

KMC (KUEI MENG) INTERNATIONAL INC.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying standalone financial statements of KMC (KUEI MENG) International Inc. (the "Company"), which comprise the standalone balance sheets as of December 31, 2022 and 2021, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2022 and 2021, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Standalone Financial Statements section of our report. We are independent of the Company 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 standalone financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone 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 Company's standalone financial statements for the year ended December 31, 2022 is as follows:

Revenue recognition

The Company sells its products in Asia, America and Europe. Sales revenue is significant to the standalone 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 a 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 test the authenticity of the sales.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone 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 Company'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 Company'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 standalone 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the 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 standalone 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 financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 standalone financial statements shall prevail.

KMC (KUEI MENG) INTERNATIONAL INC.

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

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 519,353	5	\$ 379,409	4
Financial Assets at fair value through profit or loss-current (Notes 4, 7 and 16)	-	-	640	-
Financial assets at amortized cost - current (Notes 4 and 8)	183,637	2	148,565	2
Notes receivable (Notes 4, 9 and 22)	23,024	-	32,127	-
Accounts receivable (Notes 4, 9 and 22)	173,404	2	218,839	2
Accounts receivable from related parties (Notes 4, 9, 22 and 28)	374,205	3	208,879	2
Other receivables (Note 4)	1,085	-	875	-
Other receivables from related parties (Notes 4 and 28)	-	-	970	-
Inventories (Notes 4 and 10)	20,118	-	32,369	-
Other current assets (Note 15)	10,539	-	14,567	-
Total current assets	1,305,365	12	1,037,240	10
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 11)	9,881,009	88	9,076,271	89
Property, plant and equipment (Notes 4 and 12)	2,118	-	5,347	-
Right-of-use assets (Notes 4 and 13)	4,048	-	4,535	-
Other intangible assets (Notes 4 and 14)	24,189	-	29,073	-
Deferred tax assets (Notes 4 and 24)	54,299	-	32,530	1
Other non-current assets (Note 15)	58	-	1,529	-
Total non-current assets	9,965,721	88	9,149,285	90
TOTAL	<u>\$ 11,271,086</u>	<u>100</u>	<u>\$ 10,186,525</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ 399,102	4	\$ 318,614	3
Short-term bills payable (Notes 4 and 17)	-	-	249,852	2
Financial Liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,506	-	-	-
Accounts payable (Note 18)	12,261	-	6,942	-
Accounts payable to related parties (Notes 18 and 28)	597,016	5	725,343	7
Other payables (Note 19)	57,200	-	49,555	1
Dividends payable	567,000	5	850,500	8
Other payable to related parties (Note 28)	15	-	-	-
Current tax liabilities (Notes 4 and 24)	324,019	3	304,997	3
Lease liabilities - current (Notes 4, 13 and 28)	1,936	-	1,612	-
Current portion of bonds payable (Notes 4 and 16)	993,942	9	-	-
Other current liabilities (Notes 19 and 22)	16,218	-	47,617	1
Total current liabilities	2,971,215	26	2,555,032	25
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 7 and 16)	-	-	986,664	10
Long-term borrowings (Notes 4 and 17)	775,000	7	100,000	1
Lease liabilities - non-current (Notes 4, 13 and 28)	2,125	-	2,927	-
Total non-current liabilities	777,125	7	1,089,591	11
Total liabilities	3,748,340	33	3,644,623	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Capital stock - common stock	1,260,000	11	1,260,000	12
Capital surplus	1,633,538	15	1,633,538	16
Retained earnings				
Legal reserve	1,064,548	10	850,056	8
Special reserve	554,250	5	863,580	9
Unappropriated earnings	3,650,519	32	2,763,025	27
Total retained earnings	5,269,317	47	4,476,661	44
Other equity	(640,109)	(6)	(828,297)	(8)
Total equity attributable to owners of the Company	7,522,746	67	6,541,902	64
TOTAL	<u>\$ 11,271,086</u>	<u>100</u>	<u>\$ 10,186,525</u>	<u>100</u>

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

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE 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, 22 and 28)	\$ 3,519,536	100	\$ 3,510,031	100
OPERATING COSTS (Notes 10 and 28)	<u>1,869,795</u>	<u>53</u>	<u>1,954,235</u>	<u>55</u>
GROSS PROFIT	<u>1,649,741</u>	<u>47</u>	<u>1,555,796</u>	<u>45</u>
Unrealized gain on transactions with subsidiaries (Note 4)	(2,445,416)	(69)	(1,217,260)	(35)
Realized gain on transactions with subsidiaries (Note 4)	<u>2,335,553</u>	<u>66</u>	<u>1,127,852</u>	<u>32</u>
REALIZED GROSS PROFIT	<u>1,539,878</u>	<u>44</u>	<u>1,466,388</u>	<u>42</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	78,187	2	71,619	2
General and administrative expenses	87,877	3	80,995	3
Research and development expenses	503	-	447	-
Expected credit loss	<u>10,130</u>	<u>-</u>	<u>103</u>	<u>-</u>
Total operating expenses	<u>176,697</u>	<u>5</u>	<u>153,164</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,363,181</u>	<u>39</u>	<u>1,313,224</u>	<u>37</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 23 and 28)				
Interest income	9,809	-	4,939	-
Other income	7,770	-	7,951	-
Other gains and losses	7,079	-	(13,166)	-
Share of profit of associates	858,777	25	998,068	28
Finance cost	<u>(21,214)</u>	<u>(1)</u>	<u>(15,272)</u>	<u>-</u>
Total non-operating income and expenses	<u>862,221</u>	<u>24</u>	<u>982,520</u>	<u>28</u>
PROFIT BEFORE INCOME TAX	2,225,402	63	2,295,744	65
INCOME TAX EXPENSE (Notes 4 and 24)	<u>303,236</u>	<u>8</u>	<u>287,782</u>	<u>8</u>
NET PROFIT	<u>1,922,166</u>	<u>55</u>	<u>2,007,962</u>	<u>57</u>

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE 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	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries accounted for using the equity method	\$ 4,490	-	\$ 703	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	3,340	-	(562)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method (Note 21)	184,848	5	(111,270)	(3)
	188,188	5	(111,832)	(3)
Other comprehensive income (loss) for the year, net of income tax	192,678	5	(111,129)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 2,114,844	60	\$ 1,896,833	54
EARNINGS PER SHARE (Note 25)				
Basic	\$ 15.26		\$ 15.94	
Diluted	\$ 14.64		\$ 15.33	

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE 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 Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2021	\$ 1,260,000	\$ 1,633,538	\$ 550,646	\$ 810,893	\$ 2,864,157	\$ (716,465)	\$ 6,402,769
Appropriation of earnings (Note 21)							
Legal reserve	-	-	299,410	-	(299,410)	-	-
Special reserve	-	-	-	52,687	(52,687)	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,757,700)	-	(1,757,700)
Net profit for the year ended December 31, 2021	-	-	-	-	2,007,962	-	2,007,962
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	703	(111,832)	(111,129)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	2,008,665	(111,832)	1,896,833
BALANCE, DECEMBER 31, 2021	1,260,000	1,633,538	850,056	863,580	2,763,025	(828,297)	6,541,902
Appropriation of earnings (Note 21)							
Legal reserve	-	-	214,492	-	(214,492)	-	-
Special reserve	-	-	-	(309,330)	309,330	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,134,000)	-	(1,134,000)
Net profit for the year ended December 31, 2022	-	-	-	-	1,922,166	-	1,922,166
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	4,490	188,188	192,678
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,926,656	188,188	2,114,844
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>

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

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE 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	\$ 2,225,402	\$ 2,295,744
Adjustments for:		
Depreciation expenses	5,292	4,207
Amortization expenses	6,983	6,695
Expected credit loss recognized on accounts receivable	10,130	103
Finance costs	21,214	15,272
Interest income	(9,809)	(4,939)
Share of profit of associates	(858,777)	(998,068)
Unrealized gain on the transactions with subsidiaries	109,863	89,408
Unrealized loss on foreign currency exchange	1,251	2,740
Gain on lease modification	-	(6)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	640	460
Notes receivable	9,103	(7,881)
Accounts receivable	34,456	60,581
Accounts receivable from related parties	(153,484)	(106,581)
Other receivables from related parties	970	2,545
Inventories	12,251	(16,964)
Other current assets	4,028	(5,673)
Financial liabilities at fair value through profit or loss	2,506	(58)
Accounts payable	5,319	453
Accounts payable to related parties	(128,621)	101,796
Other payables	6,980	14,646
Other payables to related parties	15	(6,519)
Other current liabilities	(31,399)	(83,525)
Cash generated from operations	1,274,313	1,364,436
Income tax paid	(305,983)	(185,841)
Net cash generated from operating activities	<u>968,330</u>	<u>1,178,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(35,072)	-
Disposal of financial assets at amortized cost	-	43,498
Acquisition of investments accounted for using equity method	(781,139)	(30,000)
Acquisition of property, plant and equipment	(300)	(677)
Increase in prepayments for equipment	(600)	(499)
Acquisition of other intangible assets	-	(183)
Interest received	9,599	4,659
Dividends received from subsidiaries and associates	917,993	672,749
Decrease in refundable deposits	(28)	-
Net cash generated in investing activities	<u>110,453</u>	<u>689,547</u>

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KMC (KUEI MENG) INTERNATIONAL INC.

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

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	\$ 5,815,830	\$ 3,187,294
Repayments of short-term borrowings	(5,744,174)	(3,471,944)
Proceeds from short-term bills payable	250,000	730,148
Repayments of short-term bills payable	(500,180)	(601,109)
Proceeds from long-term borrowings	1,745,000	1,380,000
Repayments of long-term borrowings	(1,070,000)	(2,030,000)
Repayment of the principal portion of lease liabilities	(1,785)	(848)
Cash dividends	(1,417,500)	(907,200)
Interest paid	<u>(12,918)</u>	<u>(7,399)</u>
Net cash used in financing activities	<u>(935,727)</u>	<u>(1,721,058)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(3,112)</u>	<u>(109)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,944	146,975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>379,409</u>	<u>232,434</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 519,353</u>	<u>\$ 379,409</u>

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

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 standalone financial statements of the Company are presented in the Company’s functional currency, New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

- a. 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 Company’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 standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company'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 standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company'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 standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The standalone 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 Company 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. 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 standalone financial statements, the functional currencies of the Company 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.

e. 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.

f. Investments accounted for using equity method

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) over which the Company has control. Under the equity method, investments in subsidiaries are originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive income by the Company. Additionally, the change in the interests the Company holds in subsidiaries is recognized pro rata to the shareholding percentages

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses from upstream and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's equity interest in the subsidiary.

2) Investments in associates

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

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

g. Property, plant and equipment

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

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.

h. 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.

i. Impairment of property, plant and equipment, right of use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right of use asset and intangible assets, 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 Company 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.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 27.

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 and refundable deposits (classified under other non-current 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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Company 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 Company 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 Company 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 Company).

The Company 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 Company 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 Company 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 Company 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.

k. Revenue recognition

The Company 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods to the buyers, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

l. Leases

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

The Company as lessee

The Company 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 standalone 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 Company 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 Company 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 standalone balance sheets.

m. Borrowing costs

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

n. 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.

o. 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 Company 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 Company 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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 Company has no critical accounting judgements and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 35	\$ 132
Demand deposits	340,275	334,577
Cash equivalent (investments with original maturities less than three months)		
Time deposits	<u>179,043</u>	<u>44,700</u>
	<u>\$ 519,353</u>	<u>\$ 379,409</u>

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

	December 31	
	2022	2021
Time deposits	1.6% ~ 4.25%	2.65%

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 16)	-	500
	<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
<u>December 31, 2021</u>			
Buy	USD/RMB	2022.4.8	USD 1,000 / RMB 6,440

The Company 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>183,637</u>	\$ <u>148,565</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 1.7% ~ 2.75% and 1.35% ~ 2.7% 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>23,024</u>	\$ <u>32,127</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>183,637</u>	\$ <u>218,942</u>
Less: Allowance for impairment loss	<u>10,233</u>	<u>103</u>
	\$ <u>173,404</u>	\$ <u>218,839</u>
Accounts receivable from related parties	\$ <u>374,205</u>	\$ <u>208,879</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 Company'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 Company's different customer base.

The Company 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 Company 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 Company's provision matrix.

a. Notes receivable

All of the Company'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	\$ 522,722	\$ 29,138	\$ -	\$ -	\$ 5,982	\$ 557,842
Loss allowance (Lifetime ECLs)	-	(4,251)	-	-	(5,982)	(10,233)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortized cost	<u>\$ 522,722</u>	<u>\$ 24,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,609</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	\$ 401,608	\$ 21,900	\$ 4,310	\$ -	\$ 3	\$ 427,821
Loss allowance (Lifetime ECLs)	-	(100)	-	-	(3)	(103)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortized cost	<u>\$ 401,608</u>	<u>\$ 21,800</u>	<u>\$ 4,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,718</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	\$ 103	\$ -
Add: Net remeasurement of loss allowance	<u>10,130</u>	<u>103</u>
Balance at December 31	<u>\$ 10,233</u>	<u>\$ 103</u>

10. INVENTORIES

	December 31	
	2022	2021
Merchandise	<u>\$ 20,118</u>	<u>\$ 32,369</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$1,869,795 thousand and \$1,954,235 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries (a)	\$ 9,867,274	\$ 9,063,297
Investments in associates (b)	<u>13,735</u>	<u>12,974</u>
	<u>\$ 9,881,009</u>	<u>\$ 9,076,271</u>

a. Investments in subsidiaries

	December 31	
	2022	2021
KMC Chain Industrial Co., Ltd	\$ 9,076,647	\$ 8,375,846
KMC Automobile Transmission Co., Ltd	668,932	641,164
KMC Industries (Vietnam) Co., Ltd	24,897	20,765
Kynamic Inc.	65,737	25,522
KMC Global GmbH	<u>31,061</u>	<u>-</u>
	<u>\$ 9,867,274</u>	<u>\$ 9,063,297</u>

	Proportion of Ownership (%)		
	December 31		
Name of Subsidiary	2022	2021	Remark
KMC Chain Industrial Co., Ltd.	100%	100%	Note 1
K.M.C. Automobile Transmission Co., Ltd.	100%	100%	
KMC Industries (Vietnam) Co., Ltd.	100%	100%	
Kynamic Inc.	100%	100%	
KMC Global GmbH	100%	-	Note 2

- 1) Please refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China “ for the details of the subsidiaries held by the Company.
- 2) The Company founded KMC Global GmbH. The main business is selling other than bicycle chains of parts and accessories.

b. Investments in associates

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

In February 2016, the Company contributed to set up a company Pro (Taiwan) Procurement Co., Ltd. with non-related party. The proportion of the Company’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 Company's share of:

Profit from continuing operations and total comprehensive income for the year

\$	<u>1,332</u>	\$	<u>623</u>
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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.

12. PROPERTY, PLANT AND EQUIPMENT

Office Equipment

Cost

Balance at January 1, 2021	\$	15,581
Additions		<u>677</u>
Balance at December 31, 2021	\$	<u>16,258</u>

Accumulated depreciation

Balance at January 1, 2021	\$	7,540
Depreciation		<u>3,371</u>
Balance at December 31, 2021	\$	<u>10,911</u>
Carrying amounts at December 31, 2021	\$	<u>5,347</u>

Cost

Balance at January 1, 2022	\$	16,258
Additions		<u>300</u>
Balance at December 31, 2022	\$	<u>16,558</u>

Accumulated depreciation

Balance at January 1, 2022	\$	10,911
Depreciation		<u>3,529</u>
Balance at December 31, 2022	\$	<u>14,440</u>
Carry amounts at December 31, 2022	\$	<u>2,118</u>

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

The property, plant and equipment are depreciated by the straight-line method over 3-5 years of useful lives.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Transportation equipment	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 2,575	\$ 382	\$ 2,957
Additions	3,388	412	3,800
Disposals	<u>(1,512)</u>	<u>(382)</u>	<u>(1,894)</u>
Balance at December 31, 2021	<u>\$ 4,451</u>	<u>\$ 412</u>	<u>\$ 4,863</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	\$ 1,070	\$ 316	\$ 1,386
Depreciation	690	146	836
Disposals	<u>(1,512)</u>	<u>(382)</u>	<u>(1,894)</u>
Balance at December 31, 2021	<u>\$ 248</u>	<u>\$ 80</u>	<u>\$ 328</u>
Carrying amounts at December 31, 2021	<u>\$ 4,203</u>	<u>\$ 332</u>	<u>\$ 4,535</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 4,451	\$ 412	\$ 4,863
Additions	<u>822</u>	<u>454</u>	<u>1,276</u>
Balance at December 31, 2022	<u>\$ 5,273</u>	<u>\$ 866</u>	<u>\$ 6,139</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	\$ 248	\$ 80	\$ 328
Depreciation	<u>1,538</u>	<u>225</u>	<u>1,763</u>
Balance at December 31, 2022	<u>\$ 1,786</u>	<u>\$ 305</u>	<u>\$ 2,091</u>
Carrying amounts at December 31, 2022	<u>\$ 3,487</u>	<u>\$ 561</u>	<u>\$ 4,048</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 1,936</u>	<u>\$ 1,612</u>
Non-current	<u>\$ 2,125</u>	<u>\$ 2,927</u>

Discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings and transportation equipment	0.4362%-0.8541%	0.7134%-1.05%

c. Material leasing activities and terms

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

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>72</u>	\$ <u>-</u>
Expenses relating to low-value asset leases	\$ <u>231</u>	\$ <u>303</u>
Total cash outflow for leases	\$ <u>2,117</u>	\$ <u>1,154</u>

14. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 52,360
Additions	<u>183</u>
Balance at December 31, 2021	<u>\$ 52,543</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 16,775
Depreciation	<u>6,695</u>
Balance at December 31, 2021	<u>\$ 23,470</u>
Carrying amounts at December 31, 2021	<u>\$ 29,073</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 52,543
Additions	<u>2,099</u>
Balance at December 31, 2022	<u>\$ 54,642</u>

(Continued)

	Computer Software
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 23,470
Depreciation	<u>6,983</u>
Balance at December 31, 2022	<u>\$ 30,453</u>
Carrying amounts at December 31, 2022	<u>\$ 24,189</u> (Concluded)

Intangible assets are amortized by the straight-line method over 8 years of useful lives.

15. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Tax overpaid retained	\$ 5,876	\$ 6,641
Prepayments	4,650	5,494
Others	<u>13</u>	<u>2,432</u>
	<u>\$ 10,539</u>	<u>\$ 14,567</u>
<u>Non-current</u>		
Prepayment for equipment	\$ -	\$ 1,499
Refundable deposits	<u>58</u>	<u>30</u>
	<u>\$ 58</u>	<u>\$ 1,529</u>

16. 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	For the Year Ended December 31, 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 21)

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

17. BORROWINGS

- a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 399,102</u>	<u>\$ 318,614</u>

The ranges of weighted average effective interest rates on bank loans were 1.22%-2.55% and 0.16%-0.91% 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>\$ 775,000</u>	<u>\$ 100,000</u>

The ranges 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.

18. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable resulted from operating activities. The average period of purchases is 30 to 150 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES AND OTHER LIABILITIES

	December 31	
	2022	2021
<u>Other payables</u>		
Payable for compensation of employees	\$ 30,825	\$ 23,000
Payable for remuneration to directors and supervisors	8,400	8,400
Payable for salaries or bonus	3,652	3,787
Payable for annual leave	1,031	1,281
Payable for interests	767	108
Others	<u>12,525</u>	<u>12,979</u>
	<u>\$ 57,200</u>	<u>\$ 49,555</u>
<u>Other liabilities</u>		
Contract liabilities (Note 22)	\$ 15,743	\$ 47,231
Others	<u>475</u>	<u>386</u>
	<u>\$ 16,218</u>	<u>\$ 47,617</u>

20. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company, KMC Chain Industrial 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.

21. 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 articles of incorporation 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 required authorization from at least two-thirds of the board of directors present, the consent of a majority of the directors present, and 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 23(g).

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 appropriations of earnings and cash dividends per share for 2021 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	\$ <u>51,916</u>	\$ <u>50,776</u>	\$ <u>98,174</u>
Special reserve	\$ <u>(35,283)</u>	\$ <u>147,115</u>	\$ <u>-</u>
Cash dividends	\$ <u>283,500</u>	\$ <u>283,500</u>	\$ <u>567,000</u>
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	\$ <u>150,460</u>
Special reserve	\$ <u>(94,428)</u>
Cash dividends	\$ <u>907,200</u>
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	\$ <u>30,090</u>	\$ <u>60,654</u>	\$ <u>52,058</u>	\$ <u>49,864</u>
Special reserve	\$ <u>85,859</u>	\$ <u>(96,406)</u>	\$ <u>103,488</u>	\$ <u>(281,129)</u>
Cash dividends	\$ <u>283,500</u>	\$ <u>283,500</u>	\$ <u>283,500</u>	\$ <u>283,500</u>
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 is yet to be approved by the shareholders in their 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	3,340	(562)
Share from subsidiaries accounted for using the equity method	<u>184,848</u>	<u>(111,270)</u>
Balance at December 31	<u>\$ (640,109)</u>	<u>\$ (828,297)</u>

22. REVENUE

The Company which sell components of various chains, motorcycle and vehicle. Contract revenue is as follows:

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 3,519,536</u>	<u>\$ 3,510,031</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 Company has an unconditional right to receive the transaction price. Some of contract set that the Company receive part of transaction price before transferring the goods to the buyers. The Company 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>23,024</u>	\$ <u>32,127</u>	\$ <u>24,246</u>
Accounts receivable (Note 9)	\$ 173,404	\$ 218,839	\$ 279,811
Accounts receivable from related parties (Note 9)	<u>374,205</u>	<u>208,879</u>	<u>102,970</u>
	<u>\$ 547,609</u>	<u>\$ 427,718</u>	<u>\$ 382,781</u>
Contract liabilities (Note 19)			
Sale of goods	<u>\$ 15,743</u>	<u>\$ 47,231</u>	<u>\$ 130,554</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>\$ 45,956</u>	<u>\$ 130,554</u>

23. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits and financial assets at amortized cost	<u>\$ 9,809</u>	<u>\$ 4,939</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Marketing income	\$ 5,402	\$ 8
Rental income	6	5,872
Others	<u>2,362</u>	<u>2,071</u>
	<u>\$ 7,770</u>	<u>\$ 7,951</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 72,397	\$ 20,223
Foreign exchange losses	(45,056)	(29,139)
Financial assets (liabilities) at fair value through profit or loss	(14,275)	1,727
Others	<u>(5,987)</u>	<u>(5,977)</u>
	<u>\$ 7,079</u>	<u>\$ (13,166)</u>

d. Finance cost

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 13,577	\$ 7,038
Interest on convertible bonds	7,278	7,237
Interest on bills payable	328	979
Interest on lease liabilities	<u>31</u>	<u>18</u>
	<u>\$ 21,214</u>	<u>\$ 15,272</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating expenses	<u>\$ 5,292</u>	<u>\$ 4,207</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,983</u>	<u>\$ 6,695</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits		
Payroll expense	\$ 87,136	\$ 87,152
Labor and health insurance expense	4,734	4,844
Others	<u>2,351</u>	<u>2,258</u>
	<u>94,221</u>	<u>94,254</u>
Post-employment benefits		
Defined contribution plans	<u>2,134</u>	<u>2,217</u>
	<u>\$ 96,355</u>	<u>\$ 96,471</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 96,355</u>	<u>\$ 96,471</u>

g. 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 standalone 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.

24. 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	\$ 296,856	\$ 278,376
Income tax on unappropriated earnings	28,098	27,068
Adjustment for prior periods	<u>51</u>	<u>1</u>
	325,005	305,445
Deferred tax		
In respect of the current year	<u>(21,769)</u>	<u>(17,663)</u>
Income tax expense recognized in profit	<u>\$ 303,236</u>	<u>\$ 287,782</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>2,225,402</u>	\$ <u>2,295,744</u>
Income tax expense calculated at the statutory rate	\$ 445,081	\$ 459,149
Permanent differences	(170,523)	(198,396)
Temporary differences	529	(40)
Additional income tax on unappropriated earnings	28,098	27,068
Adjustments for prior years' tax	<u>51</u>	<u>1</u>
Income tax expense recognized in profit	\$ <u>303,236</u>	\$ <u>287,782</u>

b. Current tax liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	\$ <u>324,019</u>	\$ <u>304,997</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred Tax Assets</u>				
Temporary differences				
Unrealized foreign exchange loss	\$ 286	\$ (204)	\$ -	\$ 82
Unrealized gross profit	<u>32,244</u>	<u>21,973</u>	<u>-</u>	<u>54,217</u>
	<u>\$ 32,530</u>	<u>\$ 21,769</u>	<u>\$ -</u>	<u>\$ 54,299</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized foreign exchange loss	\$ 504	\$ (218)	\$ -	\$ 286
Unrealized gross profit	<u>14,363</u>	<u>17,881</u>	<u>-</u>	<u>32,244</u>
	<u>\$ 14,867</u>	<u>\$ 17,663</u>	<u>\$ -</u>	<u>\$ 32,530</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

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.

e. Income tax assessments

The tax returns of the Company through 2020 have been assessed by the tax authorities.

25. 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.

26. CAPITAL MANAGEMENT

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, retained earnings and other equity). Maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's capital management is to ensure that it has the necessary financial resources and operating plans to meet the needs of future working capital, debt repayment and dividend payments.

27. FINANCIAL INSTRUMENTS

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

In the standalone 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), bank loans, short-term bills payable, accounts payable (including related parties), other payables (including related parties), and dividends payable.

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, 2022	\$ 500
Recognized in profit or loss (included in other gains and losses)	(500)
	<hr/>
Balance at December 31, 2022	<u><u>\$ -</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><u>\$ 500</u></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)	1,274,766	989,694
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	2,506	-
Amortized cost (2)	2,834,536	2,436,970

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, 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, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion) and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Company'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 Company 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 Company'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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

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

The following table details the Company'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	\$ 4,600	\$ (270)

	EUR impact	
	For the Year Ended December 31	
	2022	2021

Profit or loss	\$ 659	\$ 234
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	RMB impact	
	For the Year Ended December 31	
	2022	2021

Profit or loss	\$ (370)	\$ (292)
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The Company'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 Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Company'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	\$ 362,680	\$ 193,265
Financial liabilities	998,003	1,241,200
Cash flow interest rate risk		
Financial assets	340,275	334,577
Financial liabilities	1,174,102	418,614

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Company's profit before tax for the year ended December 31, 2022 and 2021 would decrease by \$8,338 thousand and \$840 thousand, respectively; the change was mainly attributable to the Company'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 Company. As of the balance sheet date, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets;

and

- b) The amount of contingent liabilities in relation to financial guarantees provided by the Company.

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

The Company's concentration of credit risk was attributable to the Company's main customer.

	December 31	
	2022	2021
Wincorp Enterprises Limited	\$ 17,358	\$ 90,012
KMC Chain Europe N.V	340,041	60,533
KMC Chain American Corporation	16,786	53,931
Company J	12,281	30,334

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and, 2021, the Company had available unutilized short-term and long-term bank loan facilities set out in (c) below.

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

The following table details the Company'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 Company 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	\$ 1,095,939	\$ 137,553	\$ -
Lease liabilities	490	490	3,119
Variable interest rate liabilities	886,046	247,249	53,117
Fixed interest rate liabilities	<u>1,401</u>	<u>1,417</u>	<u>995,841</u>
	<u>\$ 1,983,876</u>	<u>\$ 386,709</u>	<u>\$ 1,052,077</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>1,959</u>	\$ <u>2,140</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	\$ 1,389,703	\$ 242,637	\$ -
Lease liabilities	418	417	3,798
Variable interest rate liabilities	263,193	55,966	100,972
Fixed interest rate liabilities	<u>251,397</u>	<u>1,406</u>	<u>994,190</u>
	<u>\$ 1,904,711</u>	<u>\$ 300,426</u>	<u>\$ 1,098,960</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>1,639</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 Company'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	<u>(56,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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	<u>(28,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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	\$ 1,174,102	\$ 668,466
Amount unused	<u>6,942,598</u>	<u>6,771,534</u>
	<u>\$ 8,116,700</u>	<u>\$ 7,440,000</u>

29. 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.

a. Related party name and category

Name of Related Party	Relationship with the Company
KMC Transton Industries Limited	Ultimate parent company
KMC Chain Industrial Co., Ltd.	Subsidiary
K.M.C. Automobile Transmission Co., Ltd.	Subsidiary
Kynamic Inc.	Subsidiary
KMC Chain (Vietnam) Co., Ltd.	Subsidiary
KMC Industries (Vietnam) Co., Ltd.	Subsidiary
KMC Chain (Shenzhen) Co., Ltd.	Subsidiary
Suzhou KMC Industry and Trade Co., Ltd.	Subsidiary
KMC Chain Europe N.V.	Subsidiary
KMC Chain American Corporation	Subsidiary
P.T. Kuei Meng Chain Indonesia	Subsidiary
Wincorp Enterprises Limited	Same members of the key management personnel

b. Sales of goods

Related Party Type / Name	For the Year Ended December 31	
	2022	2021
<u>Subsidiary</u>		
KMC Chain Europe N.V. (KMC Europe)	\$ 1,317,550	\$ 1,258,916
KMC Chain American Corporation (KMC America)	164,193	131,853
KMC Chain Industrial Co., Ltd.	220	151
P.T. Kuei Meng Chain Indonesia (KMC Indonesia)	-	24,088
Kynamic Inc.	28	-
<u>Same members of the key management personnel</u>		
Wincorp Enterprises Limited	136,286	242,909
	<u>\$ 1,618,277</u>	<u>\$ 1,657,917</u>

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 90 days and for non-related parties were 30 to 90 days.

c. Purchases of goods

Related Party Type / Name	For the Year Ended December 31	
	2022	2021
<u>Subsidiary</u>		
KMC Chain Industrial Co., Ltd.	\$ 1,036,276	\$ 964,652
KMC Chain (Shenzhen) Co., Ltd.	683,952	732,091
KMC Chain (Vietnam) Co., Ltd.	57,770	128,656
Suzhou KMC Industry and Trade Co., Ltd.	20,389	64,905
KMC Transmission (Tianjin) Co., Ltd.	443	-
	<u>\$ 1,798,830</u>	<u>\$ 11,890,304</u>

The purchase prices and terms were negotiated with related parties and cannot be compared with the price and terms with third parties. The credit terms of related parties were 45 to 150 days and non-related parties were 45 to 150 days.

d. Receivables from related parties

Account Item	Related Party Type / Name	December 31	
		2022	2021
Accounts receivable from related parties	<u>Subsidiary</u>		
	KMC Chain Europe N.V.	\$ 340,041	\$ 60,533
	KMC Chain American Corporation	16,786	53,931
	P.T. Kuei Meng Chain Indonesia	-	4,311
	KMC Chain Industrial Co., Ltd.	4	92
	Kynamic Inc.	16	-
	<u>Same members of the key management personnel</u>		
	Wincorp Enterprises Limited	<u>17,358</u>	<u>90,012</u>
		<u>\$ 374,205</u>	<u>\$ 208,879</u>
Other receivables from related parties	<u>Subsidiary</u>		
	KMC Chain (Vietnam) Co., Ltd.	<u>\$ -</u>	<u>\$ 970</u>

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.

e. Payables to related parties

Account Item	Related Party Type / Name	December 31	
		2022	2021
Accounts payable from related parties	<u>Subsidiary</u>		
	KMC Chain Industrial Co., Ltd.	\$ 343,001	\$ 371,626
	KMC Chain (Shenzhen) Co., Ltd.	251,072	332,848
	Others	<u>2,943</u>	<u>20,869</u>
		<u>\$ 597,016</u>	<u>\$ 725,343</u>
Other payables from related parties	<u>Subsidiary</u>		
	KMC Chain Industrial Co., Ltd.	<u>\$ 15</u>	<u>\$ -</u>

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

f. Lease arrangements - Company as lessee

Acquisition of right-of-use assets

The Company 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	\$ 4,206

		For the Year Ended December 31	
Related Party Category		2022	2021

Interest expense

Parent company	\$ 25	\$ 17
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Depreciation expenses

Parent company	\$ 1,484	\$ 247
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g. Endorsement / Guarantee provided to others

Please refer Table 2 “Endorsement/Guarantee provided” for the guarantee funds provided by the Company for its subsidiaries.

h. Others

Account Item	Related Party Type	For the Year Ended December 31	
		2022	2021
Other income	Subsidiary	\$ 5,750	\$ 6,587

i. Compensation of key management personnel

		For the Year Ended December 31	
		2022	2021
Short-term employee benefits		\$ 11,852	\$ 11,631

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company 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	\$ 14,992	30.71 (USD : NTD)	\$ 460,392
EUR	10,543	32.72 (EUR : NTD)	344,973
RMB	49,144	4.408 (RMB : NTD)	216,626

Non-monetary items

Investments accounted for using the equity method

USD	811	30.71 (USD : NTD)	24,896
EUR	949	32.72 (EUR : NTD)	31,061

Financial liabilities

Monetary items			
USD	11	30.71 (USD : NTD)	344
EUR	8,530	32.72 (EUR : NTD)	279,102
RMB	57,548	4.408 (RMB : NTD)	253,671

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,742	27.68 (USD : NTD)	\$ 103,576
EUR	4,098	31.32 (EUR : NTD)	128,354
RMB	71,500	4.344 (RMB : NTD)	310,596

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Non-monetary items</u>			
Investments accounted for using the equity method			
USD	\$ 750	27.68 (USD : NTD)	\$ 20,765
<u>Financial liabilities</u>			
Monetary items			
USD	4,718	27.68 (USD : NTD)	130,612
EUR	3,350	31.32 (EUR : NTD)	104,922
RMB	78,217	4.344 (RMB : NTD)	339,775
			(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	30.71 (USD:NTD)	\$ 19,685	27.68 (USD:NTD)	\$ (5,338)
EUR	32.72 (EUR:NTD)	6,401	31.32 (EUR:NTD)	(1,009)
RMB	4.408 (RMB:NTD)	<u>1,255</u>	4.344 (RMB:NTD)	<u>(2,569)</u>
		<u>\$ 27,341</u>		<u>\$ (8,916)</u>

31. 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)
- 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 9).

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.		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.		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.****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

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STATEMENT 1**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF CASH AND CASH EQUIVALENTS****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Maturities	Rate (%)	Amount
Cash in hand and revolving Funds			\$ 35
Deposits			
Foreign currency deposits (Note 1)			285,090
Demand deposits			<u>55,185</u>
Subtotal of deposits			<u>340,275</u>
Cash equivalents			
Time deposits (Note 2)	2023.01 ~ 2023.03	1.6 ~ 4.25	<u>179,043</u>
			<u>\$ 519,353</u>

Note 1: Including USD \$8,944,096, EUR \$150,710 and CNY \$1,244,556
USD \$1=NT \$30.71, EUR \$1=NT \$32.72 and CNY \$1=NT \$4.408)

Note 2: Including USD \$5,500,000 and CNY \$2,300,000 (US \$1=NT \$30.71 and CNY \$1=NT \$4.408)

STATEMENT 2**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF NOTES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Company A	\$ 7,132
Company B	5,845
Company C	2,289
Company D	1,910
Other (Note)	<u>5,848</u>
	<u>\$ 23,024</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 3**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Non-related Parties	
Company E	\$ 18,122
Company F	14,877
Company G	13,805
Company H	13,747
Company I	13,138
Company J	12,281
Company K	10,288
Others (Note)	<u>77,146</u>
	<u>\$ 173,404</u>
Less: Allowance for impairment loss	
Related parties	
K.M.C Chain Europe N.V.	\$ 340,041
Wincorp Enterprises Limited	17,358
KMC Chain American Corporation	16,786
Kynamic Inc.	16
KMC Chain Industrial Co., LTD	<u>4</u>
	<u>\$ 374,205</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net Realizable Value
Merchandise	Mainly for chains	<u>\$ 20,118</u>	<u>\$ 37,805</u>

Note: The net realizable value of inventory is the latest selling price less the estimated costs of completion and disposal.

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Balance, January 1, 2022		Additions		Reductions		Gain (loss) on Investments	Allotted Cash Dividends	Exchange Differences on Translation of Financial Statements of Foreign Operations	Gain on defined benefit liabilities	Balance, December 31, 2022				
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral
Investment accounted for using the equity method															
KMC Chain Industrial Co., Ltd.	88,600,000	\$ 8,375,846	1,400,000	\$ 700,000	-	\$ (109,863)	\$ 820,509	\$ (899,183)	\$ 184,848	\$ 4,490	90,000,000	100	\$ 9,076,647	\$ 8,600,825	None
K.M.C Automobile Transmission Co., Ltd.	3,253,812	641,164	-	-	-	-	46,017	(18,249)	-	-	3,253,812	100	668,932	88,618	None
Kynamic Inc.	1,000,000	25,522	500,000	50,000	-	-	(9,785)	-	-	-	1,500,000	100	65,737	65,737	None
KMC Industries (Vietnam) Co., Ltd.	-	20,765	-	-	-	-	2,303	-	1,829	-	-	100	24,897	24,897	None
KMC Global GmbH	-	-	-	31,139	-	-	(1,589)	-	1,511	-	-	100	31,061	31,061	None
		9,063,297		781,139		(109,863)	857,455	(917,432)	188,188	4,490			9,867,274	8,811,138	
Investment accounted for associate															
Pro (Taiwan) Procurement Co., Ltd.	1,225,000	12,974		-	-	-	1,322	(561)	-	-	1,225,000	49	13,735	13,735	None
Total		<u>\$ 9,076,271</u>		<u>\$ 781,139</u>		<u>\$ (109,863)</u>	<u>\$ 858,777</u>	<u>\$ (917,993)</u>	<u>\$ 188,188</u>	<u>\$ 4,490</u>			<u>\$ 9,881,009</u>	<u>\$ 8,824,873</u>	

Note: The decrease was unrealized gain of NT\$109,863 thousand.

STATEMENT 6**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Promissory Institution	Balance	Maturity Date	Interest Rates (%)	Credit Line	Collateral
Taipei Fubon Commercial Bank Co., Ltd.	\$ 235,782	2022.09 ~ 2023.09	1.27 ~ 2.55	\$ 500,000	None
Citibank Taiwan Limited	120,000	2022.07 ~ 2023.07	1.22	300,000	None
E. Sun Commercial Bank, Ltd.	<u>35,332</u>	2022.08 ~ 2023.08	2.14	200,000	None
	391,114				
Year - end evaluation	<u>7,988</u>				
	<u>\$ 399,102</u>				

STATEMENT 7

KMC (KUEI MENG) INTERNATIONAL INC.

**STATEMENT OF ACCOUNTS PAYABLE FROM RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
KMC Chain Industrial Co., Ltd.	\$ 343,001
KMC Chain (Shenzhen) Co., Ltd.	251,072
Suzhou KMC Industry and Trade Co., Ltd.	2,599
KMC Chain (Vietnam) Co., Ltd.	<u>344</u>
	<u>\$ 597,016</u>

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Bank Name (Note)	Description	Current portion	Non-current portion	Balance	Loan Period	Collateral	Repayment terms
Mizuho Bank, Ltd.	Medium-term borrowings	\$ -	\$ 725,000	\$ 725,000	2022.12.31-2024.12.31	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
E. Sun Commercial Bank. Ltd.	Medium-term borrowings	-	50,000	50,000	2022.08.02-2024.08.02	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
		<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>			

STATEMENT 9**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (In Thousands, unit)	Amount
Transmission goods - BC	34,648	\$ 3,497,492
Transmission goods - MT	138	<u>22,512</u>
		3,520,004
Less : Sales discounts		<u>468</u>
Net operating revenue		<u>\$ 3,519,536</u>

STATEMENT 10**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Inventories, beginning of year	\$ 32,369
Add: Purchase	1,857,571
Others	(27)
Less: Inventories, end of year	<u>(20,118)</u>
Total operating costs	<u>\$ 1,869,795</u>

STATEMENT 11**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Payroll expense	\$ 36,086	\$ 51,050	\$ -	\$ -	\$ 87,136
Expected Credit loss	-	-	-	10,130	10,130
Professional service fee	-	8,312	-	-	8,312
Mould fee	5,844	-	-	-	5,844
Software expense	2,021	7,722	189	-	9,932
Amortization expense	1,100	5,746	137	-	6,983
Depreciation expense	629	4,595	68	-	5,292
Marketing expense	8,774	302	3	-	9,079
Others (Note)	<u>23,733</u>	<u>10,150</u>	<u>106</u>	<u>-</u>	<u>33,989</u>
Total	<u>\$ 78,187</u>	<u>\$ 87,877</u>	<u>\$ 503</u>	<u>\$ 10,130</u>	<u>\$ 176,697</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.

STATEMENT 12**KMC (KUEI MENG) INTERNATIONAL INC.**
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2022
	Classified as Operating Expenses	Classified as Operating Expenses
Employee benefits		
Salaries	\$ 75,284	\$ 75,521
Labor and health insurance	4,734	4,844
Pension	2,134	2,217
Remuneration of directors	11,852	11,631
Others	2,351	2,258
	<u>\$ 96,355</u>	<u>\$ 96,471</u>
Depreciation	<u>\$ 5,292</u>	<u>\$ 4,207</u>
Amortization	<u>\$ 6,983</u>	<u>\$ 6,695</u>

Note 1: As of December 31, 2022 and 2021, the Company had 59 and 61 employees, respectively, which included 3 non-employee directors in both 2022 and 2021.

Note 2: Additional disclosures are as follows:

1. Average employee benefits for the year ended December 31, 2022 was NT\$1,509 thousand (amounts of employee benefits for the year ended December 31, 2022 less amounts of remuneration of directors for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022).

Average employee benefits for the year ended December 31, 2021 was NT\$1,463 thousand (amounts of employee benefits for the year ended December 31, 2021 less amounts of remuneration of directors for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021).

2. Average salaries for the year ended December 31, 2022 was NT\$1,344 thousand (amounts of salaries for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022).

Average salaries for the year ended December 31, 2021 was NT\$1,302 thousand (Amounts of salaries for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021).

3. Changes of adjustments of average salaries was 3% (average salaries for the year ended December 31, 2022 less average salaries for the year ended December 31, 2021/average salaries for the year ended December 31, 2021).

4. The Company did not have supervisors for the years ended December 31, 2022 and 2021.

5. The Company's compensation policies:

- a. The company's directors' remuneration is negotiated based on their participation in the company's operations and the value of their contributions. And Independent directors receive fixed remuneration.
- b. The remuneration of managers is determined based on their job responsibilities, contribution to the Company as well as the Company's operating performance for the year.