., Ltd.	Fellow subsidiary	Sales	(322,762)	(44)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	75,161	46	
KMC Chain (Shenzhen) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(115,685)	(10)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	16,305	5	
KMC Chain (Suzhou) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(208,029)	(31)	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	19,549	18	
	Taicang Tec Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(189,877)	(28)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	26,788	25	
	Suzhou Maya Trading Co., Ltd.	Fellow subsidiary	Sales	(106,126)	(16)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	30,080	28	
KMC Chain (Vietnam) Co., Ltd.	KMC Industries (Vietnam) Co., Ltd.	Fellow subsidiary	Sales	(285,607)	(67)	Negotiation method	No comparable payment terms for general customers	No comparable sales prices for general customers	52,792	86	

TABLE 5**KMC (KUEI MENG) INTERNATIONAL INC.****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	Subsidiary	\$ 340,041	6.58	\$ -	-	\$ 235,845	\$ -
KMC Chain (Shenzhen) Co., Ltd.	KMC (KUEI MENG) International Inc.	Parent company	251,072	2.34	-	-	127,289	-
KMC Chain Industrial Co., Ltd.	KMC (KUEI MENG) International Inc.	Parent company	343,001	2.9	-	-	187,035	-

TABLE 6**KMC (KUEI MENG) INTERNATIONAL INC.**

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.	Taiwan	Manufacturing, selling various chains and components of motorcycle and vehicle	\$ 7,961,427	\$ 7,261,427	90,000,000	100	\$ 9,076,647	\$ 834,665	\$ 820,509	
	Pro (Taiwan) Procurement Co., Ltd	Taiwan	Selling various bicycle components	12,250	12,250	1,225,000	49	13,735	2,698	1,322	
	K.M.C. Automobile Transmission Co., Ltd	Taiwan	Selling equipment and materials for chains and designing products	597,520	597,520	3,253,812	100	668,932	46,017	46,017	
	Kynamic Inc.	Taiwan	Selling various bicycle components	80,000	30,000	1,500,000	100	65,737	(9,785)	(9,785)	
	KMC Industries (Vietnam) Co., Ltd.	Vietnam	Selling various chains and components	30,710 (USD 1,000 thousand)	27,680 (USD 1,000 thousand)	-	100	24,897	(2,303)	(2,303)	
	KMC Global GmbH	Germany	Selling parts and accessories other than bicycle chains	32,720 (EUR 1,000 thousand)	-	-	100	31,061	(1,589)	(1,589)	
KMC Chain Industrial Co., Ltd.	KMC (BVI) Holding Co., Ltd.	British Virgin IS	Investing activities	15,969 (USD 520 thousand)	14,394 (USD 520 thousand)	520,000	100	472,469	26,686		
	KMC Chain Europe N.V.	Netherlands	Selling various bicycle chains and components	320,919	320,919	100	100	786,003	91,571		
	KMC Chain American Corporation	United States	Selling various bicycle chains and components	130,845	130,845	10,000	100	259,845	41,288		
	P.T. Kuei Meng Chain Indonesia	Indonesia	Selling various motorcycle chains and components	24,750	24,750	-	99	17,194	(4,353)		
KMC (BVI) Holding Co., Ltd.	KMC Chain (Vietnam) Co., Ltd.	Vietnam	Manufacturing and selling various chains and components	92,130 (USD 3,000 thousand)	83,040 (USD 3,000 thousand)	-	100	472,230	26,685		
KMC Chain Europe N.V.	KME B.V.	Netherlands	Leasing owned properties and plant	135,641 (EUR 4,146 thousand)	-	120	100	136,195	530		

Note: Please refer to Table 7 for the information on investments in mainland China.

TABLE 7

KMC (KUEI MENG) INTERNATIONAL INC.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
KMC Investment (China) Co., Ltd.	Investing activities.	\$ 4,679,414 (RMB 1,061,573 thousand)	1.(1)	\$ 5,036,936	\$ -	\$ -	\$ 5,036,936	\$ 402,457	100	\$ 402,457	\$ 6,984,658	\$ -	
KMC Transmission (Tianjin) Co., Ltd.	Manufacturing and selling various chains of bicycle.	391,386 (RMB 88,790 thousand)	1.(3)	1.(3)	-	-	1.(3)	18,031	100	12,085	686,300	-	Note 5
Taichang Tec Industry and Trade Co., Ltd.	Selling various bicycle chains.	8,816 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	7,990	100	7,990	21,276	-	
Suzhou KMC Industry and Trade Co., Ltd.	Selling various bicycle chains.	8,816 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	208,871	100	208,871	221,612	-	
KMC Chain (Shenzhen) Co., Ltd.	Manufacturing and selling various chains of bicycle.	766,146 (RMB 173,808 thousand)	1.(3)	1.(3)	-	-	1.(3)	53,053	100	20,382	2,335,828	-	Note 5
KMC Chain (Suzhou) Co., Ltd.	Manufacturing and selling various chains of bicycle.	355,734 (RMB 80,702 thousand)	1.(3)	1.(3)	-	-	1.(3)	13,882	100	2,615	921,291	-	Note 5
KMC Automotive Transmission Co., Ltd.	Manufacturing and selling ATS.	180,728 (RMB 41,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	17,671	100	11,831	299,165	-	Note 5
KMC Transton Company Limited.	Manufacturing and selling GDO.	39,672 (RMB 9,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	59,275	100	56,661	366,223	-	Note 5
Shenzhen KMC Industrial Co., Ltd.	Selling of GDO.	4,408 (RMB 1,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	39,946	100	39,946	56,615	-	
Suzhou Maya Trading Co., Ltd.	Manufacturing and selling various bicycle chains.	48,488 (RMB 11,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	3,154	100	2,482	240,209	-	Note 5
KMC International Trading (Taichang) Co., Ltd.	Selling various chains.	8,816 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	5,747	100	5,747	11,731	-	
KMC (Suzhou) Automotive Transmission Co., Ltd.	Manufacturing and selling ATS	141,056 (RMB 32,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	(2,355)	100	(2,355)	138,706	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,676,073 (RMB 1,060,815 thousand)	\$ 6,065,778 (USD 197,518 thousand)	\$ - (Note 3)

Note 1 : The investing methods are categorized as follows:

- 1) Direct investment in companies in mainland China.
- 2) Investment in companies in mainland China, which is made by a company incorporated via a third region.
- 3) Others (invested by KMC Investment (China) Co., Ltd.)

Note 2 : The recognition of gains or losses on investment is based on the financial statements audited by the certified public accountant of the parent company in Taiwan.

Note 3 : Pursuant to the No. 0970460680 of the Ministry of Economic Affairs, ROC which amended the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated August 29, 2008, as KMC Chain Industrial Co., Ltd. has obtained the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Note 4 : The rates of exchange were NT\$4.408 to one RMB and NT\$30.71 to one US dollar.

Note 5 : The difference between share of profit and net income of the investee was due to the difference between the investment cost and fair value of identifiable net assets acquired.

TABLE 8**KMC (KUEI MENG) INTERNATIONAL INC.****SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
KMC (KUEI MENG) International Inc.	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	\$ 683,952	18	Net 120 days after month end close	Bargain	Equivalent	\$ (251,072)	(41)	\$ 3,711
KMC Chain Industrial Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	Fellow subsidiary	Purchases	104,498	3	Net 60 days after month end close	Bargain	Equivalent	(278)	(1)	302
K.M.C. Automobile Transmission Co., Ltd	KMC Automotive Transmission Co., Ltd.	Fellow subsidiary	Purchases	52,873	1	Net 60 days after month end close	Bargain	Equivalent	(15,963)	(80)	-

TABLE 9

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Related Party	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets (Note 3)
0	KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	1.	Sales	\$ 1,317,550	Negotiation method	19
		KMC Chain American Corporation	1.	Sales	164,193	Negotiation method	2
		KMC Chain (Vietnam) Co., Ltd.	1.	Purchases	57,770	Negotiation method	1
		KMC Chain Industrial Co., Ltd.	1.	Purchases	1,036,276	Negotiation method	15
		KMC Chain (Shenzhen) Co., Ltd.	1.	Purchases	683,952	Negotiation method	1
		KMC Chain (Suzhou) Co., Ltd.	1.	Purchases	20,389	Negotiation method	-
		KMC Chain Europe N.V.	1.	Accounts receivable	340,041	Net 90 days after month end close	3
		KMC Chain American Corporation	1.	Accounts receivable	16,786	Net 90 days after month end close	-
		KMC Chain Industrial Co., Ltd.	1.	Accounts payable	343,001	Net 120 days after month end close	3
		KMC Chain (Shenzhen) Co., Ltd.	1.	Accounts payable	251,072	Net 150 days after month end close	2
		KMC Chain American Corporation	1.	Other income	5,289	-	-
		KMC Chain Europe N.V.	1.	Unrealized gain	243,375	-	3
		KMC Chain American Corporation	1.	Unrealized gain	27,711	-	-
		KMC Chain (Shenzhen) Co., Ltd.	3.	Sales	34,250	Negotiation method	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Sales	16,502	Negotiation method	-
1	KMC Chain Industrial Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	3.	Purchases	104,498	Negotiation method	1
		KMC Chain (Suzhou) Co., Ltd.	3.	Purchases	11,563	Negotiation method	-
		KMC Chain (Vietnam) Co., Ltd.	3.	Purchases	24,879	Negotiation method	-
		KMC Chain (Shenzhen) Co., Ltd.	3.	Accounts receivable	14,102	Net 60 days after month end close	-
		KMC Chain Europe N.V.	3.	Unrealized gain	38,974	-	1
2	K.M.C. Automobile Transmission Co., Ltd.	KMC Automotive Transmission Co., Ltd.	3.	Sales	5,981	Negotiation method	-
		KMC Automotive Transmission Co., Ltd.	3.	Purchases	52,873	Negotiation method	1
		KMC Automotive Transmission Co., Ltd.	3.	Accounts payable	15,963	Net 60 days after month end close	-
3	KMC Chain (Vietnam) Co., Ltd.	P.T. Kuei Meng Chain Indonesia	3.	Sales	8,943	Negotiation method	-
		KMC Chain Industrial Co., Ltd.	3.	Sales	20,231	Negotiation method	-
		KMC Industries (Vietnam) Co., Ltd.	3.	Sales	285,607	Negotiation method	4
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Purchases	5,393	Negotiation method	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Purchases	6,744	Negotiation method	-
4	KMC Transmission (Tianjin) Co., Ltd.	KMC Industries (Vietnam) Co., Ltd.	3.	Accounts receivable	52,792	Net 60 days after month end close	-
		KMC Chain (Shenzhen) Co., Ltd.	3.	Sales	5,440	Negotiation method	-
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Sales	20,752	Negotiation method	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	250,597	Negotiation method	4
		Shenzhen KMC Industrial Co., Ltd.	3.	Sales	115,004	Negotiation method	2
		Suzhou Maya Trading Co., Ltd.	3.	Sales	322,762	Negotiation method	5
		KMC Chain (Shenzhen) Co., Ltd.	3.	Purchases	42,316	Negotiation method	1
		KMC Chain (Suzhou) Co., Ltd.	3.	Purchases	28,076	Negotiation method	-
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Accounts receivable	5,472	Net 120 days after month end close	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Accounts receivable	60,920	Net 90 days after month end close	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Accounts receivable	15,565	Net 60 days after month end close	-
		Suzhou Maya Trading Co., Ltd.	3.	Accounts receivable	75,161	Net 120 days after month end close	1
		KMC Chain (Shenzhen) Co., Ltd.	3.	Accounts payable	16,159	Net 120 days after month end close	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Accounts payable	15,265	Net 120 days after month end close	-

(Continued)

No. (Note 1)	Related Party	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets (Note 3)
5	KMC Chain (Shenzhen) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	\$ 115,685	Negotiation method	2
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Sales	23,547	Negotiation method	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Sales	79,352	Negotiation method	1
		KMC Transton Company Limited.	3.	Sales	69,375	Negotiation method	1
		Shenzhen KMC Industrial Co., Ltd.	3.	Sales	27,349	Negotiation method	-
		Suzhou Maya Trading Co., Ltd.	3.	Sales	16,860	Negotiation method	-
		KMC Investment (China) Co., Ltd.	3.	Sales	27,846	Negotiation method	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Purchases	22,586	Negotiation method	-
		KMC Automotive Transmission Co., Ltd.	3.	Purchases	11,305	Negotiation method	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Accounts receivable	16,305	Net 60 days after month end close	-
		KMC Transton Company Limited.	3.	Accounts receivable	15,741	Net 120 days after month end close	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Accounts receivable	11,872	Net 60 days after month end close	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Accounts receivable	5,527	Net 120 days after month end close	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	208,029	Negotiation method	3
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Sales	189,877	Negotiation method	3
6	KMC Chain (Suzhou) Co., Ltd.	KMC Transton Company Limited.	3.	Sales	34,457	Negotiation method	-
		Suzhou Maya Trading Co., Ltd.	3.	Sales	106,126	Negotiation method	1
		KMC Investment (China) Co., Ltd.	3.	Sales	35,704	Negotiation method	1
		KMC International Trading (Taicang) Co., Ltd.	3.	Sales	9,470	Negotiation method	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Accounts receivable	19,549	Net 60 days after month end close	-
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Accounts receivable	26,788	Net 120 days after month end close	-
		KMC Transton Company Limited.	3.	Accounts receivable	6,746	Net 120 days after month end close	-
		Suzhou Maya Trading Co., Ltd.	3.	Accounts receivable	30,080	Net 60 days after month end close	-
		KMC Investment (China) Co., Ltd.	3.	Accounts receivable	5,144	Net 120 days after month end close	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Sales	39,597	Negotiation method	1
		Shenzhen KMC Industrial Co., Ltd.	3.	Accounts receivable	15,277	Net 120 days after month end close	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Other receivable	39,484	-	-
		KMC Automotive Transmission Co., Ltd.	3.	Other receivable	83,752	-	1
		KMC (Suzhou) Automotive Transmission Co., Ltd.	3.	Accounts receivable	13,948	Net 60 days after month end close	-
		KMC Industries (Vietnam) Co., Ltd.	3.	Purchases	5,823	Negotiation method	-
7	KMC Transton Company Limited.	KMC Industries (Vietnam) Co., Ltd.	3.	Purchases	5,823	Negotiation method	-
		KMC Industries (Vietnam) Co., Ltd.	3.	Purchases	5,823	Negotiation method	-
		KMC Industries (Vietnam) Co., Ltd.	3.	Purchases	5,823	Negotiation method	-
8	KMC Investment (China) Co., Ltd.	KMC Automotive Transmission Co., Ltd.	3.	Other receivable	83,752	-	1
9	KMC Automotive Transmission Co., Ltd.	KMC (Suzhou) Automotive Transmission Co., Ltd.	3.	Accounts receivable	13,948	Net 60 days after month end close	-
10	KMC International Trading (Taicang) Co., Ltd.	KMC Industries (Vietnam) Co., Ltd.	3.	Purchases	5,823	Negotiation method	-

(Concluded)

Note 1: No. 0: Represents parent Company. No. 1-: Represents subsidiaries.

Note 2: The transaction relationships with the counterparties are as follows:

No. 1: Represents transactions from parent Company to subsidiary.

No. 2: Represents transactions from the subsidiary to the parent Company.

No. 3: Represents transactions among subsidiaries.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: For balance sheet account, the percentage is computed by dividing the ending balance of the account by consolidated total assets; for income statement accounts, the percentage is computed by dividing the accumulated amount of the account by the consolidated operating revenues.

Note 4: All the transactions had been eliminated when preparing consolidated financial statement.

TABLE 10**KMC (KUEI MENG) INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
KMC Transton Industries Limited	47,412,256	37.63
Li Ze Investment Co., Ltd.	7,902,042	6.27
Yu, Wen- Ying	7,902,040	6.27

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

**MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Land	Buildings	Machinery and equipment	Transportation equipment	Leasehold improvement	Furniture and fixtures	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>									
Balance at January 1, 2021	\$ 238,131	\$ 2,551,368	\$ 1,560,798	\$ 67,803	\$ 2,245	\$ 38,991	\$ 302,290	\$ 87,762	\$ 4,849,388
Additions	-	7,945	166,736	3,321	-	5,559	31,408	305,383	520,352
Disposals	-	(64)	(38,410)	(3,137)	-	(135)	(11,703)	-	(53,449)
Reclassification	-	14,591	34,302	279	-	15,137	1,492	(25,999)	39,802
Effect of foreign currency exchange differences	(880)	(22,919)	(13,202)	(595)	(63)	(2,729)	(2,160)	(470)	(43,018)
Balance at December 31, 2021	<u>\$ 237,251</u>	<u>\$ 2,550,921</u>	<u>\$ 1,710,224</u>	<u>\$ 67,671</u>	<u>\$ 2,182</u>	<u>\$ 56,823</u>	<u>\$ 321,327</u>	<u>\$ 366,676</u>	<u>\$ 5,313,075</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2021	\$ -	\$ 654,883	\$ 833,745	\$ 47,507	\$ 2,140	\$ 28,163	\$ 168,318	\$ -	\$ 1,734,756
Disposals	-	-	(26,927)	(2,655)	-	(128)	(10,986)	-	(40,696)
Impairment loss	-	6,079	-	-	-	-	-	-	6,079
Depreciation	-	87,908	115,776	5,102	65	5,168	49,412	-	263,431
Reclassification	-	-	(8,817)	-	-	1,067	(1,067)	-	(8,817)
Effect of foreign currency exchange differences	-	(6,008)	(6,772)	(64)	(61)	(1,652)	(1,127)	-	(15,684)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 742,862</u>	<u>\$ 907,005</u>	<u>\$ 49,890</u>	<u>\$ 2,144</u>	<u>\$ 32,618</u>	<u>\$ 204,550</u>	<u>\$ -</u>	<u>\$ 1,939,069</u>
Carrying amounts at December 31, 2021	<u>\$ 237,251</u>	<u>\$ 1,808,059</u>	<u>\$ 803,219</u>	<u>\$ 17,781</u>	<u>\$ 38</u>	<u>\$ 24,205</u>	<u>\$ 116,777</u>	<u>\$ 366,676</u>	<u>\$ 3,374,006</u>
<u>Cost</u>									
Balance at January 1, 2022	\$ 237,251	\$ 2,550,921	\$ 1,710,224	\$ 67,671	\$ 2,182	\$ 56,823	\$ 321,327	\$ 366,676	\$ 5,313,075
Additions	7,811	124,420	98,157	4,998	-	7,819	36,702	124,373	404,280
Disposals	(2,640)	(33,247)	(79,711)	(2,900)	-	(3,413)	(19,120)	(733)	(141,764)
Reclassification	-	-	91,915	-	-	3,319	17,091	(38,867)	73,458
Effect of foreign currency exchange differences	2,497	45,809	44,087	1,641	239	1,717	4,926	5,159	106,075
Balance at December 31, 2022	<u>\$ 244,919</u>	<u>\$ 2,687,903</u>	<u>\$ 1,864,672</u>	<u>\$ 71,410</u>	<u>\$ 2,421</u>	<u>\$ 66,265</u>	<u>\$ 360,926</u>	<u>\$ 456,608</u>	<u>\$ 5,755,124</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2022	\$ -	\$ 742,862	\$ 907,005	\$ 49,890	\$ 2,144	\$ 32,618	\$ 204,550	\$ -	\$ 1,939,069
Disposals	-	(15,131)	(46,536)	(2,245)	-	(3,045)	(18,323)	-	(85,280)
Depreciation	-	89,917	131,825	5,017	40	7,884	52,970	-	287,653
Reclassification	-	-	(7,627)	-	-	37	(172)	-	(7,762)
Effect of foreign currency exchange differences	-	11,666	27,335	1,270	237	810	3,067	-	44,385
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 829,314</u>	<u>\$ 1,012,002</u>	<u>\$ 53,932</u>	<u>\$ 2,421</u>	<u>\$ 38,304</u>	<u>\$ 242,092</u>	<u>\$ -</u>	<u>\$ 2,178,065</u>
Carrying amounts at December 31, 2022	<u>\$ 244,919</u>	<u>\$ 1,858,589</u>	<u>\$ 852,670</u>	<u>\$ 17,478</u>	<u>\$ -</u>	<u>\$ 27,961</u>	<u>\$ 118,834</u>	<u>\$ 456,608</u>	<u>\$ 3,577,059</u>