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KMC(Kuei Meng) International Inc.
2020 Annual Report

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- KMC official website: <http://www.kmc-international.com>
- Date of printing: May 25, 2021

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- V. Name of exchanges in foreign countries where the Company is listed for securities trade and the means of access to information on overseas securities: None.
- VI. Company website: <http://www.kmc-international.com/index.php?lang=en>

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I. Letter to the Shareholders

Dear Shareholders,

Impacted by COVID-19, 2020 was a year full of unprecedented challenges that put the whole world upside down. Thanks to our employees and the management team, we overcame obstacles and generated record-high performance. In 2020, our operating revenue reached NT\$6.13 billion, a YoY growth of 17%. Net profit after tax reached NT\$1.51 billion, a YoY growth of 50%. EPS was NT\$12, which delivered a second consecutive year of record.

At the beginning of 2020, the shortage of supply appeared in the bicycle industry. With various pandemic prevention measures implemented, the bicycle supply chain suspended for nearly two months while the demand remained stable. Since the inventory was insufficient, the shortage of supply appeared. Meanwhile, the epidemic changed the way that people commute, exercise and recreate. The governments also encouraged people to ride a bicycle, and offered subsidies for buying bicycle components. These all boosted the demand for bicycles. In face of the increasing demand for bicycles around the globe, KMC increased its productivity by 10%, delivering outstanding performance with global deployment and flexible productivity adjustment. In addition, the operation of non-bicycle businesses also rebounded from the third quarter of 2020.

In recent years, KMC released the specialized e-bike chain and chainring to fulfill the high torque and high durability requirements of the e-bikes. The specialized chain and chainring set based on the concept of "Chain Mate" provided e-bikes a comprehensive and highly compatible solution. It is expected that KMC will take a crucial role as the market of e-bikes grows.

I. Business results of 2020:

1. The implementation results of business plan:

In 2020, KMC's consolidated revenue was NT\$6.13 billion, a 17% growth compared to 2019. The consolidated operating net profit was NT\$2.82 billion which increased 31.5% from the 2019 level. The gross margin was 46%. The consolidated net profit after tax was NT\$1.51 billion, a YoY growth of 50.3%. Earnings per share were NT\$12.

As a dedicated advocator of green transportation, KMC continued to promote ESG. In the Sustainalytics's ESG ratings, KMC was ranked top 1 in the bicycle industry, and the top 9% in the global ratings. In 2012, KMC became the first chain manufacturer in the world to obtain carbon footprint verification. In terms of social welfare, KMC carried out activities based on six major themes, initiated by three foundations. In terms of corporate governance, KMC strengthened its Board diversity, and treated every shareholder equally. In 2020, KMC was honored to be nominated as the company with the best IR team by IR Magazine. In the future, KMC will continue to promote ESG based on the principles of "sustainable environment", "green supply", "common welfare", "equal sharing" and "ethical management".

The year of 2020 Budget Implementation Status:

Unit: NT\$ thousands

Item	Actual amount	Budget amount	Achieved rate %
Operating revenue	6,130,483	5,500,000	111%
Gross profit	2,819,482	2,300,000	123%
Operating profit	1,974,277	1,350,000	146%
Net profit after tax	1,514,646	1,100,000	138%

Financial and Profitability analysis:

Unit: NT\$ thousands

Item	2020	2019	The percentage changed
Operating revenue	6,130,483	5,239,635	17.0%
Gross profit	2,819,482	2,143,280	31.5%
Operating profit	1,974,277	1,253,552	57.5%
Net profit after tax	1,514,646	1,007,490	50.3%
Gross profit margin	46.0%	40.9%	
Operating margin	32.2%	23.9%	
Net margin	24.7%	19.2%	
EPS in NT\$	12.02	8.00	

2. Research and Development Status:

Adhering to the attitude of “professionalism” and “continued dedication”, KMC has continued to invest in research and development on bicycle and non-bicycle components, and carried out in-depth study and innovation as well as development of high-precision product. The spirit of focusing on R&D and innovation has always been the key to the sustainable growth of KMC. Our R&D team follows the product development trend of each business segment and enhances the added value of our products. By integrating innovative technology and new materials, KMC will create better next-generation products.

In 2020, the R&D efforts of KMC on bike components are summarized as follows:

- A. In response to the rapid growth of e-bikes, KMC developed a specialized e-bike chain that works perfectly with various powerful mid drive motor. Our R&D team leveraged the cutting edge technology to reduce the chain elongation and improve its durability. Meanwhile, this technology enables our chain to have 2 to 4 times longer life span than traditional bicycle chain.
- B. Today, the main trend for transmission systems is moving toward higher speeds, no matter it is for traditional transmission system or e-bike transmission system. However, the higher speed requires more plates in the same space and the chain needs to be thinner. As the chain becomes thinner, it also needs to maintain the same or even better strength, resilience and functionality. Therefore, new materials need to be developed to meet the demand for chain. KMC has begun to cooperate with metal material suppliers to jointly develop new materials to achieve thinner but stronger chain. With its long-established precision stamping capability and heat treatment technology, KMC would be able to produce next-generation, super high-end chains and transmission components.

II. Summary of 2020 Business Plan:

1. Business principles and important policies of production and marketing:

Due to the COVID-19, the supply side changed in various industries. Instant supply used to be the principle of the overall supply chain. Yet due to the pandemic, the supply chain couldn't function normally. KMC has already established a comprehensive production and sales network around the world, demonstrating its edge on multiple operations under the influence of the epidemic. The real-time supply established by KMC is no longer based on the lowest cost of the production. We focus more on the demand of the target market, flexible multi-site manufacturing and immediate customer service. In 2021, we will continue to improve our distribution channel to respond to the changes in the global bike industry and other businesses. Additionally, we will also dedicate to improving our product portfolio, increasing the market share in after sales market and high-end product, strengthening the core abilities in technology and equipment development in order to improve our operational momentum.

From 2018, KMC has entered the top 35 of the "Best Global Brand" for three consecutive years and won the "Best Potential Brand of Taiwan". KMC will continue its outstanding performance and aim at brand globalization, becoming the most influential international brand through global development and branding power.

As for production policy, apart from stably increasing the advanced production capacity to meet the clients' needs, KMC also offered faster and more instant sales support to our customers. Meanwhile, in response to the global trade protectionism, KMC reinforced its instant supply chain ability with multiple production bases to ensure KMC maintains the edge that surpasses other rivals. Also, we will put our efforts on sustainability and green policy. By establishing green factories, utilizing green packaging materials, investigating carbon emission, and optimizing the production process, KMC has adopted the green concept into our product and manufacturing process to realize the goal of carbon reduction.

2. Sales volume forecast and the accordance of fact

Bicycle, motorcycle, automobile and GDO market have shown steady growth for many year; however, the sales volume forecast will be evaluated and properly adjusted according to the current industrial environment, market supply and demand and the business exploration ability.

III. Company's development strategy in the future:

KMC has set the goal of "becoming the most valuable chain brand"; therefore, constantly insisting on refinement of product design and innovative manufacturing process is the way to provide consumers and clients with the chain products featuring the highest quality and the best compatible transmission systems. KMC will oriented towards "Professionalism with Hearty Choice"

In 2021, KMC will focus on three aspects of development in automotive parts and components. First of all, it will align with the development trend of electric bikes and increase its stake in the diversification of parts and components for electric bikes. Secondly, KMC seeks to increase its share in the repair market of Europe and USA. As the e-bike and high-end bike are penetrating, the lucrative profit in the repair market will be the prime force driving for profit growth for KMC. Thirdly, it is the chains for high-end sport vehicles. A number of manufacturers will launch ultra-high performance system in new models, which is expected to bring about another wave of upgrade and replacement for new vehicles, and in turn drive the demand for high-end chains. In the operation beyond bicycle chain, KMC will

adopt multi-site operation and strengthen its operation in the repair operation in ASEAN region in the area of parts and components for motorcycles. In the area of automotive timing system, KMC will speed up its paces in working in conjunction with major customers in the development of automotive timing system and different parts and components. As for the garage door system, KMC will increase the number of projects of system parts for joint development with customers.

IV. Being Influenced by external environment, regulatory environment and overall business environment

As well as getting along with the rising of global urbanization level, those issues getting more serious including environmental protection, traffic, public health, the governments worldwide have gradually included bicycle as the best option of green vehicle. Countries have been calling people to care for the environment with real actions, reducing the impacts on the Earth, improving our environment, and preventing the damages to the environment. In 2021, the US addressed the issue of carbon emission by holding the online climate summit. 40 leaders worldwide including China leader Xi Jinping, Russian leader Vladimir Putin, and Pop Francis joined the two-day meeting. The US announced that by 2030, its GHG emission will decrease 50% compared to 2005. By 2050, it will reach carbon neutrality. Japan also proposed that by 2030, its GHG emission will decrease 46% compared to 2013; Canada changed its target from 30% to 40 to 45% compared to 2005. China announced that by 2030 it will reach its carbon peak and by 2060, it will reach carbon neutrality. When a country or a region announces its goal of carbon neutrality, it implies that the policy, business models, energy transformation, and environmental regulations shall make changes accordingly. This will bring fundamental impact to alleviating climate change and natural disasters.

The current situation unveils a promising future for the bicycle industry. On one hand, people prefer personal transportation to public transportation to maintain social distance. On the other hand, according to CONEBI's research, the sales of electric bikes in the EU will surge from 4.6 million units in 2020 to 17 million units in 2030. It is anticipated that by 2028, the sales of electric bikes will surpass traditional bikes, which demonstrates a bright future for e-bikes. At the beginning of 2020, the EU set the achievement time of carbon neutrality in 2050. This means a positive and lucrative development for the bike industry. No matter it's environmental awareness, urban transportation, or public health safety, bicycle is undoubtedly the best and the simplest solution.

Looking back in 2020, we saw rapid changes in the external environment and the overall economy. KMC made a breakthrough by turning all the unfavorable factors into strong momentum to push the company forward. We will take practical and prudent attitude to respond to any changes in the future. Your unwavering support and the anticipation from the public have been embedded in our hearts. We will put more efforts in the company operation to generate fruitful result as the returns to shareholders' supports.

I'd like to express my sincere gratitude for your support!

KMC (Kuei Meng) International Inc.
Chairman: Wu, Ying-chin

II. Company Overview

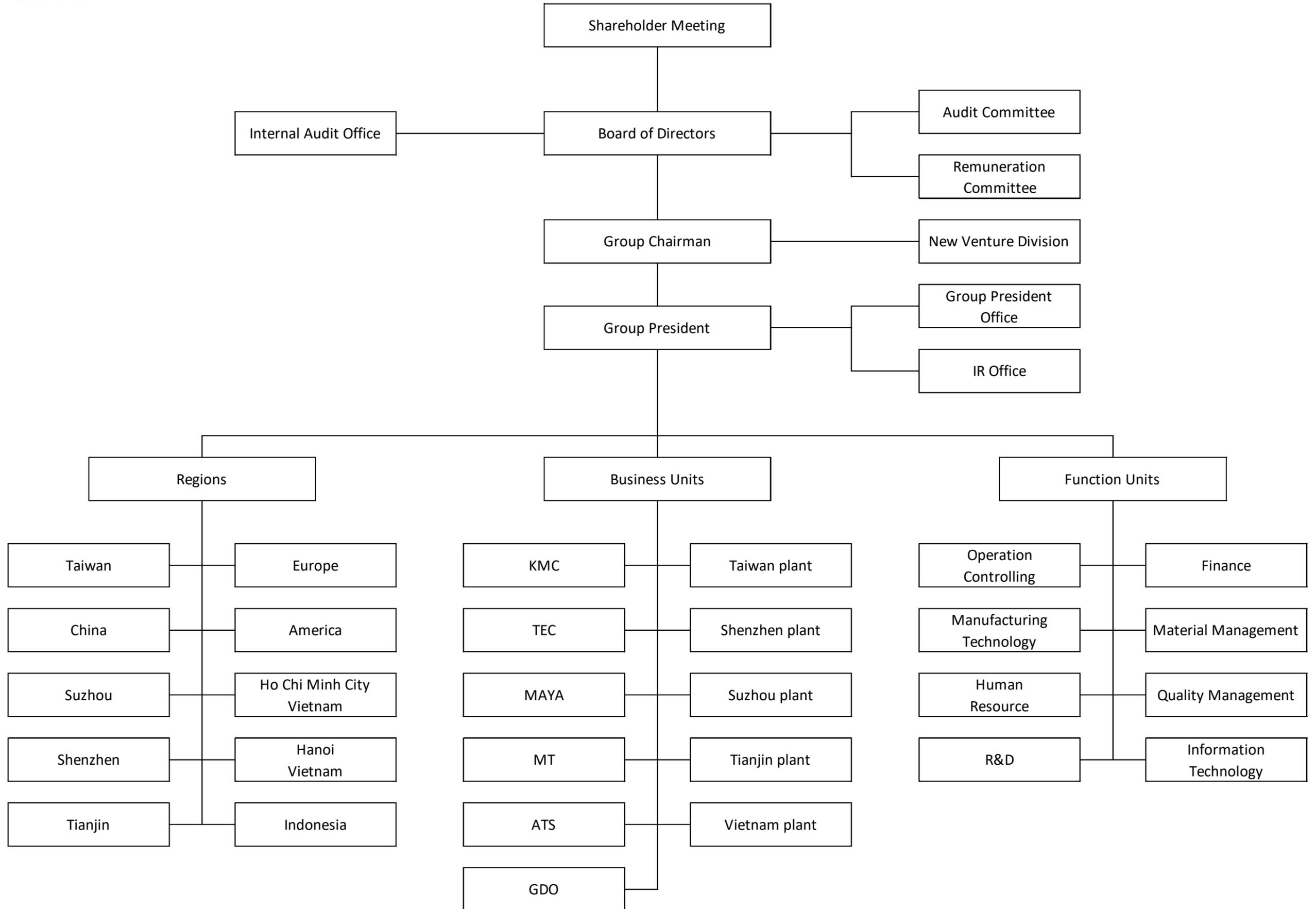
1. Date of incorporation: April 20th, 1989
2. Company milestone

April, 1989	The company was established and named “CNet Technology Co., Ltd.”
August 1993	Public offering
December 1995	Stock listed and traded on Taipei Exchange (Gretai Securities Market)
August 2011	<ol style="list-style-type: none">1. Conduct private equity fund raising of 60,000 thousand shares, invite strategy-cooperate investor “KMC TRANSTON Industries Limited.”2. Newly established “Transmission Business Department”, introduced transmission products for bicycle and motorcycle, activate transformation project.
October 2011	<ol style="list-style-type: none">1. Re-elect overall Directors, Supervisors in extra-ordinary shareholders’ meeting2. Elect new Chairperson of the Board of Directors3. Relocated to YongKang District
May 2012	The resolution of the Board of Directors decided to acquire 100% of shareholdings of KMC Chain Industrial Co., Ltd. and KMC Chain (Vietnam) Co., Ltd.
June 2012	The resolution of annual shareholders’ decided to rename the company to “KMC (Kuei Meng) International Inc.”
September 2013	The Board of Directors resolved to acquire 100% shareholdings of KMC Europe, 100% shareholdings of KMC USA and 99% shareholdings of KMC Indonesia.
March 2014	The Board of Directors resolved to acquire 100% shareholdings of Chaohui Guimeng Transmission (Tianjin) Co., Ltd.
May 2014	<ol style="list-style-type: none">1. To introduce the benchmark companies in bicycle industries as the strategic investors, the Board of Directors resolved to conduct private equity capital raising for cash and issuing 3,600 thousand shares of common stock.2. Newly established KMC Investment (China) Co., Ltd. as the operating headquarter of the group in China.
March 2015	Win awarded 3rd “Taiwan Mittelstand Award.” The Board of Directors resolved to acquire 100% of shareholdings of “KMC Chain (Shenzhen) Co., Ltd.” and another company.
May 2015	The Board of Directors resolved to issue new stock of 10,780 thousand shares for capital increase by cash.
March 2016	The Board of Directors resolved to acquire 100% shareholdings of “Chaohui Guimeng Transmission (Suzhou) Co., Ltd. and another two companies.
May 2017	The Board of Directors resolved to acquire 100% shareholdings of “Shenzhen Kenes Automotive Parts Co., Ltd. “, “KMC Automobile Transmission Co., Ltd.” and “Shenzhen Transton Co., Ltd.”
Septmeber 2018	The Company’s board of directors approved the acquisition of 100% shareholding of Maya Chain Co., Ltd
November 2018	KMC ranked in the top 35 of Best Taiwan Global Brands for the first time and was also one of the winner of Taiwan Rising Star Brand. Established “KMC Industries (Vietnam) Co., Ltd” to sell various chains and components.
January 2019	KMC ranked in the top 35 of Best Taiwan Global Brands and was also one of the winner of Taiwan Rising Star Brand for two consecutive years. Established “KMC International Trading (Taicang) Co., Ltd.” to sell various chains and components.
October 2020	KMC ranked in the top 35 of Best Taiwan Global Brands and was also one of the winner of Taiwan Rising Star Brand for three consecutive years.

III. Corporate Governance

1. Organizational Structure

(1) Organizational Chart



(2) Main Duties of Each Division

Department name	Major business responsibilities
Audit office	<ol style="list-style-type: none"> 1. To assist the Board of Directors and Managers to examine and review the defect of internal control system and assess the effectiveness and efficiency of operation. 2. Provide timely suggestions for improvement and assist the company to achieve the goal of the internal control. Ensure the internal control system is sustainable, effectively implemented and could serve as the basis for review and revision of the internal control system.
Innovation Business Department	<ol style="list-style-type: none"> 1. To perform the strategic assessment of the new business, collect market information, analyze competitors and other critical information for the reference of strategic decision making. 2. Review the investment in non-related companies and perform the ahead inspection of due diligence.
Group General Manager Office	To assist the group General Manager in regular review of group strategy and the execution status of the various projects.
Global Service Location	<ol style="list-style-type: none"> 1. Gather and analyze the market information worldwide. 2. Responsible for the products marketing and business promotion in the various markets of the world. 3. Responsible for the products support after sales and clients technique supporting in the various markets of the world. 4. Provide local storage and logistic services around the world
Business unit KMC/TEC/MAYA MT/ATS/GDO	<ol style="list-style-type: none"> 1. To provide assistance and support for the various manufacturing line of the group. 2. To support the business front-line selling activities. To study and propose marketing strategy. 3. To cooperate with global deployment, find and solve the customer's question and improve the satisfaction of the customer. 4. To cooperate with global deployment, develop the business opportunities for the various products in different markets.
Taiwan KMC Plant/ Shenzhen KMC Plant Suzhou KMC Plant/ Tianjin Chaohui Plant Vietnam KMC Plant	<ol style="list-style-type: none"> 1. Manufacture all products of the group 2. Responsible for the improvement of production technique, new production process development and factory automation promotion so as to build up core manufacturing capability and maintain the competitive advantage for the manufacturing function of the group.
Function unit	<ol style="list-style-type: none"> 1. To assist the group General Manager to implement all management tasks for the group strategy. 2. To support all business units and plants in their daily operating tasks.

2. Information on the directors, general manager, vice general manager, assistant vice general manager, heads of divisions and branches

(1) Profiles of Directors

A. Basic Profiles of Directors

Title	Nationality or place of incorporation	Name	Gender	Date of office	Term (year)	Initial date of office	Shareholding when Elected		Present Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
							Common Shares	%	Common Shares	%	Common Shares	%	Common Shares	%			Title	Name	Relation
Chairman	Republic of China	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	Male	June 24th, 2020	3	October 4th, 2011	47,412,256 0	37.62% 0%	47,412,256 3,437,041	37.62% 2.73%	0 437,041	0 0.35%	0 0	0 0	President of KMC CHAIN INDUSTRIAL CO., LTD MBA, National Sun Yat-sen University	Chairman of KMC(BVI) Holding Co., Ltd. Chairman of KMC CHAIN EUROPE N.V. Chairman of KMC Chain American Corporation Chairman of KMC TRANSTON INDUSTRIES LIMITED Director of Cycling Life-Style Foundation Director of KMC Care and Public welfare Foundation Coordinator of Taiwan Bicycle Association Supervisor Committee	Director	Wu, Jui-Chang	Brothers
Director	Republic of China	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	Male	June 24th, 2020	3	October 4th, 2011	47,412,256 0	37.62% 0%	47,412,256 0	37.62% 0%	0 7,902,040	0 6.27%	0 0	0 0	CEO of KMC CHAIN INDUSTRIAL CO., LTD MBA, NANYANG TECHNOLOGICAL UNIVERSITY	Chairman of KMC CHAIN INDUSTRIAL CO., LTD Chairman of KMC Chain (Vietnam) Co., Ltd. Chairman of KMC Automobile Transmission CO., LTD Chairman of PT. Kuei Meng Chain Indonesia Chairman of KMC Investment (China) Co., Ltd Chairman of KMC Transmission (Tianjin) Co., Ltd. Chairman of KMC Chain (Suzhou) Co., Ltd. Chairman of Shenzhen KMC Industrial Co., Ltd Chairman of Suzhou Kmc Industry and Trade Co., Ltd. Chairman of Taichang Tec Industry Co., Ltd. Chairman of KMC International Trading (Taicang) Co., Ltd.	Chairman	Wu, Ying-Chin	Brothers
Director	Republic of China	Kao, Ting-Nan	Male	June 24th, 2020	3	June 24th, 2020	1,285,084	1.02%	1,285,084	1.02%	0	0	0	0	Chairman of WHOLE MAN ENTERPRISE CO., LTD.	Note 1	No	No	No
Director	Republic of China	Hsu, Yang-Kang	Male	June 24th, 2020	3	June 24th, 2020	0	0	0	0	0	0	0	0	EMBA, National Taipei University of Technology	Note 2	No	No	No
Independent Director	Republic of China	Wang, Ming-Lung	Male	June 24th, 2020	3	June 24th, 2014	0	0	0	0	0	0	0	0	Deputy provost and Emba CEO, college of management, National Cheng Kung University	Director of Tang Eng Iron Works Co., Ltd. Supervisor of Chinesegamer International Corp. Independent Director of Ton Yi Industrial Corp. Independent Director of Hanpin Electron Co., Ltd	No	No	No
Independent Director	Republic of China	Tseng, Wen-Che	Male	June 24th, 2020	3	June 24th, 2020	0	0	0	0	0	0	0	0	Director and executive vice president, Deloitte & Touche Emba, National Cheng Kung University	Independent Director of Catcher Technology Independent Director of Goldsun Group Independent Director of Huayulien Development Independent Director of Chinese Professional Management Association of Tainan	No	No	No
Independent Director	Republic of China	Tsai, Hsueh-Ling	Female	June 24th, 2020	3	June 24th, 2020	0	0	0	0	0	0	0	0	Managing attorney of Hsueh-Ling Tsai law office Director, Taiwan Bar Association Attorney-at-law, Republic of China School of law, Wisconsin State University	Independent Director of TEKOM Technology Co., LTD. Independent Director of DaBomb Protein Corp. Independent Director of Argo Yacht Group	No	No	No

Note 1: Mr. Kao, Ting-Nan was supervisor of the Company from June 21, 2012 and was newly-elected as Director at the annual shareholders' meeting on June 24, 2020.

Note 2: Mr. Hsu, Yang-Kang was supervisor of the Company from October 4, 2011 and was newly-elected as Director at the annual shareholders' meeting on June 24, 2020.

B. Profiles of dominant shareholders of institutional shareholders

Name of Institutional Shareholders	Main shareholders of institutional shareholders (Proportion of shareholding, %)
KMC TRANSTON INDUSTRIES LIMITED	LO,CHI-NI Investment Co., Ltd(10.56%), HSUN-LI Investment Co., Ltd(10.56%), CHENG-YUAN Investment Co., Ltd(10.55%), PEI-JUI Investment Co., Ltd(10.55%), Yu,Wen-Ying (21.12%)

C. Main shareholders of institutional shareholders

Name of Institutional Shareholders	Main shareholders of institutional shareholders (Proportion of shareholding, %)
LO,CHI-NI Investment Co., Ltd	Lai, Wan-I (100.0%)
HSUN-LI Investment Co., Ltd	Lai, Wan-I (99.71%) 、Wu Kao,Ming-Yueh (0.29%)
CHENG-YUAN Investment Co., Ltd	Wu,Hui-Lan(99.97%) 、Wu, Ying-Chin(0.03%)
PEI-JUI Investment Co., Ltd	Wu,Hsing-Chuan(99.97%) 、Wu, Ying-Chin(0.03%)

D. Professional intelligence and independence of Directors

Name	Qualifications	More than 5 years of experience and the following professional qualifications			Status of independence (Note)												Also an Independent Director of other public companies	
		A lecturer or higher capacity in a public or private college or university in business, law, finance accounting, or related subjects in corporate management	Judge, prosecutor, lawyer, CPA, or other professional and technical personnel with certification through national examinations with the issuance of license and certificates	Experience in business, law, finance, accounting and other areas of specialization that the Company needs	1	2	3	4	5	6	7	8	9	10	11	12		
KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin			✓				✓							✓		✓		0
KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang			✓				✓							✓		✓		0
Kao,Ting-Nan			✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu,Yang-Kang			✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang,Ming-Lung	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tseng,Wen-Che			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tasi,Hsueh-Ling		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3

Note : If any of the following qualifications is applicable to the directors, in the last 2 years before and during their term of office with the Company, put a“✓”in relevant fields:

- A. Not an employee of the Company or any of its affiliates.
- B. Not a director or supervisor of the Company or any of its affiliates (except as an Independent Director of a subsidiary where the Company or the parent to the Company directly or indirectly holds more than 50% of its voting shares).
- C. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- D. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- E. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company’s board based on Article 27 of the Company Law
- F. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
- G. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company’s chairman or CEO (or equivalent)
- H. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- I. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NTD500,000”;
- J. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- K. Not been a person of any conditions defined in Article 30 of the Company Law;
- L. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

(2) Profiles of the general manager, vice general manager, assistant vice general manager, heads of each division and branch:

April 26th, 2021

Title	Nationality	Name	Gender	Date of office	Present Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education and important experienc	Positions in other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Common Shares	%	Common Shares	%	Common Shares	%			Title	Name	Relation
Group President	Republic of China	Wu, Jui-Chang	Male	October 4 th , 2011	0	0	7,902,040	6.27%	0	0	CEO of KMC CHAIN INDUSTRIAL CO., LTD MBA, NANYANG TECHNOLOGICAL UNIVERSITY	Chairman of KMC CHAIN INDUSTRIAL CO., LTD Chairman of KMC Automobile Transmission CO., LTD Chairman of KMC Investment (China) Co., Ltd Chairman of KMC Transmission (Tianjin) Co., Ltd. Chairman of KMC Chain (Suzhou) Co., Ltd. Chairman of Shenzhen KMC Industrial Co., Ltd Chairman of Suzhou Kmc Industry and Trade Co., Ltd. Chairman of Taichang Tec Industry Co., Ltd. Chairman of KMC International Trading (Taicang) Co., Ltd.	Vice President	Wu,Hsing-Chuan	Brother and Sister
Vice President	Republic of China	Wu,Hsing-Chuan	Female	July 1 st 2012	7,902,042	6.27%	0	0	0	0	Vice President of Sales Division, KMC CHAIN INDUSTRIAL CO., LTD MBA, University of California	No	Group President	Wu, Jui-Chang	Brother and Sister
Head of KMC-BC Division	Republic of China	Chen,Yi-Ming	Male	January 1 st 2017	0	0	0	0	0	0	Manager of KMC(Kuei Meng) International Inc. B.A.,Providence University, Department of English Language, Literature and Linguistics	No	None	None	None
Head of MAYA Division	Republic of China	Chang,Tsung-Hao	Male	January 1 st 2019	0	0	0	0	0	0	EMBA, National Taipei University of Technology	No	None	None	None
Head of MT Division	People's Republic of China	Fang,Hsiang	Male	January 15 th 2018	0	0	0	0	0	0	East China University of Science and Technology	No	None	None	None
Head of GDO Division	Republic of China	Hsu,Yi-Chih	Female	July 1 st 2017	0	0	0	0	0	0	B.A. ,Shih Chien University, Department of Business Administration	No	None	None	None

3. Remuneration to the directors, supervisors, general manager and the vice general manager in the previous fiscal year
(1) Remuneration paid to directors and independent directors

December 31st, 2020; in NT\$ thousands

Title	Name	Remunerations to the Directors								A+B+C+D in proportion to corporate earnings		Remunerations to employees performing routine duties								A+B+C+D+E+F+G in proportion to corporate earnings		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
		Remuneration (A)		Pension (B)		Compensation to Directors (C)		Business subsidy (D)				Salaries, bonus, and special subsidy (E)		Pension (F)		Employee Remuneration (G)						
		KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities	KMC		All Consolidated entities		KMC	All Consolidated entities			
Chairman	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin																					
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang																					
Director	Kao,Ting-Nan (Note)	2,040	2,640	0	0	8,400	8,400	0	0	0.69%	0.73%	3,784	8,360	248	583	0	0	0	0	0.96%	1.32%	15,965
Director	Hsu,Yang-Kang (Note)																					
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wang,Chiung-Fen (Dismissed; note)																					
Independent Director	Wang,Ming-Lung																					
Independent Director	Tseng,Wen-Che (Note)	1,493	1,493	0	0	0	0	0	0	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Independent Director	Tasi,Hsueh-Ling (Note)																					
Independent Director	Lin,Ting-Ze (Dismissed; note)																					

Note : KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting on June 24, 2020. Mr. Kao, Ting-Nan and Mr. Hsu, Yang-Kang were originally supervisors of the Company and were newly-elected as Directors at the annual shareholders' meeting on June 24, 2020. In addition, Mr. Tseng, Wen-Che and Ms. Tasi, Hsueh-Ling were newly elected independent directors of the company on June 24, 2020.

Range of Remuneration Paid to the Directors of KMC(Kuei Meng) International Inc.	Name of Directors			
	(A+B+C+D)		(A+B+C+D+E+F+G)	
	KMC	All Consolidated entities	KMC	All Consolidated entities (Include Parent Company and Non-consolidated Affiliates)
Less than NT\$1,000,000	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director: Tseng, Wen-Che Independent Director: Tasi, Hsueh-Ling Dismissed: Director: KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen Independent Director: Lin, Ting-Ze	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director: Tseng, Wen-Che Independent Director: Tasi, Hsueh-Ling Dismissed: Director: KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen Independent Director: Lin, Ting-Ze	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director: Tseng, Wen-Che Independent Director: Tasi, Hsueh-Ling Dismissed: Director: KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen Independent Director: Lin, Ting-Ze	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director: Tseng, Wen-Che Independent Director: Tasi, Hsueh-Ling Dismissed: Director: KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen Independent Director: Lin, Ting-Ze
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	None	None	None	None
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	None	None	None	None
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin Representative Wu, Jui-Chang	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin Representative Wu, Jui-Chang	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin Representative Wu, Jui-Chang	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin Representative Wu, Jui-Chang
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)	None	None	None	None
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)	None	None	None	None
More than NT\$100,000,000	None	None	None	None
Total	9	9	9	9

(2) Remuneration to supervisors

December 31st, 2020; in NT\$ thousands

Title	Name	Remunerations to supervisors						A+B+C in proportion to corporate earnings		Compensation Paid to Supervisors from Non-consolidated Affiliates or Parent Company
		Remuneration (A)		Remuneration from distributed earning (B)		Business subsidy (C)		KMC	All Consolidated entities	
		KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities			
Supervisor (Note)	Chang-Yu Investment Co., Ltd Representative Kao,Ting-Nan (dismissed)	700	700	0	0	0	0	0.05%	0.05%	700
Supervisor (Note)	Chieh Nai Chih Investment Co., Ltd Representative Hsu,Yang-Kang (dismissed)									

Note: KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting on June 24, 2020. The Audit committee was composed of all independent directors as the substitute for supervisors.

Table of Remuneration Ranges

Range of Remuneration Paid to the Supervisors of KMC(Kuei Meng) International Inc.	Name	
	A+B+C	
	KMC	All Consolidated entities (Include Parent Company and Non-consolidated Affiliates)
Less than NT\$1,000,000	Chang-Yu Investment Co., Ltd Representative Kao,Ting-Nan (Dismissed) Chieh Nai Chih Investment Co., Ltd Representative Hsu,Yang-Kang (Dismissed)	Chang-Yu Investment Co., Ltd Representative Kao,Ting-Nan (Dismissed) Chieh Nai Chih Investment Co., Ltd Representative Hsu,Yang-Kang(D dismissed)
NT\$1,000,000~NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000~NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000~NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000~NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000~NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000~NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000~NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000~NT\$100,000,000 (exclusive)	None	None
More than NT\$100,000,000	None	None
Total	2	2

(3) Remuneration to the general manager and Vice President

A. Remuneration to the general manager and Vice President

December 31st, 2020 ; in NT\$ thousands

Title	Name	Salary (A)		Pension(B)		Bonus and special expense (C)		Employee Remuneration (D)				A+B+C+D in proportion to corporate earnings		Compensation Paid to General Manager and Vice President from Non-consolidated Affiliates or Parent Company	
		KMC	All Consolidated entities	KMC	All Consolidated entities	KMC	All Consolidated entities	KMC		All Consolidated entities		KMC	All Consolidated entities		
								Cash	Stock	Cash	Stock				
Group President	Wu, Jui-Chang	3,784	3,784	0	0	0	0	0	0	0	0	0	0.25%	0.25%	3,784
Vice President	Wu,Hsing-Chuan														

B. Table of Remuneration Ranges

Range of remuneration paid to the general manager and vice president of KMC(Kuei Meng) International Inc.	Name	
	KMC	All Consolidated entities (Include Parent Company and Non-consolidated Affiliates)
Less than NT\$1,000,000	None	Wu,Hsing-Chuan
NT\$1,000,000~NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000~NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000~NT\$5,000,000 (exclusive)	Wu, Jui-Chang	Wu, Jui-Chang
NT\$5,000,000~NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000~NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000~NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000~NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000~NT\$100,000,000 (exclusive)	None	None
More than NT\$100,000,000	None	None
Total	1	2

C. Earnings distribution as employees' remuneration to management team

Unit : NT\$ thousands

Title	Name	Stock	Cash	Total	Proportion to corporate earnings
Group President	Wu, Jui-Chang	0	0	0	0
Vice President	Wu,Hsing-Chuan				

- D. Analysis of total remunerations (as a percentage of net income) given to the directors, supervisors, general manager and vice general manager and all consolidated companies in the most recent two years along with description of the remuneration policies, standards, packages and procedures of defining their linkage to operating performance and future risk exposure

Title	2020		2019	
	KMC	All Consolidated entities	KMC	All Consolidated entities
Directors	1.06%	1.38%	1.54%	2.17%
Supervisors	0.05%	0.05%	0.12%	0.12%
General Manager and Vice President	0.25%	0.25%	0.37%	0.57%

Explanation:

1. The remuneration for the Directors and Supervisors include traffic allowance, professional allowance and allocation of earnings and was allocated based on the numbers of directors and supervisors. The salary structure for the General Manager and Vice President is base salary, meal allowance, and duty allowance and based on the experience, performance and the contribution to the overall operation of the company, and then decided with reference to the level in the industry.
2. The remuneration of earnings allocation for the Directors, General Manager and Vice President is according to the regulation of KMC's Article of Incorporation. That is, if there is earnings for the year, the Board of Directors may resolve to attribute less than 3% of the earnings as the remuneration for the Directors. The Directors who are also working as the Managers of the company are not entitled to the remuneration. The remuneration allocation for the Directors should be submitted to the Annual Shareholders' Meeting. But when there is an accumulated deficit, a certain amount should be reserved to compensate the deficiency and then attribute the remuneration for Directors based on the ratio mentioned above.
3. The business performance is the primary factor that affects the amount of remuneration for Directors and compensation for General Manager and Vice President. There is net income before tax for the year 2020. According to the Article of Incorporation, the proposed attributed remuneration for Directors is NT\$8,400 thousand dollars. The Remuneration Committee had been set up by the company. It reviewed the performance of Directors and Managers as well as the policy, system, standard and structure of remuneration/compensation regularly. Also, it assesses and sets up the remuneration and compensation of Directors and Managers.
4. After the implementation of transformation and integration plan, there was net income after tax for the last two years, the remuneration and compensation were paid to the Directors, General Manager and Vice President based on the operation performance and referred to the remuneration and compensation standards in the industry. There is no significant change in the ratio of the total payment to the net income after tax for the last two years.

4. Corporate governance in action

(1) The Board of Directors in session

- A. KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting in 2020. The Board of Directors is made up of 7 directors (including 3 independent directors). KMC established the Audit committee as the substitute for supervisors in 2020. The Audit committee was composed of all independent directors.
- B. In the most recent fiscal period, The Board of Directors held 7 sessions (A). The attendances by the directors are shown in the table below,

Title	Name	Attendance in person (B)	Attended by proxy	Attendance rate (%) 【B/A】	Remark
Chairman	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	7	0	100	None
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	5	0	71	None
Director	Kao, Ting-Nan	4	0	100	Note 1
Director	Hsu, Yang-Kang	4	0	100	Note 1
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen (Dismissed)	2	1	67	Note 2
Independent Director	Wang, Ming-Lung	7	0	100	None
Independent Director	Tseng, Wen-Che	4	0	100	Note 1
Independent Director	Tsai, Hsueh-Ling	4	0	100	Note 1
Independent Director	Lin, Ting-Ze (Dismissed)	3	0	100	Note 2

Note 1 : Mr. Ting-Nan Kao, Mr. Yang-Kang Hsu, Mr. Wen-Che Tseng and Ms. Hsueh-Ling Tsai were newly elected directors on June 24, 2020. The number of meetings that they should attend would be 4 times.

Note 2 : Mr. Chiung-Fen Wang and Mr. Ting-Ze Lin were dismissed upon the expiration of term of office on June 24, 2020. The number of meetings that they should attend would be 3 times.

A. Important Notice

(A) The enforcement of Board of Directors in any following circumstances shall be covered the meeting date, period, the content of proposal, the opinions from all the independent directors and the handling from company

(a) Minutes of Board meetings where Article 14-3 of the Securities and Exchange Act is applicable

Date	Period	Content of discussion	The opinion from Independent Directors and treatment
March 19, 2020	The 20th in the 11th term	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. Amendment to the Articles of Incorporation. 3. The motion for the change of independent auditor because of its internal rotation. 	All the motions listed on the left were approved by the Independent Directors.
May 11, 2020	The 21th in the 11th term	Review the candidates for the 12th Board of Directors.	Director Wang, Ming-Lung recused himself from the voting due to conflicts of interests
August 12, 2020	The 3rd in the 12th term	<ol style="list-style-type: none"> 1. Amendment to the Regulations of Internal Control Systems. 2. Proposal for the issuance of domestic secured convertible bond. 	All the motions listed on the left were approved by the Independent Directors.
November 6, 2020	The 4th in the 12th term	<ol style="list-style-type: none"> 1. Amendment to the Regulations of Internal Control Systems. 2. Review of the resolution of remuneration committee. 	
February 1, 2021	The 5th in the 12th term	<ol style="list-style-type: none"> 1. Amendment to the Regulations of Internal Control Systems. 2. Amendment to the Operational procedures for Acquisition and Disposal of Assets. 	
March 15, 2021	The 6th in the 12th term	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. Amendment to the Articles of Incorporation. 	
May 10, 2021	The 7th in the 12th term	Amendment to the Articles of Incorporation.	

(b) Except any of the above matters, other proposals on record which are made either opposite or reserve objections by independent directors: None

(B) The enforcement of avoiding the interested-director from making a decision of the interest-relative-proposal:

Director Wang, Ming-Lung recused himself from the voting of reviewing the candidates for the 12th Board of Directors due to conflicts of interests on May 11, 2020.

(C) TWSE/TPEX-listed companies are required to disclose the frequency, period, scope, method and detail of board performance evaluations, and complete the implementation status of Board performance evaluation.

Board evaluation status

Frequency	Period	Scope	Method	Description
Conducted at least once a year	From January 1, 2020 to December 31,2020	Evaluation of performance of the board of directors as a whole, that of individual board members, and that of the functional committees.	Include Board overall performance evaluation and Director self-assessment	<p>Board overall performance and functional committees performance evaluation should cover 5 aspects:</p> <ol style="list-style-type: none"> 1. Degree of participation in company operations 2. Quality of board decisions 3. Board composition and structure 4. Selection of suitable board directors and continuing professional education 5. Internal control. <p>Director self-assessment should cover 6 aspects:</p> <ol style="list-style-type: none"> 1. Grasp of company targets and missions 2. Understanding of the director's role and responsibilities 3. Level of participation in company operations 4. Internal relationship management and communication 5. Director's specialty and continued development 6. Internal controls.

(D) Assessment of the objective to fortify the functions of the Board of Directors in the current period and the most recent fiscal year (such as establishment of the Audit Committee, improvement of information transparency...) and the accomplishments

- (a) The Board of Directors of the company follows the principle of diversification and set up the adequate guidelines for diversification based on the operation of the company, operation type and requirements for future development. It should include but not limited to the two primary standards:
- I. Primary condition and value: Gender, age, nationality, and culture, etc.
 - II. Professional knowledge and technique: Professional background (such as Law, Accounting, Industry, Finance, Marketing or Technology), professional technique and industrial experiences, etc.
- All members of Board of Directors shall have knowledge, technique, and literacy that is needed for his/her works.
- III. KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting on June 24, 2020. The Board of Directors is made up of 7 directors (including 3 independent directors). The BOD has diverse expertise, including strategic planning, business management, financial accounting and legislation. We also pay attention to gender equality in relation to the composition of the BOD. For the 12th Board of Directors, we added a female director into our BOD and the ratio is about 14%.
- (b) The company has formulated the "Procedures for Election of Directors and Supervisors" to set up fair, justice and open procedures for the election of Directors; and the numbers of Directors whose spouse or relatives within 2nd degree of relationship are also Directors should not be above half of the total Directors.

- (c) To improve supervision function and enhance management function, the Board of Directors of the company has established functional committees such as “Remuneration/Compensation Committee” and “Merge and Acquisition Special Committee” and submits the proposal for the resolution of the Board of Directors.
- (d) The Board meeting should be held at least every quarter based on the “Guideline for the Meeting of the Board of Directors.” Seven Board meetings were held in 2020 to enable the Directors to be fully aware of the significant business situation of the company.
- (e) The meeting minutes of the Board meeting and the regulation of corporate governance are also disclosed on the company’s website to improve the transparency of the information.
- (f) The Board of Directors had approved the establishment of the Audit Committee on March 19, 2020 and already elected three independent directors to be the members of the Audit Committee on the Year 2020 General Shareholders’ Meeting.
- (g) On August 12, 2020, the Board of Directors appointed Mr. Yung-Jen Chen, the Manager of Accounting and Financial Division of KMC, as the Corporate Governance Officer responsible for corporate governance matters.

- (2) The operations of the Audit Committee or the participation of the Supervisors in the Board of Directors
 The Company established the Audit Committee on June 24, 2020. Mr. Ming-lung Wang, Convener of the Audit Committee, convened two meetings in 2020 (A). The Committee members’ attendance status is as follows :

Title	Name	Attendance in person (B)	Attendance rate (%) 【B/A】	Notes
Convener	Wang, Ming-Lung	2	100	None
Member	Tseng, Wen-Che	2	100	None
Member	Tsai, Hsueh-Ling	2	100	None

Other mentionable items :

A. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified :

i. Matters referred to Article 14-5 of the Securities and Exchange Act.

Meeting Dates	Resolution	Resolution of the Audit Committee and the Company's response to the Audit Committee's Opinion
August 12, 2020 The 1st in the 1st term	<ol style="list-style-type: none"> 1. The amendment to the Regulations of Internal Control Systems. 2. 2020 the second quarter consolidated financial report. 3. To evaluate the independence of the appointed external auditors 4. The proposal for the issuance of domestic secured convertible bond. 	The members of the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.
November 6, 2020 The 2nd in the 1st term	<ol style="list-style-type: none"> 1. The Company's 2021 internal audit plan 2. The amendment to the Regulations of Internal Control Systems. 3. 2020 the third quarter consolidated financial report 	
February 1, 2021 The 3rd in the 1st term	<ol style="list-style-type: none"> 1. The amendment to the Internal Audit Implementation Rules 2. The amendment to the Regulations of Internal Control Systems. 3. The amendment to the Operational procedures for Acquisition and Disposal of Assets. 	
March 15, 2021 The 4th in the 1st term	<ol style="list-style-type: none"> 1. 2020 Internal Control System Statement 2. 2020 parent company only financial statements and consolidated financial statements 3. 2020 business report 4. 2020 earnings distribution 5. The amendment to the Articles of Incorporation. 	
May 10, 2021 The 5th in the 1st term	<ol style="list-style-type: none"> 1. 2021 the first quarter consolidated financial report 2. The amendment to the Articles of Incorporation. 	

ii. Other matters which were not approved by the Audit Committee but were approved by two-thirds more of all directors : None

B. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes for avoidance and voting should be specified : None

C. Communications between the independent directors, the Company's chief internal auditor and CPAs (including the material items, methods and results of the Company's finance or operations)

i. The internal auditors have sent the audit reports to the members of the Audit Committee and presented the findings of all audit reports in the meetings of the Audit Committee periodically.

Audit Committee Meeting Dates	Communications between the Independent Directors and the Internal Auditors
November 6, 2020 The 2nd in the 1st term	1. Report and communication on audit report of 2020 Q3 2. The Company's 2021 internal audit plan
February 1, 2021 The 3rd in the 1st term	Discussion on the key points of auditing for Year 2021
March 15, 2021 The 4th in the 1st term	Report and communication on audit report of 2020 Q3
May 10, 2021 The 5th in the 1st term	Report and communication on audit report of 2021 Q1

ii. The Company's independent auditors have presented the findings of their audits on the Company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered.

Audit Committee Meeting Dates	Communications between the Independent Directors and the Independent Auditors
February 1, 2021 The 3rd in the 1st term	1. Reviewing any audit problems or difficulties and communicating material matters with management in connection with 2020 annual financial statements 2. Reviewing regulatory developments
May 10, 2021 The 5th in the 1st term	1. Discussion and communication on 2021Q1 consolidated financial statements and review report of independent accountants 2. Self-compiled financial statements progress report

Result: all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.

In the most recent fiscal period (as of June 24, 2020), the Board of Directors held 3 sessions (A). The attendances by the Supervisors are shown in the table below.

Title	Name	Attendance in person (B)	Attendance rate (%) = (B)/(A)	Notes
Supervisor (Dismissed)	Chang-Yu Investment Co., Ltd Representative Kao, Ting-Nan	3	100%	Note 1
Supervisor (Dismissed)	Chieh Nai Chih Investment Co., Ltd Representative Hsu, Yang-Kang	2	67%	Note 1

A. Important Notice: KMC has established the Audit committee as the substitute for supervisors on June 24, 2020. The Audit committee was composed of all independent directors.

(A) The composition of Supervisors and responsibilities:

(a) The communication situation between Supervisors and employee and shareholders (such as communication channel, method, etc.)

- i. The Supervisors of the company shall understand the role and responsibility and jobs of each department, and shall be in attendance in the Board meeting to supervise how it works and express their opinion when needed. The Supervisors of the company may investigate the business and financial status of the company at any time; the related departments should cooperate and provide the supporting documents and accounting books for further review.
- ii. There is "Stakeholder Relationship" section on the company's website. It serves as the complaint channel when the stakeholder's interest is infringed and to promote the full communication between the company and the stakeholders such as its employees, customers, suppliers, and investors. If there is any related information, it will be forwarded to the Supervisors. The Supervisors will have more understanding of the perception of shareholders and stakeholders.

(B) The communication situation among the Supervisors, internal auditors and independent auditors (including the material items, methods and results of the Company's finance or operations)

- (a) The internal auditors should regularly (monthly, quarterly) submit the internal audit report to the Supervisors in person or by e-mail for further review. If there is any defect found regarding the internal control system, it should be explained to the related Management for improving, and report the improved result to the Supervisors for their awareness.
- (b) The Supervisors of the company discuss the financial and business performance with independent auditors on a quarterly basis. Besides, the independent auditors shall explain entirely about the "Key Audit Matter" to improve the Supervisors' understanding of the independent auditor's audit work.
- (c) The company's internal auditor convened a closed-door meeting with the supervisors on March 19, 2020, to report the outcome and follow-up status of auditing. Both parties have maintained good communication regarding the opinions of the internal auditing unit or any shortcomings discovered during auditing. The internal auditors will continue to follow-up and conduct further audits, and the improvements made will be submitted to the supervisors in a written or oral report.

(C) If Supervisors participating in board meetings have expressed opinions, state date and session of the board meeting, proposal content, resolution of the meeting and the response of the Company regarding the Supervisor's opinion: None.

(3) The discrepancy between the executions of Corporate Governance of KMC and the “Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies”, and the reasons for the discrepancy

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM-Listed companies?	✓		The company has formulated “Corporate Governance Practice Principles” , and has been disclosed to stakeholders under the section of Investors on the company’s website (http://www.kmc-international.com/index.php?option=module&lang=en&task=showlist&id=223&index=1) and Market Observation Post System.	No Difference
2. Equity structure and shareholder rights (1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	✓ ✓ ✓ ✓		1. The company has formulated “Corporate Governance Practice Principles” and implemented to ensure the interest of shareholders. Meanwhile, the company will process the suggestions, doubts, and arguments from shareholders by the spokesperson, acting spokesperson, investor relations unit and entrust professional stock affairs agency. 2. The company has a full understanding of the list of major shareholders through stock affairs agency regularly. Furthermore, the major shareholders of the Company will report changes in shareholding to the company every month pursuant to the law. The list of top 10 shareholders is also disclosed in the annual report every year. 3. The related control procedures have been established in the internal control system according to the regulations.	No Difference

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			4. The company has formulated regulations such as “Internal Control System – The Management of Prevention Insider Trading,” “Management Guideline for Internal Significant Information Processing,” “Corporate Governance Practice Principles” and “Ethical Corporate Management Principles” to regulate the insider of the company with respect to situations related to their duties that may give rise to the conflicts of interest and prohibit using undisclosed information or divulging in order to prevent insider trading. Also, the Company regularly provides internal training on this issue.	
<p>3. Organization and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors set and implement a diversification policy?</p> <p>(2) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors’ remuneration and renewal?</p> <p>(4) Does the company regularly evaluate the independence of the CPA?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has formulated “Corporate Governance Practice Principles” to enhance the structure of the Board of Directors and regulated the composition of the Board of Directors shall be determined by taking diversity into consideration, such as having different professional background, working field or gender, etc. Furthermore, the member of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <p>1. Ability to make operational judgments.</p> <p>2. Ability to perform accounting and financial analysis.</p> <p>3. Ability to conduct management administration.</p>	No Difference

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Ability to lead. 8. Ability to make policy decisions.</p> <p>The implementation of diversity of the Board of Directors' members is showed in Note 1.</p> <p>KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting on June 24, 2020. The Board of Directors is made up of 7 directors (including 3 independent directors). The BOD has diverse expertise, including strategic planning, business management, financial accounting and legislation. We also pay attention to gender equality in relation to the composition of the BOD. The target of the proportion of female director is above 1/3. For the 12th Board of Directors, we added a female director into our BOD and the proportion is 1/7. Also, we established methodology for evaluating the performance of our Board of Directors on an annual basis to ensure that the members of BOD have diverse expertise and are competent to be the directors of KMC.</p> <p>2. The company has already established Remuneration Committee and Audit Committee. We are now considering establishing other</p>	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>functional committees, such as Nomination Committee, Corporate Governance Committee and Corporate Social Responsibility Committee.</p> <p>3. On March 18, 2019, the company established “Rules of Performance Evaluation of the Board of Directors”. KMC implemented Board performance evaluations in 2020 and has reported the result to the BOD Meeting on March 15, 2021. Through selfassessment surveys via questionnaire, performance evaluation will be annually completed by the Board as a whole, by individual directors and by the Audit Committee. The Board of Directors and functional committees are assessed on the following five aspects:</p> <ol style="list-style-type: none"> 1. Degree of participation in company operations 2. Quality of board decisions 3. Board composition and structure 4. Selection of suitable board directors and continuing professional education 5. Internal control. <p>Director self-assessment should cover 6 aspects:</p> <ol style="list-style-type: none"> 1. Grasp of company targets and missions 2. Understanding of the director's role and responsibilities 3. Level of participation in company operations 4. Internal relationship management and communication 5. Director's specialty and continued development 6. Internal controls. 	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			4. The company assesses the independence of independent auditors regularly (annually, the latest assessment was conducted on August 12, 2020) based on the regulations of Corporate Governance Practice Principles. Also, the company formulated independent auditors assessment schedule based on Article 47 of the Certified Public Accountant Act and "Integrity, fairness, objective and independent" of Article 10 of The Norm of Professional Ethics for Certified Public Accountant. Furthermore, the independent auditors should issue "Independent Statement of Independent Auditors" and submit it to the board of directors for assessment.	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
4. Does the TWSE/TPEX listed company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		<ol style="list-style-type: none"> 1. The company designates "Investors Relationship Office" as a dedicated unit which is responsible for corporate governance related affairs. 2. On August 12, 2020, the Board of Directors assigned the manager of accounting and financial division to act concurrently as the Corporate Governance Officer. 3. The Corporate Governance Officer and the Investors Relationship Office are responsible for dealing with the following matters : <ol style="list-style-type: none"> (1) Handling matters relating to board meetings and shareholders meeting. (2) Producing minutes of board meetings and shareholders meeting. (3) Assisting in onboarding and continuous development of directors. (4) Furnishing information required for business execution by directors. (5) Assisting directors with legal compliance. (6) Other matters described or established in the articles of incorporation or contract. (7) Implement corporate governance, corporate social responsibility and corporate integrity management. (8) Build up the communication bridge between the company and investors, media and stakeholders. 	No Difference

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>(9) Effectively communicate information about the company's business philosophy, the latest status, and corporate social responsibility to the external world. Enabling the stakeholders to understand the company's Financial and significant operation information thoroughly and to consolidate the high corporate reputation.</p> <p>4. The Corporate Governance Officer performed the assigned tasks and has participated 18 hours training sessions from taking up the position to the date of this annual report. The detail of training sessions are shown in Table 1.</p>	No Difference
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		<p>1. The company has built up the contact e-mail box (ir@mcc-international.com) as communication channel with stakeholders. We also designated Investor Relations Office and spokesperson as the dedicated contact unit to keep smooth communication with the various stakeholders.</p> <p>2. The "Stakeholders Relationship" and "Corporate Social Responsibility" sections were set up on the company's website to respond the corporate social responsibility issues properly that the stakeholders care about.</p> <p>3. "Corporate Governance" section was also set up on the company's website for shareholders to check or download relevant rules and regulations of corporate governance and important board resolutions.</p>	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
6. Has the company appointed a professional stock affairs agency for shareholders affairs?	✓		The company appointed professional stock affairs agency – China Trust to handle the affairs of shareholders’ meeting.	No Difference
7. Disclosure of information (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓ ✓ ✓		1. The company has built up the website (http://www.kmc-international.com/) to disclose the finance, business and corporate governance information. 2. (1) The company implements spokesperson system and establishes a dedicated contact unit for shareholders’ affairs. (2) There is a dedicated staff to update the Chinese and English information of the website. (3) Participate the institutional investors' conference held by the competent authority or securities firm to enable the investors to understand the finance and business information of the company. Also, the information is disclosed on the company’s website. (4) The audio and video linkage of the institutional investors’ conference is also listed on the company’s website. http://www.kmc-international.com/index.php?option=module&lang=en&task=showlist&id=457&index=6	No Difference

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			3. KMC follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year as well as announce and report the first, second, and third quarter financial statements and the operating status of each month before the prescribed deadline.	
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors)?	✓		<p>1. The company has established the communication channel with stakeholders and designated Investors Relationship Office and spokesman as the dedicated contact unit to keep smooth communication channel with the various stakeholders. The "Stakeholders Relationship, "Corporate Social Responsibility" section was set up on the company's website to respond the corporate social responsibility issues that the stakeholders care about properly.</p> <p>2. The situation of further study of the Directors, and Managers: the situation of further study of the Directors and Managers for 2020 are listed in the Table 1 below.</p> <p>3. The responsibility insurance for the Directors and Supervisors purchased by the company: The company purchased responsibility insurance for the Directors and Supervisors from Cathay Insurance Co., Ltd. The insurance amount is USD 1 million and the insurance period covered from August 25, 2020, to August 25, 2021.</p>	No Difference

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			4. Regarding information on employee rights and interests, employee wellness, investor relations and rights of the stakeholders, please refer to our Corporate Social Responsibility Report.	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.	✓		<p>The company conducts corporate governance self-evaluation based on the "Corporate Governance Evaluation System" established by the competent authority. Based on the evaluation result, the improvement situation are listed below:</p> <ol style="list-style-type: none"> 1. Enhance the preparation of English version of the company's website and related English documents to improve information transparency. 2. To set the performance evaluation guideline for the Board of Directors and conduct the performance review for the Board of Directors regularly (at least once a year) 3. The Board of Directors approved the establishment of "The Audit Committee Charter" on March 19, 2020 and has set up the Audit Committee on June 24, 2020. 4. The Company assigned the Manager of Accounting and Financial Department to act concurrently as the Corporate Governance Officer through a meeting of board of directors on August 12, 2020. 	No Difference

Note 1: Diversity of the Board of Directors' members has been implemented as shown below:

Name of Directors	Diversity items								Professional Background							
	Title	Gender	Education and important experience	Also acting as an employee of KMC	Age			Years acting as an independent director		Business developing and strategy planning	Business and production management	Marketing	Finance	Accounting	Tax management	Corporate legal affairs
					41-50	51-60	61-70	Below 3 years	3-9 years							
Wu, Ying-Chin	Chairman	Male	President of KMC CHAIN INDUSTRIAL CO., LTD MBA, National Sun Yat-sen University			V				V						
Wu, Jui-Chang	Director	Male	CEO of KMC CHAIN INDUSTRIAL CO., LTD MBA, NANYANG TECHNOLOGICAL UNIVERSITY	V	V						V					
Kao, Ting-Nan	Director	Male	Chairman of WHOLE MAN ENTERPRISE CO., LTD.				V				V					
Hsu, Yang-Kang	Director	Male	EMBA, National Taipei University of Technology		V							V				
Wang, Ming-Lung	Independent Director	Male	Deputy provost and Emba CEO, college of management, National Cheng Kung University				V		V				V	V		
Tseng, Wen-Che	Independent Director	Male	Director and executive vice president, , Deloitte & Touche Emba, National Cheng Kung University				V	V						V	V	
Tsai, Hsueh-Ling	Independent Director	Female	Managing attorney of Hsueh-Ling Tsai law office Director, Taiwan Bar Association Attorney-at-law, Republic of China School of law, Wisconsin State University		V			V								V

Table 1 Courses for further studies taken by the directors, supervisors and managers:

Title	Name	Date	Host by	Training	Duration	Compliant or not
Chairman	Wu, Ying-Chin	2020.06.05	Taiwan Institute of Directors	Challenges and vitality of corporate governance	6	Yes
Director	Wu,Jui-Chang	2020.08.26	Taiwan Investor Relations Institute	The new regulation of corporate governance that directors and supervisors must know	3	Yes
		2020.09.02	Taiwan Investor Relations Institute	Legal obligations and responsibilities of the capital market	3	
Director	Kao, Ting-Nan	2020.06.05	Taiwan Institute of Directors	Challenges and vitality of corporate governance	6	Yes
Director	Hsu, Yang-Kang	2020.06.05	Taiwan Institute of Directors	Challenges and vitality of corporate governance	6	Yes
Independent Director	Wang,Ming-Lung	2020.08.05	Taiwan Corporate Governance Association	Insider trading prevention and countermeasures	3	Yes
		2020.08.12	Securities and Futures Institute	Enterprise upgrade and operational strategy and Management-The Choice of M&A and Alliance	3	
Independent Director	Tseng, Wen-Che	2020.06.05	Taiwan Institute of Directors	Challenges and vitality of corporate governance	6	Yes
Independent Director	Tsai, Hsueh-Ling	2020.06.05	Taiwan Institute of Directors	Challenges and vitality of corporate governance	6	Yes
Manager of Accounting and Financial Division	Chen,Yung-Jen	2020.12.03	Accounting Research and Development Foundation	The latest fiscal and taxation laws of Taiwan and how should enterprises response	3	Yes
		2020.12.03		The latest corporate governance policies and the analysis of common deficiencies	3	
		2020.12.04		The legal responsibility of perjury in financial crimes	3	
		2020.12.04		The latest IFRS policy and practical issues in compliance with financial reporting/supervision laws	3	
Corporate Governance Officer	Chen,Yung-Jen	2020.11.16	Taiwan Stock Exchange and Taipei Exchange	2020 Corporate Governance and Corporate Integrity of Directors and Supervisors Promotion Conference	3	Yes
		2021.04.28	Taiwan Institute of Directors	Corporate Governance 3.0 The Blueprint for Sustainable Development-New Standards and New Trends	3	
		2021.05.04	Taiwan Institute of Directors	Digital transformation drives new corporate value	3	
		2021.05.11	Accounting Research and Development Foundation	The legal compliance and audit practices of latest "Company Law" and "Shareholders Meeting"	6	
		2021.05.25	Accounting Research and Development Foundation	Analyze the positive impact of ESG on companies	3	

(4) Disclosure of the organization, functions and operations of the Remuneration Committee

A. Profiles of the Remuneration Committee members

KMC's 4th Remuneration Committee members were newly elected after Annual Shareholders' Meeting in 2020. The Remuneration Committee was composed of all independent directors.

Title	Name	Qualification	Has over 5 years of work experience and following professional qualifications			Independence Attribute (Note)										Concurrent compensation committee position in other publicly listed companies	Remark
			Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	1	2	3	4	5	6	7	8	9	10		
Independent Director	Wang, Ming-Lung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Not applicable
Independent Director	Tseng, Wen-Che (New office assumed)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Not applicable
Independent Director	Tsai, Hsueh-Ling (New office assumed)		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Not applicable
Independent Director	Lin, Ting-Ze (Dismissed)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Other	Li, Cho-Yu (Dismissed)	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable

Note : The member complies with the following conditions from 2 years before being elected and during his tenure in office

1. They are neither employees of the Company nor its affiliates.
2. They are neither directors nor supervisors of the Company or its affiliates, unless they are Independent Directors of the Company or its parent company or subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. They are not individual shareholders who hold shares, together with those held by their spouses, minor children or held under others' name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.

6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
8. They are not directors, supervisors, managers or shareholders holding 5% or more shares of a specific company or institution and who also have financial or business dealings with the Company.
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000"
10. Not any of the circumstances in Article 30 of the Company Act.

B. The Operations of the Remunerations Committee

(A) The Remunerations Committee of KMC consists of 3 members

(B) KMC's 4th Remuneration Committee members were newly elected after Annual Shareholders' Meeting in 2020. The Remuneration Committee was composed of all independent directors. The term of office is from taking up the position to June 23, 2023. In the last fiscal period, the Remunerations Committee convened 2 sessions (A). The eligibility of the members and their attendance in committee meetings are shown below:

(C) The Remunerations Committee shall exercise the following duties:

- (1) Establish and review the performance assessment and policy, system, standards and structure relevant to compensation of directors, supervisors and executive officers periodically.
- (2) Evaluate the compensation of directors and executive officers periodically
- (3) The Committee shall comply with the following guidelines when exercise its duties set forth above: Performance assessment and compensation of directors and managers shall be evaluated by the Committee and should be referred to the general level of the industry and considers reasonableness and the correlations between the company's operating performance, personal performance and future risks exposure.
The Committee shall not solicit directors and managers to engage in any acts beyond the risk that company could tolerate for the pursuance of their compensation. The directors and senior managers' short-term performance based profit sharing ratio and variable compensation payout schedule shall be determined based on industry practice and business nature of the company.
- (4) The "Compensation" set forth herein shall include cash compensation, stock options, profit sharing, retirement benefits or severance pay and other substantive incentive measures.

Title	Name	Attendance in person(B)	By Proxy	Attendance rate in person (%) (B / A)	Remark
Convener	Tseng, Wen-Che	1	0	100%	Note 1
Member	Wang, Ming-Lung	2	0	100%	None
Member	Tsai, Hsueh-Ling	1	0	100%	Note 1
Member(Dismissed)	Lin, Ting-Ze	1	0	100%	New member starting from May 13, 2019
Member(Dismissed)	Li, Cho-Yu	0	1	0%	None

Note 1 : Mr. Wen-Che Tseng and Ms. Hsueh-Ling Tsai were newly elected members in 2020. The number of meetings that they should attend would be 1 time.

Note 2 : Mr. Ting-Ze Lin and Mr. Cho-Yu Li were dismissed upon the expiration of term of office in 2021. The number of meetings that they should attend would be 1 time.

Other noteworthy matters:

1. The Board of Directors does not accept or amend Remunerations Committee's suggestions: None.
2. The resolutions of the Remunerations Committee which Committee member has oppositions or reservations: None.
3. Discussion subjects and resolutions of Remunerations Committee:

Date of Remunerations Committee	Subject	Resolution
<p style="text-align: center;">March 19, 2020 The 6th in the 3rd term</p>	<p>1. Review the distribution of remuneration for employees, directors and supervisors of 2020. 2. Review the detail of remuneration for directors and supervisors as well as employees' profit for managers of 2020.</p>	<p style="text-align: center;">Passed by all members unanimously.</p>
<p style="text-align: center;">November 6, 2020 The 1st in the 4th term</p>	<p>1. Review the component of remuneration for directors, supervisors and managers of 2021. 2. Discuss the responsibilities and annual plan of Remunerations Committee for 2021.</p>	<p style="text-align: center;">Passed by all members unanimously.</p>

(5) Social responsibility implementation status as required by the Taiwan financial supervisory commission

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
1. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		<p>KMC realized that giving proper response to issues which stakeholders concerned is the key to corporate sustainability. First, we identify our major stakeholders with the highest degree of relevance to company operations. Second, we perform surveys to our major stakeholders. With diverse channels, we can collect their feedback and also select the important issues of great concern to stakeholders. At last, we could identify key issues of concern to stakeholders through the two major factors: the extent of stakeholder concerns and the impact of issues in company operations. In this case, we could take the necessary actions to enhance the content of our information disclosures.</p> <p>1. Environmental issue: As a corporate citizen, in addition to creating greater economic value for our shareholders, we also work tirelessly on innovating greener products so as to lower our impact on the environment. Being part of the green transportation industry, we hope to protect our environment while increasing the company's value. In this case, we assimilate green management into our business and build green manufacturing factories that conserve energy and reduce carbon emissions across all aspects of our products, processes, and supply chain.</p> <p>In addition, KMC always strives to promote environmental protection and energy conservation. We also have identified possible risks and impacts of climate change on business operations, and developed mitigation strategies as well as an execution plan, which include reducing greenhouse gas</p>	No Difference

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
			<p>emissions, saving energy, conserving water, and reducing waste with the help of all business units.</p> <p>2. Social issue: KMC keeps strengthening its investment in human resources and commits to providing a safe and healthy work environment. Also, we identify possible risks in daily operating activities of all departments as well as continuously enhance our prevention mechanisms and operation management. KMC conducts risk control by regularly identifying hazards and performing risk assessments to ensure safe operating procedures. Moreover, we also holds management meetings and labor-management conference regularly as a communication mechanism between employees and company management.</p> <p>3. Corporate governance issue: KMC continues to optimize its organizational structure so as to establish a sound corporate governance system. Meanwhile, it always complies with laws such as the Company Act, Securities and Exchange Act, and the regulations of relevant authorities. Furthermore, it has also established a Corporate Governance Officer to assist directors with regulatory compliance and more. In order to bolster the company's supervisory function, the company website contains business ethics contact that can also be used as a complaint channel when the rights of the stakeholders are violated. This is to foster communication between the company and the stakeholders including employees, customers, suppliers, and investors.</p>	
2. Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	✓		The company has set up the "Investor Relations Office" as the dedicated unit to promote corporate social responsibility and is responsible for the planning and implementation of policies, systems, and concrete plans for corporate social responsibility. And regularly (at least once a year) report to the Board of Directors.	No Difference

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
			In the meeting of the Board of Directors held on August 12, 2020, the Investor Relations Office had reported on "Promotion of Social Responsibility" and "Performing Integrity Business Conduct."	
<p>3.Environmental Topic</p> <p>(1) Does the Company establish proper environment management systems based on its industrial features?</p> <p>(2) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?</p> <p>(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p> <p>(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has established a green logistics management system to conduct the calculations for product environmental performance and product ecological performance assessments and to implement corporate green marketing strategies and methods. Besides, the company is planning to obtain ISO14001 certification or other environment management system verification regulations.</p> <p>2. The company committed to improving its resource efficiency within a reasonable range, such as optimizing production equipment, making good use of production materials, planning for the electronic workflow process to reduce paper usage and use of electricity-saving and water-saving products to minimize the impact on the environment so as to further strengthen our competitive advantages.</p> <p>Besides, the company is considering using environmentally-friendly packaging material for the products and adopts ECO-friendly material for environmental protection. With the advantages of easy recycling, resource saving and low pollution, we also promote simplified and consolidated packaging when delivering our products. Furthermore, KMC is also committed to recycling and reusing of waste packaging material. From the use of nearly thousand types of packaging, composite materials and blister with low recycling rate, it has progressed to use only 10 more types of packaging with a single material and the recycling rate is 100%</p> <p>3. The company is paying close attention to the impact of climate change on operating activities from business operation and product aspects. In terms of business operations, we strengthened our internal resource management and reduced greenhouse gas</p>	No Difference

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
			<p>emissions from production activities in order to manage climate-related risks, which thereby enhance our capability to effectively adapt to the potential impacts of climate disasters.</p> <p>In addition, KMC has also engaged in a series of carbon reduction programs. The first step in the implementation plan of carbon reduction is to inspect carbon emissions and apply for the certification. Only through complete investigation and calculations of carbon emissions from the various steps such as raw materials, production, packaging, transportation can effectively propose carbon reduction plans. In 2012, the company was the first chain manufacturer around the world to obtain the first carbon footprint certification label for chain product with the “X10SL 10-speed ultra-lightweight chain”. In February 2014, the “X11SL” chain passed the verification for carbon footprint and obtained a certification label. The carbon footprint certification promotes product life cycle assessment and carbon emission review under the PAS2050 requirements regulation. In April 2020, the “X11SL” chain passed the verification for carbon footprint again. The company has also obtained certification label for its products, and take concrete actions to implement environmental protection.</p> <p>KMC reviews the present and future potential risks and opportunities of climate change annually. Key results are summarized in the Group’s CSR Report.</p> <p>4. As for the KMC’s facilities in Taiwan, the greenhouse gas emissions in 2020 was 2,793 ton-CO2e which was 2,697 ton-CO2e in 2019. The total amount of water used in 2020 was 15.2 thousand tons which was 14.5 thousand tons in 2019.</p> <p>Besides, the Group has built up solar power systems in Taiwan plant and European companies, reducing carbon emissions by approximately 1,000 metric tons per year. The Shenzhen plant</p>	

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
			<p>recycles the heat from the manufacturing process to the boilers for the residential area. The annual carbon reduction is approximately 500 metric tons.</p> <p>KMC Group has long practiced its mission of “ To provide clean and energy-efficient solutions for a better tomorrow”. It continuously promotes energy conservation and carbon reduction within the enterprise, and improves the performance of energy and resource efficiency as well as waste reduction. For example, we will find the specialized company which could recycle and make good use of our metal scrap. Moreover, our polishing sand waste could provide to the road paving factory to convert it into paving sand. By reusing the waste, we could reduce the consumption of resources and could also lower the material cost. In this case, we could create a positive cycle with circular economy concept and also getting financial benefits.</p>	
<p>4.Social Topic</p> <p>(1) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights?</p> <p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(3) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?</p> <p>(4) Has the Company established an effective competency development career training program for employees?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has formulated management regulations based on the various labor laws and regulations, and with reference to international human rights conventions to enable the employee to have an equal and fair working environment, and protect the working interests of employees.</p> <p>2. The company has established employee welfare measures (include salary and compensation, leave and others) based on various labor laws and regulations. The Company will also evaluate the employee’s performance periodically to help managers conduct potential evaluation for employee promotion. According to The Company Article, in case there is surplus after the end of each fiscal year, the Company will allocate bonus as the remuneration for all employees.</p> <p>3. We conduct workplace safety inspections, labor safety education training every six (6) months, regular employee health</p>	No Difference

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
<p>(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?</p> <p>(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	<p>✓</p> <p>✓</p>		<p>examinations and weekly appointed doctors to our factories to provide health consultation and also provide our employees with a safe and healthy working environment. Fire drills are conducted at least once a year in each plant to ensure the employee will respond adequately to unforeseen disasters.</p> <p>The Group has set up security guards at the entrances of the various plants or has access control at each office area to control personnel access to ensure that employees have a safe working environment.</p> <p>The Group equipped various types of environmental protection facilities to the production line, including noise reduction facilities, heat recycling, etc.; besides, when operating the transportation facilities and overhead cranes in a warehouse, employees are required to understand the safety regulations in advance and to follow the rules to maintain a safe working environment.</p> <p>4. Our training program for employees is to improve their talent capabilities in the workplace and also enhance workforce literacy. The Company keeps strengthening its investment in human resources and assist employees in establishing effective training for their careers. The company focused more on the development of critical talents, assigned essential jobs and challenges through work rotation and diversified experience to expand their visions, enhance internal cultivation of professional and leadership personnel, and strive to combine the personal career development with corporate development.</p> <p>5. All of the Company's products have complied with related regulations and international rules so as to ensure the transparency and safety of our product labeling and service information. We also provide global after-sales service and dedicate efforts to safeguard consumer rights.</p>	

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
			6. Before engaging a new vendor, the company will ask necessary information from the vendor to assess the vendor's impact on the environment and society. If the vendor involved in a breach of its corporate social responsibility policy and has a significant impact on the environment and society, the company will remind the vendor to improve and determine whether to terminate or cancel the contract depending on the degree of influence.	
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	✓		KMC has published its first "Corporate Social Responsibility Report" in 2019 and has disclosed this CSR report on its official website. In the future, we aim to publish our CSR report annually. We disclosed the results of our actions in the environmental, social, and corporate governance dimensions in this report. Also, it disclosed the perspectives and actions of KMC with regards to material issues over the course of sustainability development. This report is based on GRI Standards published by Global Reporting Initiative, and the reporting guideline is according to its "Core" disclosure level for sustainability performance. At present, we did not acquire 3rd certification party verification yet. Under the serious consideration of our management team, we will plan to acquire 3rd certification party verification or statement of assurance for our CSR Report in the future.	No Difference
6. If the Company makes its own corporate social responsibilities principles according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference				
7. Other important information that helps understand the operation situation in terms of the corporate social responsibilities: (1) The Company has disclosed the operation for Corporate Social Responsibility on the official websites: http://www.kmc-international.com/index.php?option=module&lang=cht&task=showlist&id=462&index=4 (2) In the past year and until the printing date of this report, the following major measures were taken A. KMC has continued to publish its "Corporate Social Responsibility Report" in 2020 and has disclosed this CSR report on its official website. In the future, we aim to publish our CSR report annually. We disclosed the results of our actions in the environmental, social, and corporate governance dimensions in this report. Also, it disclosed the perspectives and actions of KMC with regards to material issues over the course of sustainability development. This report is based on GRI Standards published by Global Reporting Initiative, and the reporting guideline is according to its "Core" disclosure level for sustainability performance.				

Item	Implementation Status			Difference from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Descriptions	
<p>B. 【Kids】 Cycling Superman made its debut in RIDEAWAY activity KMC entered rural elementary school:</p> <p>KMC continues to contribute our effort through social activities for many years. Based on our six individual CSR activities, "Kids" is specific for child which we hold educational camps to deliver safe-ridden concept. In 2020, we expand the scale and introduced the concept of driving training test into our educational camps. We also reorganized the layout of the riding court and enhance the realistic level of the props. Moreover, we set up the traffic signals to make the simulated riding more realistic. Combining with the largest bicycle activity-RIDEAWAY TAINAN, KMC offered a series of kids' riding lessons which both parents and kids were invited to attend. By attending this program, it could let the kids to have early acquaintance with bicycle knowledge and also help them to learn how to ride safely and properly.</p> <p>In 2020, KMC also entered rural elementary school and carried out the riding knowledge and cycling culture to children. In view of the inconvenience of transportation in rural areas, it is more important for children to have right riding skills and knowledge. We provided a secure learning environment with the accompanying of coaches to build proper riding concepts. Moreover, by setting different level of challenges in the riding course, we could enhance their sense of crisis and deepen their impression. KMC committed NT\$200 thousand toward this activity and a total of 300 people participated in this activity.</p>				
<p>C. 【Charity】 KMC sponsored cycling surround island service project</p> <p>Taiwan has officially become an aged society. The need of taking care of elder people has become an urgent priority. Love Now Youth Volunteers visit nursing institutions across Taiwan through bicycle riding to promote interaction between people and let the power of love continue to flow. As a member of the bicycle industry, KMC is willing to see that cycling could bring positive change to the society. For four consecutive years, we have sponsored bicycle equipment and resources for the Love Now Youth Volunteer Association to provide our encouragement and support. In the future, we will continue to support the related activities of the Love Now Youth Volunteer Association.</p>				

(6) Taiwan corporate conduct and ethics implementation as required by the Taiwan Financial Supervisory Commission

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>1. Establishment of corporate conduct and ethics policy and implementation measures</p> <p>(1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has established an "Ethical Corporate Management Principles" as a policy and practice to express the ethical corporate management. The company performs all operational activities with a consistent ethical standard. It also requires that all employees must meet the requirements of the integrity policy and the commitment of the board of directors and management to implement the business policy aggressively.</p> <p>2. The company has established an "Ethical Corporate Management Principles" which includes the article to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. The company has also established standard operation procedures and guidelines for all stakeholders to act ethically in all aspects of our business. In addition, we have published the "Ethical Corporate Management Principles" under the "Stakeholders Relationship, "Corporate Social Responsibility" section of our official website.</p> <p>3. The company has set up an Investor Relations Office as a dedicated unit to regularly review the business activities of the higher risk of dishonest behavior within the scope of Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other business scopes, and regularly reports to the Board of Directors.</p> <p>In the meeting of the Board of Directors held on August 12, 2020, the Investor Relations Office has already reported directly to the BOD on the operation of "Promoting Social Responsibility" and "Performing Ethical Corporate Management".</p>	No Difference

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>2. Implementing integrity management.</p> <p>(1) Does the Company assess the integrity record of its business partners and set faithful conduct policies in the terms and conditions of its contracts?</p> <p>(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p> <p>(3) Does the Company work out policies to prevent conflicts of interest and provide proper statement channels?</p> <p>(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(5) Does the Company organize internal or external trainings in the integrity of business management regularly?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>1. Before signing a commercial contract with third parties, the company will assess the credit history of the counterparty and state the compensation for breach of contract when it violates integrity in the agreement. The assessment includes the compliance with the ethical corporate management policy. If the counterparty involves dishonesty behavior, the company may terminate or cancel the terms of the contract at any time.</p> <p>2. The company has designated the Investor Relations Office that under the Board of Directors as a dedicated and responsible business unit for the promotion of ethical corporate management and reports to the Board of Directors regularly (at least once a year). In the meeting of the Board of Directors held on August 12, 2020, the Investor Relations Office has already reported directly to the BOD on the operation of "Promoting Social Responsibility" and "Performing Ethical Corporate Management".</p> <p>3. The "Ethical Corporate Management Principles" formulated by the company includes the "Avoidance of Conflicts of Interests" to further implement the policy of avoidance of conflicts of interests. The company's directors, managers, and other stakeholders who are present or in attendance to the board meeting are the interest party regarding the proposals listed by the board of directors on themselves or the juristic persons that they represent, should explain the significant content of their interest relationship the Board of Directors. If there is any possibility to harm the interest of the company, they should not participate the discussion and voting and should avoid during the discussion and voting, and shall not act or on behalf of other directors to vote.</p> <p>4. Our Financial Report is in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS endorsed and issued into effect by the Financial Supervisory Commission of the R.O.C. In addition, our internal</p>	No Difference

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
			<p>control system is based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies to evaluate design and operating effectiveness. The audit office should conduct a regular audit as well as stay vigilant and report any violation of the Ethics Code to the Board of directors directly. Lastly, the audit office is also responsible for the inspection and review of the Company's internal control system, its adequacy in design and effectiveness in operation.</p> <p>5. In addition to the announcement and training of the ethical corporate management at regular meetings, the company also regularly or irregularly sends staffs to attend external training courses related to the "Ethical Management Issues" conducted by the competent authority or corporate governance unit.</p>	
<p>3. Report System operating status</p> <p>(1) Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?</p> <p>(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(3) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The "Ethical Corporate Management System" established by the company regulates the specific reporting and reward systems, and developed a convenient reporting pipeline, and assigns dedicated personnel for the reported counterparty.</p> <p>Prosecutors may report to the following units:</p> <p>(1) Spokesman: Accept the report from external personnel such as shareholders, investors. Reporting channel: ir@kmc-international.com</p> <p>(2) The Management, HR supervisor, Finance Accounting supervisor: Accept the report from internal personnel.</p> <p>2. The company does formulate the standard operating procedures and related confidentiality mechanisms for processing reports. If the company received any report and verified as ethics violation, the relevant department will be disciplined to the full extent of our policies. Cases investigated and verified as severe violations will be reported to the Board of directors directly.</p> <p>3. The company promised to implement the relevant measures to protect the prosecutors will not be improperly treated because of the report.</p>	No Difference

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
<p>4. Enhance information disclosure</p> <p>Does the company disclose the information of implementation and results of integrity management on its website and the MOPS?</p>	✓		<p>The company has disclosed relevant contents and the results of the promotion of the Ethical Corporate Management Principles on the "Company's Website" and "Market Observation Post System". In addition, we disclose relevant policies and information on ethics in our Annual Report and CSR Report.</p> <p>The official website of the company is : http://www.kmc-international.com/userfiles/stock/2019/%E6%A1%82%E7%9B%9FCSR%E5%A0%B1%E5%91%8A(2018%E5%B9%B4)-V4.pdf</p>	No Difference
<p>5. If the company develops its own integrity operation rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference.</p>				
<p>6. Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation)</p> <p>The company has established an "Ethical Corporate Management Principles" as a policy and has disclosed relevant policies on our official website. In addition, we accept reports of any Ethics Code violation from external personnel on the "Stakeholders Relationship" section of our official website.</p>				

(7) If the company has adopted corporate governance best practice principles or related bylaws, disclose how these are to be searched:

The Company has established its “Corporate Governance Best Practice Principles”, “Rules of Procedure for Shareholder Meeting”, “Rules of Procedure for Board of Directors Meetings”, “Procedures for Election of Directors and Supervisors”, “Rules Governing the Scope of Powers of Independent Directors”, “Ethical Corporate Management Best Practice Principles”, “Rules Governing the Scope of Powers of Supervisors”, “Ethical Corporate Management Best Practice Principles”, “Remuneration Committee Charter” and “Corporate Social Responsibility Code of Practice”. Please refer to KMC’s website or MOPS for our corporate social responsibility implementation status:

1. Official website: <http://www.kmc-international.com>
2. MOPS: <http://mops.twse.com.tw/mops/web/index>

(8) Other major information that helps to understand the operation of corporate governance shall also be disclosed on the following platform:

A. The Company also convenes investor meetings and publishes investor reports on the official website at least once a quarter. Through investor meetings and investor reports, our objective is to help investors to fully understand our business, financial and ESG performances. Please refer to the “Investor Meeting” section of MOPS to search relevant information.

B. The Company also has CSR section on its corporate website to address its corporate social responsibilities management and any other issues. Please refer to our official website:

<http://www.kmc-international.com/index.php?option=module&lang=cht&task=showlist&id=462&index=4>

(9) The implementation of the internal control system:

A. Declaration of internal control: please refer to Appendix I.

B. Certified Public Accountant Review Report which is issued by the certified public accountants based on the audit result of the internal control system: None.

(10) In the last fiscal period as of the date this report was printed, the main faults and the improvement of any case that the Company or its personnel was punished based on the regulations, or that the personnel was punished by the Company for violating the provision of internal control system shall be specified:

None.

(11) In the last fiscal period as of the date this report was printed, the major resolutions of the Shareholders Meeting and the Board of Directors are as followed

A. The resolutions approved by the entire attending shareholders at the regular shareholders' meeting and its implementation

Meeting	Date	Resolution	Implementation status
Annual Shareholders Meeting	June 24, 2020	Approve the company's annual business reports and financial statements for 2019.	The implementation of the resolution of the shareholders' meeting was completed. It was uploaded to the section of shareholders' meeting minutes on Market Observation Post System on June 24, 2020.
		Acknowledgement of the company's profit distribution of the year 2019.	The distribution of cash dividends was completed on August 20, 2020.
		Approve the revisions to the Articles of Incorporation	All the revisions have been approved by the authority on July 16, 2020.
		Approve the revisions to the Rules of Procedure for Shareholders Meetings.	The implementation of the resolution of the shareholders' meeting was completed. It was uploaded to the section of shareholders' meeting minutes on Market Observation Post System on June 24, 2020.
		Approve the revisions to the Procedures for Election of Directors and Supervisors.	
		Re-election of directors, including independent directors.	All the revisions have been approved by the authority on July 16, 2020.
		Approve the proposals to release the new Board of Directors and representatives from the non-competition restrictions.	The implementation of the resolution of the shareholders' meeting was completed. It was uploaded to the section of shareholders' meeting minutes on Market Observation Post System on June 24, 2020.

B. During 2020 and as of the date of this Annual Report, major resolutions approved at Board meetings are summarized below:

Meeting	Resolution date	Meeting resolutions
The Board of Directors	January 22, 2020	New and extension of banking facility.
The Board of Directors	March 19, 2020	<ol style="list-style-type: none"> 1. Internal control system statement for the year 2019 2. To revise the Rules of Procedure for Board of Directors Meetings. 3. The individual financial reports and consolidated financial reports for the year 2019. 4. Business report for the year 2019. 5. Review of the resolution of remuneration committee. 6. The distribution of the earnings of 2019. 7. The motion to amend the company's "Article of Incorporation" 8. To revise the Rules of Procedure for Shareholders' Meetings. 9. Re-election of directors, including independent directors 10. To release the new board of directors and representatives from the non-competition restrictions 11. The affairs to convene the Year 2020 General Shareholders' Meeting 12. Accept the proposal from the shareholders with more than 1% of shareholdings. 13. Accept the candidate nomination for election as a Board member 14. Set the "Audit Committee Charter". 15. Appoint directors and supervisors of subsidiaries 16. The motion for the change of independent auditor because of its internal rotation. 17. New and extension of banking facility.
The Board of Directors	May 11, 2020	<ol style="list-style-type: none"> 1. The consolidated financial statements for the first quarter of 2020. 2. To revise the "Remuneration Committee Charter". 3. To revise the "Operational Procedures for Applying for Halt and Resumption of Dealings" 4. To revise the "Corporate Governance Best Practice Principles" 5. To revise the "Ethical Corporate Management Best Practice Principles" 6. To revise the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managerial Officers" 7. To revise the "Procedures for Election of Directors and Supervisors" 8. Review the candidates of the 12th Board of Directors 9. Increase the matters to convene the Year 2020 General Shareholders' Meeting. 10. To authorize chairman to change the location of Year 2020 General Shareholders' Meeting, if affected by COVID-19. 11. New and extension of banking facility.
The Board of Directors	June 24, 2020	To elect Mr. Ying-Chin, Wu to be the Chairman
The Board of Directors	May 11, 2020	<ol style="list-style-type: none"> 1. To set the record date of distribution of cash dividend for the year 2020. 2. The assignment of new members of The Remunerations Committee
The Board of Directors	August 12, 2020	<ol style="list-style-type: none"> 1. Amendment to the Regulations of Internal Control Systems 2. The consolidated financial statements for the second quarter of 2020. 3. The motion for the assessment of the independence of the company's independent auditors. 4. Proposal for the issuance of domestic secured convertible bond. 5. The liability insurance for the Directors for 2020 6. To appoint the Corporate Governance Officer 7. New and extension of banking facility.
The Board of Directors	November 6, 2020	<ol style="list-style-type: none"> 1. Approve the company's audit plan for the year 2021 2. Amendment to the Regulations of Internal Control Systems 3. Approve the consolidated financial statements for the third quarter of 2020 4. Review of the resolution of remuneration committee. 5. New and extension of banking facility.

Meeting	Resolution date	Meeting resolutions
The Board of Directors	February 1, 2021	<ol style="list-style-type: none"> 1. The amendment to the Internal Audit Implementation Rules 2. The amendment to the Regulations of Internal Control Systems. 3. The amendment to the Operational procedures for Acquisition and Disposal of Assets. 4. To approve the amendment to the Remunerations Committee Charter 5. New and extension of banking facility.
The Board of Directors	March 15, 2020	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. Internal control system statement for the year 2020 3. The unconsolidated financial statements and consolidated financial statements for the year 2020. 4. Business report for the year 2020. 5. The distribution of the earnings of 2020. 6. The motion to amend the company's "Article of Incorporation" 7. The affairs to hold the annual shareholders' meeting of 2021. 8. Accept the proposal from the shareholders with more than 1% of shareholdings. 9. New and extension of banking facility.
The Board of Directors	May 10, 2021	<ol style="list-style-type: none"> 1. The consolidated financial statements for the first quarter of 2021. 2. New and extension of banking facility.
The Board of Directors	May 20, 2021	Authorized the chairman to change the location for KMC's 2021 Annual Shareholders' Meeting in response to COVID-19 pandemic

(12) In the last fiscal period and as of the date this report was printed, the major content of the adverse opinion of the directors or supervisors in the decision over specific motions at the Board Meeting on record or with a written declaration shall be specified:
None.

(13) In the last fiscal period as of the date this report was printed, the resignation and dismissal of the Company's personnel (including chairman, general manager, accounting manager, internal audit manager...etc.) shall be summarized:

May 25th, 2021

Title	Name	Onboard date	Terminate date	The reason of resignation or dismissal
None				

5. Information on the fees for certified public accountants

(1) Range of accountants' fee

CPA Firm	Name of CPA		Inspection period	Remark
Deloitte & Touche.	Yang, Chao Chin	Li, Chi-Chen	January 1 st , 2020 December 31 st , 2020	None

Range of amount		Fee items	Audit Fee	Non-Audit Fee	Total
1	Under NT\$2 million			✓	
2	NT\$2 million (included) ~ NT\$4 million				
3	NT\$4 million (included) ~ NT\$6 million		✓		
4	NT\$6 million (included) ~ NT\$8million				✓
5	NT\$8million (included) ~ NT\$10 million				
6	More thanNT\$10 million (included)				

(2) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee

CPA Firm	Name of CPA	Audit fee	Non-Audit fee					Inspection period	Remark
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche.	Yang,Chao Chin	4,630	0	0	0	1,714	6,344	January 1 st ,2020~ December 31 st ,2020	Others included the Transfer Price report and Consultant for projects.
	Li, Chi-Chen								

NTD\$ thousand

(3) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year
None.

(4) The audit fee is reduced by over 10% compared with the previous year:
None.

6. Information on the replacement of certified public accountants, in the last two fiscal periods and after:
KMC accepted the replacement of its certified public accountants allocated by its accounting firm, the new accountants are – Yang, Chao Chin and Li, Chi-Chen of Deloitte Taiwan on March 19, 2020.

7. If the chairman, general manager, finance or accounting manager of the Company has been working in the accounting firm of the CPAs or its affiliates within the last year, the name and title of the personnel and the period of such working relation existing:
None.

8. In the last fiscal period and as of the date this report was printed, the status of the transfer of shares or the shares in pledge held by the directors, supervisors, managers or the shareholders with more than 10% of the Company's shares:

- (1) Transfer of shares held by the directors, supervisors, managers and the major shareholders
KMC's 12th Board of Directors was elected at Annual Shareholders' Meeting in 2020. The Board of Directors is made up of 7 directors (including 3 independent directors). KMC established the Audit committee as the substitute for supervisors in 2020. The Audit committee was composed of all independent directors.

Title	Name	2020		Current Year to April 26 th	
		Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	0	0	0	0
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	0	0	0	0
Director	Kao, Ting-Nan (Note 1)	0	0	0	0
Director	Hsu, Yang-Kang (Note 2)	0	0	0	0
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wang, Chiung-Fen	0 (Note 4)	0 (Note 4)	0 (Note 4)	0 (Note 4)
Independent Director	Wang, Ming-Lung	0	0	0	0
Independent Director	Tseng, Wen-Che	0 (Note 3)	0 (Note 3)	0	0
Independent Director	Tsai, Hsueh-Ling	0 (Note 3)	0 (Note 3)	0	0
Independent Director	Lin, Ting-Ze	0 (Note 4)	0 (Note 4)	0 (Note 4)	0 (Note 4)
Supervisor	Chang-Yu Investment Co., Ltd Representative Kao, Ting-Nan (Note 1)	0	0	0	0
Supervisor	Chieh Nai Chih Investment Co., Ltd Representative Hsu, Yang-Kang (Note 2)	(71,000) 0	0	0	0
President	Wu, Jui-Chang	0	0	0	0
Vice President	Wu, Hsing-Chuan	0	0	0	0
Senior Director	Tsai, Chu-Ying	0 (Note 5)	0 (Note 5)	0 (Note 5)	0 (Note 5)
Manager of Finance and Accounting Division Corporate Governance Officer	Chen, Yung-Jen	0	0	0	0
Shareholders with 10% Shareholdings or More	KMC TRANSTON INDUSTRIES LIMITED	0	0	0	0

Note 1: Mr. Kao, Ting-Nan was supervisor of the Company from June 21, 2012 to June 24, 2020 and was newly-elected as Director at the annual shareholders' meeting on June 24, 2020.

Note 2: Mr. Hsu, Yang-Kang was supervisor of the Company from October 4, 2011 to June 24, 2020 and was newly-elected as Director at the annual shareholders' meeting on June 24, 2020.

Note 3: Mr. Tseng, Wen-Che and Ms. Tsai, Hsueh-Ling were newly elected directors on June 24, 2020.

Note 4: Mr. Wang, Chiung-Fen and Mr. Lin, Ting-Ze were dismissed upon the expiration of term of office on June 24, 2020.

Note 5: Senior Director Ms. Tsai, Chu-Ying retired, effective May 31, 2020.

(2) Information showing the counterparty of the share-transferring is the interested party:

Name	Reason for Transfer	Date	The counterparties	Relationship	Shares	Transfer price
None						

(3) Information showing the counterparty of the share-in-pledge is the interested party:

None

9. Information showing that top 10 shareholders have the relationship with one another as the related parties, spouse or kindred within the 2nd tier.

April 26,2021

Name	Shareholding		Shares held by spouse & minors		Shares held in the name of others		The name and relationship of top 10 shareholders having the relationship with one another as the related parties, spouse or kindred within the 2nd tier specified in sfas no. 6.		Remark
	shares	%	shares	%	shares	%	Name	Relationship	
KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin)	47,412,256	37.62%	0	0	0	0	Wu, Ying-Chin Wu,Hsing-Chuan Yu,Wen-Ying Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Chairman for KMC TRANSTON INDUSTRIES LIMITED Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp.	None
Wu, Hsing-Chuan	7,902,042	6.27%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Yu,Wen-Ying Wu, Ying-Chin Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree with the representative of Corp.	None
Yu, Wen-Ying	7,902,040	6.27%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Wu,Hsing-Chuan Wu, Ying-Chin Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree Chairman for Supreme Profit International Co., Ltd Familial relationship within the 2nd degree with the representative of Corp.	None
Fubon Life Assurance Co.,LTD (Representative Tsai, Ming-Hsing)	6,485,000	5.15%	0	0	0	0	None	None	None
Wu, Ying-Chin	3,437,041	2.73%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Wu,Hsing-Chuan Yu,Wen-Ying Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Chairman for KMC TRANSTON INDUSTRIES LIMITED Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp.	None
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,160,850	2.51%	0	0	0	0	None	None	None
Wu, Hui-Lan	2,822,549	2.24%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Wu, Hsing-Chuan Yu, Wen-Ying Wu, Ying-Chin Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree Familial relationship within the 2nd degree with the representative of Corp. Chairman for HSUN-LI Investment Co., Ltd	None

Name	Shareholding		Shares held by spouse & minors		Shares held in the name of others		The name and relationship of top 10 shareholders having the relationship with one another as the related parties, spouse or kindred within the 2nd tier specified in sfas no. 6.		Remark
	shares	%	shares	%	shares	%	Name	Relationship	
Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying)	2,758,780	2.19%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Wu, Hsing-Chuan Yu, Wen-Ying Wu, Ying-Chin Wu, Hui-Lan HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Chairman for Supreme Profit International Co., Ltd Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp.	None
Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan)	1,969,300	1.56%	0	0	0	0	None	None	None
HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	1,814,144	1.44%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Wu, Hsing-Chuan Yu, Wen-Ying Wu, Ying-Chin Wu, Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Chairman for HSUN-LI Investment Co., Ltd Familial relationship within the 2nd degree with the representative of Corp.	None

10. The quantity of shareholdings of a particular reinvestment business held by the Company, its directors, supervisors, managers and the investment business directly or indirectly controlled by the Company, and the consolidated percentage of combined shareholdings

Long-term Investment	Investment by the Company		Investment by directors, supervisors, managers, direct or indirect control groups		Combined investment	
	Shares	%	Shares	%	Shares	%
KMC CHAIN Industrial Co., Ltd.	88,600,000	100%	0	0	88,600,000	100%
PRO (TAIWAN) PROCUREMENT CO., LTD.	1,225,000	49%	0	0	1,225,000	49%
KMC Automobile Transmission Co., Ltd.	3,253,812	100%	0	0	3,253,812	100%
KMC Industries (Vietnam) Co., Ltd	-	100%	0	0	-	100%

IV. Capital Projection and Implementation

1. Company capital and shares

(1) Sources of capital stock

in thousand shares and NT\$ thousand

Month/ Year	Issue Price	Authorized share capital		Capital stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increase by assets other than cash	Others
08/2018	10	200,000	2,000,000	126,000	1,260,000	Issue new shares for 6,000 thousand shares	None	Note

Note:

At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings on August 1, 2018. At the approval of Ministry of Economic Affairs under Letter Ching-Shou-Shang-Tzi No. 10701095220.

April 26, 2021

Type	Authorized share capital			Remark
	Outstanding	unissued	Total	
Common shares	126,000,000 shares	74,000,000 shares	200,000,000 shares	None

(2) Structure of shareholders

April 26, 2021

Type of Shareholders	Governments	Financial institutions	Other juridical persons	Foreign institutions & natural persons	Natural persons	Treasury stock	Total
Number	0	13	69	160	9,034	0	9,276
Shareholding	0	8,758,888	57,831,017	30,360,156	29,049,939	0	126,000,000
Holding Percentage	0.00%	6.95%	45.89%	24.10%	23.06%	0.00%	100.00%

(3) Distribution of shares

A. Distribution of common shares

April 26, 2021

Rank	Number of shareholders (in persons)	Total Shares Held	Holding Percentage
1-999	5,569	977,133	0.78%
1,000-5,000	3,216	5,193,746	4.13%
5,001-10,000	196	1,469,339	1.17%
10,001-15,000	64	812,060	0.64%
15,001-20,000	45	798,704	0.63%
20,001-30,000	34	881,239	0.70%
30,001-40,000	20	699,669	0.56%
40,001-50,000	16	709,550	0.56%
50,001-100,000	36	2,462,871	1.95%
100,001-200,000	34	4,805,938	3.81%
200,001-400,000	15	4,500,489	3.57%
400,001-600,000	8	3,877,907	3.08%
600,001-800,000	4	2,902,887	2.30%
800,001-1,000,000	3	2,601,898	2.06%
More than 1,000,001	16	93,306,570	74.06%
Total	9,276	126,000,000	100.00%

B. Distribution of prefer shares: The Company does not issue preferred stocks.

(4) List of major shareholders

April 26, 2021

Name	Total Shares Held	Ownership Percentage
KMC TRANSTON INDUSTRIES LIMITED	47,412,256	37.62%
Wu, Hsing-Chuan	7,902,042	6.27%
Yu, Wen-Ying	7,902,040	6.27%
Fubon Life Assurance Co., LTD	6,485,000	5.15%
Wu, Ying-Chin	3,437,041	2.73%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,160,850	2.51%
Wu, Hui-Lan	2,822,549	2.24%
Supreme Profit International Co., Ltd	2,758,780	2.19%
Investment account of JP Morgan Stanley Investment Fund managed by HSBC (Taiwan)	1,969,300	1.56%
HSUN-LI Investment Co., Ltd	1,814,144	1.44%

(5) Information on Market Price, Book Value, Earnings Per Share and Dividends

in thousand shares and NT\$ thousand

Item		Year	2019	2019	Current year to March 31 st , 2021
Market price per share	Highest		120.0	227.0	215.0
	Lowest		97.1	67.4	174.0
	Average		107.2	167.6	201.2
Net worth per share	Before distribution		41.9	50.8	54.3
	After distribution		37.4	(note1)	NA
EPS	Weighted average quantity of shares(1,000 shares)		126,000	126,000	126,000
	EPS	Before adjustment	8.00	12.02	4.00
		After adjustment	8.00	(note1)	4.00
Dividend	Cash Dividend		4.50	7.20(note1)	NA
	Stock Dividend	From earning	0	0(note1)	NA
		From Capital Reserve	0	0(note1)	NA
	Accumulated Unappropriated Dividends		0	0	NA
ROI analysis	P/E ratio(note2)		13.40	13.94	NA
	P/P ratio(note3)		23.82	23.27	NA
	Cash dividend yield(note4)		4.20%	4.30%	NA

Note

1. The proposal of dividends for FY 2020 has been approved by the Board of Directors on March 15th, 2021 pending the ratification at the 2021 Shareholders Meeting. The proposal shall be resolved by the Shareholders Meeting.
2. P/E ratio = average price per share at closing in the current year/earnings per share.
3. P/P ratio = average price per share at closing in the current year/cash dividends per share
4. Cash dividend yield rate = cash dividend per share/average price per share at closing in the current year.

(6) Dividend Policy and Execution Status

A. Dividend Policy

- i. The distribution of earnings or the covering of losses may be made on a quarterly basis after the close of each quarter. When the earnings are to be distributed in cash, the distribution shall be approved by the Board of Directors in accordance with Article 228-1 and Paragraph V of Article 240 of the Company Law and reported to the shareholders' meeting, instead of being submitted to the shareholders' meeting for acceptance.
The Corporation shall not pay dividends or bonuses to shareholders when there are no earnings. When allocating the earnings, the Corporation shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings provided that the amount of accumulated legal capital reserve has not reached the amount of the paid-in capital of the Corporation, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.
- ii. The industrial development of the Corporation is undergoing the business expansion phase and in great demand for funds; consequently, the distribution of surplus should be made in accordance with Company Act and the Corporation's articles of incorporation subject to the management of Corporation's capital and the business performance before determining the method of dividend. The principle of dividend shall follow the stability and balance policy, and the method of dividend (cash dividend or stock dividend) and the amount will be proposed by the Board of Directors in accordance with the business results, financial status and the management of capital. In accordance with the dividend policy of the Corporation, the annual allocation of surplus to the shareholders shall not be less than 20%, the method of dividend can be made by cash or stock. While the cash dividend shall not be less than 20% of the total amount of cash and stock dividend.
- iii. Distribute all or part of dividends and bonuses or statutory surplus reserve and capital reserve, if cash is distributed, authorize the board of directors to attend with more than two-thirds of the directors, and after more than half of the attending directors agree, and report Shareholders meeting.
- iv. The aforementioned dividend policy will be implemented after propose to the 2021 annual shareholders' meeting for approval.

B. Execution Status

The Boards of Directors adopted the proposal for distribution of 2020 earnings would be resolved by 2021 Annual Shareholders' Meeting as followed:

The accumulated earnings shall be appropriated as NT\$907,200,000 for cash dividends (NT\$7.2 dollars per share). Upon the distribution of cash dividends being passed by the Shareholders Meeting, the Board of Directors shall be authorized to set up the date of dividend distribution.

C. Summary of significant change on expected dividend policy: None.

(7) Impact to 2021 business performance and EPS resulting from stock dividend distribution:

Not applicable

(8) Remuneration to employees and directors:

A. Information on remuneration to employees and directors as set forth in the Company's Articles of Incorporation:

According to The Company Article, in case there is surplus after the end of each fiscal year, the Corporation shall allocate 0.5~5% as the remuneration for employees and the remuneration may be distributed by ways of stock dividend or cash dividend. The subjects of the distribution shall include the employees of the subordinate company with certain conditions and proportion of the distribution authorized by the Board of Directors.

Less than 3% of above mentioned earnings of the Corporation can be distributed as the remuneration for the Directors in accordance with the resolution of the Board of Directors. The subject of the distribution shall not include the managerial personnel who act as proxy of the Directors. The distribution of remuneration to employees and directors shall be reported at the shareholder's meeting. In case the Corporation still has accumulated losses, a certain amount of earnings shall be reserved before the distribution of remuneration to employees and directors in accordance with the proportion mentioned in the preceding paragraph.

B. The estimated principles of remunerations to employees and directors, the calculation principles of share quantity of stock dividends and the accounting treatment of the discrepancy between the real and estimated amount of remunerations to employees and directors and:

No difference.

C. Information on the distribution of remunerations to employees and directors passed by the Board of Directors

(A) The remunerations to employees and directors in FY2020 were passed by Board of Directors on March 15th, 2021.

(B) The amount of remunerations to employees in FY2020 is NT\$10,606,000 in cash.

(C) The amount of remunerations to the directors in FY2020 is NT\$8,400,000 in cash.

(D) The actual amount of payment is congruent with the recognized amount for FY 2020.

(E) The proposed amount of employee bonus in stock: None

D. If there is discrepancy between the distribution of remunerations to employees, the directors and supervisors from the earnings of the last fiscal year (including the quantity of share distribution, the amount and stock price) and the recognized amount, the amount of and reasons for the discrepancy and the treatment shall be specified:

The Company's actually distributed number does not differ from the recognized one.

(9) Repurchase of Company's shares: None.

2. Issuance of corporate bonds:

A. Outstanding Corporate Bond

Types of company debt	The third domestic secured convertible corporate bond	
Issue (handle) Date	2020.10.30	
Denomination	NTD 100,000	
Issuance and trading location	Securities counter trading center (listed on the OTC)	
Issue price	Issued at 107.5% of the face value	
Total amount	NTD 1,000,000,000	
Interest rate	Annual coupon rate 0%	
Tenure and maturity date	Tenure: 3 years Maturity date : 2023.10.30	
Guarantor	CTBC Bank Co., Ltd. (The guarantee ratio is 50%) E.Sun Commercial Bank, Ltd. (The guarantee ratio is 50%)	
Trustee	Taipei Fubon Commercial Bank Co., Ltd	
Underwriter	KGI Securities Co., Ltd.	
Legal Counsel	Chiu, Ya-Wen, Handsome Attorneys-at-Law Office	
Auditor	Yang, Chao-Chin and Li, Chi-Chen, Deloitte & Touche	
Repayment	Unless the bondholders are converted into common stocks of the company in accordance with Article 10 of KMC'S Third Domestic Secured Convertible Corporate Bond Issuance and Convertible Measures, or the company redeemed them in advance in accordance with Article 18 of KMC'S Third Domestic Secured Convertible Corporate Bond Issuance and Convertible Measures, or this convertible corporate bond is bought and cancelled by the business offices of securities firms, this convertible corporate bond will be repaid in cash at the maturity of the bond in a lump sum according to the denomination of the bond	
Outstanding	NTD 1,000,000,000	
Redemption or Early Repayment Clause	Please refer to KMC'S Third Domestic Secured Convertible Corporate Bond Issuance and Convertible Measures	
Covenants	Please refer to KMC'S Third Domestic Secured Convertible Corporate Bond Issuance and Convertible Measures	
Credit Rating	Not Applicable	
Other Rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities	None
	Conversion Right	Please refer to KMC'S Third Domestic Secured Convertible Corporate Bond Issuance and Convertible Measures
Dilution Effect and Other Adverse Effects on Existing Shareholders	As of April 30, 2021, the total outstanding amount of convertible bond is NTD 1 billion. If all bonds are converted into common shares at NT\$205.2 per share, the total outstanding shares of KMC will increase 4,347,826 shares. Since the current outstanding shares is 126,000,000, after all the convertible bonds are converted into common shares, the maximum equity dilution rate is about 3.34%. The impact on existing shareholders' equity is limited.	
Custodian	None	

B. Convertible Bond

Unit: NT\$

Corporate bond type		The third domestic secured convertible corporate bond	
Year		2020	As of April 30, 2021
Item			
Market price of the convertible bond	Highest	119.55	126.00
	Lowest	105.70	108.65
	Average	112.44	116.84
Convertible price		205.2	
Issue date and conversion price at issuance		Issue Date: 2020/ 10/ 30 Conversion price at issuance: NT\$ 205.2 / per share	
Conversion methods		Issuing of new stocks	

3. Preferred shares:
None.
4. The issuance of overseas depository receipts:
None.
5. The issuance of employee stock options:
None.
6. New shares restricted to employees:
None.
7. Acquisition of new shares from other companies through mergers and acquisitions or assignment:
None.
8. Capital planning and implementation:
None

V. Operating Highlights

1. Business Activities

(1) Business scope:

A. Major business items:

- (A) F401010 International Trade
- (B) F114030 Wholesale of Automotive and Motorcycle Parts and Supplies
- (C) F214030 Retail of Automotive and Motorcycle Parts and Supplies
- (D) CD01040 Motor Vehicles and Parts Manufacturing
- (E) CD01050 Bicycle and Parts Manufacturing
- (F) CD01990 Other Transportation and Parts Manufacturing
- (G) F114040 Wholesale of Bicycle Parts and Supplies
- (H) F114990 Wholesale of Other Transportation Equipment and Parts.
- (I) F214040 Retail of Bicycles and Parts
- (J) F214990 Retail of Other Transport Equipment and Parts
- (K) ZZ99999 Other business items that are not prohibited or restricted by law.

B. Business breakdown

In NT\$ thousand

Year \ Products	2019		2020		1Q21	
	Amount	%	Amount	%	Amount	%
Bike Chain and component	4,051,006	77.3%	4,789,394	78.1%	1,395,150	77.3%
Motorbike Chain and component	532,913	10.2%	492,479	8.0%	155,519	8.6%
Automobile Timing System	328,654	6.3%	389,595	6.4%	112,211	6.2%
Garage Door Opener	327,062	6.2%	459,015	7.5%	143,451	7.9%
Total	5,239,635	100.0%	6,130,483	100.0%	1,806,331	100.0%

C. Current products and services offered by the Company:

(A) Bicycle Chain

- Road bike chain series
- Mountain bike chain series
- BMX chain series
- Rust Buster chain series
- EcoProTech chain
- Trekking and City Touring
- e-bike chain series
- e-bike chainring

(B) Motorcycle Chain and Gears

- Standard Driving Chain Series
- Heavy Duty Chain Series
- Cam Chain Series
- Silent Chain Series
- Standard Driving Sprocket
- Chain and Sprocket Kit

(C) Automobile Timing System

(D) Garage Door Opener

D. New products in the future

- Bicycle upgraded environment protection chain, ultra-light chain
- Bicycle components and parts
- Motorcycle Transmission components and parts
- Automobile Transmission components and parts
- Garage Door Opener components and parts

(2) Industry Outlook:

A. Industry current situation and development

i. Bicycle market:

According to an analysis by Grand View Research, the global bicycle market size was valued at USD 54.4 billion in 2020. It is expected that the global bicycle market will grow to USD 92.5 billion by 2028, with a compound annual growth rate (CAGR) of 7%. Bicycles play an essential role in the development of sustainable vehicles. Besides, bicycles have more significant advantages than fuel vehicles such as convenience, price, and environmental benefits. Due to COVID-19, it has brought changes to consumer behavior. People realize the importance of health gradually and seek the ways to satisfy the needs for transportation, exercising, social engagement and also staying socially distanced. In this case, cycling fits the bill. Riding bicycles not only provides people with a healthier and diversified life experience, but also meets the need for commuting, recreation and social engagement. Moreover, we see a more favourable policies to promote the use of bicycles. Some governments have announced spending on bike infrastructures and introduced new subsidies to develop two-wheel culture. In this case, people could avoid taking public transportation to adhere to social distancing rules.

With regard to current market conditions around the world, the European market has always been the world's point of gravity of high-end bicycle sales. In December, 2019, the European Green Deal was approved by the European Commission. It promotes zero-carbon emission, more sustainable and eco-friendly way of transportation with the aim of making Europe to be the first climate-neutral continent by 2050. Riding bicycle is exactly in line with the aim of European Green Deal. The characteristics of low carbon emission and environmentally friendly also make the bicycle industry to have high potential to become the most sustainable industry. In recent years, the total sales volume of bicycles in the EU27 countries has been around 20 million bicycles per year, 70% of which is distributed to Germany, Netherlands, Italy, France, and Spain. According to Eurostat data, the EU imported 4.28 million bicycles during the first 11 months of 2020, a year-on-year decrease of 3.8%, with an import value of nearly EUR 820 million, which is similar to 2019. Meanwhile, the EU also imported 500 thousand e-bikes from Taiwan in 2020, a year-on-year increase of 14%, with an import value of nearly EUR 630 million, a year-on-year increase of 13%.

Based on the information from the National Bicycle Dealers Association (NBDA) of the USA, the US bicycle market has been growing steadily since 2003; the annual sales are about \$6 billion. Cycling is a prevalent outdoor activity in the United States. It is also one of the ten most popular leisure activities in the United States. There is about 14% of the population in US that will do bicycle riding as a form of exercise. In 2020, the Department of the Interior released final rules for electric bicycle use on public lands. This new regulation more clearly defines electric bicycles and no longer describes them as motor vehicles. This gives local land managers the authority to permit some or all classes of electric bicycles on roads, paths and trails where bicycles are allowed. After this new regulation is released, the sales of e-bikes in the US are expected to be given a boost.

Mainland China has been the world's largest bicycle production base for a very long time, and 75% of its production is exported to North America, Japan and emerging markets. With the rise of sharing economy and maturing electronic payment platforms, the bicycle rental boom in 2017 has boosted the number of shared bicycles in Mainland China. Besides, sharing bike has gradually become a part of their daily life and also one of key items in the domestic market of China.

As for Taiwan, the bicycle industry grew slightly in 2020, with an export value of nearly US 3.7 billion. Based on the statistics from the Taiwan Bicycle Association, the total bicycles exported from Taiwan in 2020 is about 1.69 million units, and the average unit price of exports is US\$646. The US and the EU remained the top two trading partners of Taiwan in the bicycle industry. The total export volume of E-bike has reached 760 thousand units, a year-on-year increase of 18%, with an export value of nearly USD 990 million, a year-on-year increase of 14%. It shows that Taiwan's bicycles are keeping on the track of increasing to the higher value. In the future, combining the bicycle industry with electronics industry, it could provide customers with more comprehensive bicycle solutions. In this case, Taiwan's bicycle industry could not only reach the leadership status in the international market but has also made Taiwan a crucial influence in the global mid-to-high-end bicycle market and e-bike market as well.

ii. Motorcycle market:

Statistics indicate that the global motorcycle market recorded sales of 56.5 million in 2020, a year-on-year increase of 14%. However, with more and more countries easing their COVID-19 lockdowns and restrictions, people tend to buy their own vehicles. Thus, it makes the global motorcycle sales to show the signs of recovery. In developing countries in the Asia-Pacific region, because of the high population and easy mobility of motorcycle in urban areas, they provide transportation, travel, and shipping functions. This area has become a significant market for motorcycles, with India, Mainland China, Indonesia, Vietnam, and other countries in Southeast Asia accounting for approximately 80% of the entire market.

Among ASEAN countries, Indonesia and Vietnam have demonstrated the greatest demand for motorcycles. In particular, the middle class in Indonesia is gradually expanding, where more jobs and higher salaries have endowed more households with the ability to purchase durable goods, in turn driving up the ratio of motorcycle ownership. Vietnam currently lacks public transportation and traffic congestion is also a serious problem in the country. As a result, motorcycles have become the most common form of transportation.

In 2020, since all the countries implemented a lot of restrictions to prevent the spread of infections, it severely hit the export and the tourism, the two key industries for all the ASEAN countries. In addition, the shut down of the factories also caused the fall of the economy. In this case, the bad economy also reduced the demand for consuming goods and also the motorcycles. According to Asosiasi Industri Sepedamotor Indonesia (AISI), the sales of motorcycles in Indonesia decreased by 43.6% in 2020 to 3.66 million units, reaching the lowest level out of last 30 years. According to the Vietnam Association of Motorcycle Manufacturers (VAMM), the sales of motorcycles in Vietnam was 2.71 million units in 2020, and it was the first time that the sales dropped below 3 million units after over a decade. Since the pandemic was gradually under control, there were signs of economic indicators that suggest recovery in Indonesia and Vietnam. Due to the huge demand for individual mobility, there are still plenty of development potential in these two countries. As the national income of these countries increases and road infrastructures improve gradually, the demand for motorcycles will continue to rise. With the steady sales of new motorcycles every year, consumers are more willing to embrace the concept of regular services and maintenance to prolong the lifespan of motorcycles. With an estimated

market of 350 million motorcycles worldwide, there is an enormous market for repair and maintenance products

iii. Automobile market

Based on the statistics from the Organisation Internationale des Constructeurs Automobiles (OICA), 78 million vehicles (excluding heavy vehicles) were sold worldwide in 2020, a year-on-year decrease of 14%. As for China, although the car sales declined sharply during the first quarter of 2020 due to the impact of the COVID-19, the demand from the consumer market began to recover from April. In addition, as subsidies and other policies to encourage the purchase of cars were devised in China, the automobile industry had taken a new pathway. With strong sales increase starting from the second half year, the car sales in China amounted to 25 million units in 2020 which is similar to 2019 and this market remained the largest in the world. US has conquered the second place and the total car sales has reached 14.95 million units in 2020. In recent years, car buyers across Asia have been the main drivers of sales growth, nearly one-third of all cars sold worldwide are sold in Mainland China, up from less than 15% ten years ago. This testifies the growing economy and road construction in Mainland China, which have unlocked enormous demand. Meanwhile, market research organization estimated that total global car ownership may hit 1 billion, which will bring huge opportunities in the automotive aftermarket.

iv. Garage door opener market

According to statistics, the primary garage door opener market is in North America and Europe. The market size of global garage door opener is about USD1.196 billion in 2020, and it is estimated to reach USD1.331 billion by 2027, with a compound annual growth rate of 1.8%.

B. The relevance of vendor, manufacturer and customer in the industry

Vendor	Manufacturer	Customer
Metal raw materials	Bicycle chain manufacturer	Bicycle manufacturer or parts distributor
	Motor chain and sprocket manufacturers	Motorcycle manufacturer or parts distributor
	Automotive timing system manufacturer	Automotive manufacturer or parts distributor
	Garage door opener system supplier	Garage door opener manufacturers

C. The trend of primary product development:

Under the trend of favoring to leisure and sports for the bicycle, the bicycle chain products are also leading towards a more lightweight and personalized design style. With the rise of environmental protection concepts and the significant increase of market demand, E-bikes grow rapidly and become another notable highlight in the bicycle industry.

Under the regulations of environmental protection, the automobile and motorcycle industry will also develop toward the direction of environmental protection and energy conservation. Governments of various countries will continue to support them with policies, and the manufacturers of automobile and motorcycle will accelerate to develop different types of new energy vehicles.

The garage door opener focuses on the home market and the recent development is to combine with intelligent integrated control system so as to add convenience and efficiency to our day-to-day lifestyle.

D. The situation of market competition:

In view of the competition in the bicycle chain market, Japanese and the US manufacturers have an influential brand, and the manufacturers of Mainland China have a cost advantage. The company uses product differentiation as the basis for competitiveness. The product layout of the company is complete, ranging from entry models to the various high-end models.

In the motorcycle parts market, since the manufacturers in Japan are still the primary motorcycle manufacturers, the corresponding essential components are still mainly Japanese suppliers. The manufacturers in Mainland China have a cost advantage in mid- and low-end products.

In the automotive timing system market, since the manufacturers in Europe, the United States, and Japan have taken a leading position in the automotive industry, the auto parts supply systems in Europe, the United States, and Japan occupy most of the global supply of auto parts.

(3) Technologies and R&D:

A. Investment in Technology and R&D:

In order to ensure its leading position in the industry, KMC utilizes its unique core technology through in-depth R&D on basic metal materials, including systematic research and innovation design capabilities, work performance verification equipment, precision mold equipment, precision stamping technology, heat treatment technology, surface coating technology, high-efficiency automation production equipment and advanced automatic quality control system have established KMC's leading position in the chain market.

As various types of e-bikes being launched, the demands for e-bike related components are also increasing. On top of the chain, KMC also offered the total E-bike solution which includes E-bike specific chain, sprocket, and also chainring. KMC created the "Chain Mate" where the chainring roller seats between teeth are matched to chain rollers for exceptional component engagement. Made of High Tensile Steel, the Chainring structure enhances retention with an optimized tooth design to hold the rollers in place, significantly preventing chain drop while also reducing friction associated with traditional narrow or wide designs. The exclusive Chain Mate design provides higher drivetrain efficiency and optimal power transfer and also enables riders to ride longer distance. With patented new shield technology and oversized re-inforced pin design, our e-bike chain will be able to achieve industry leading pin power of 450kgf and the TurboPower & SportPower are also 25% stronger than traditional chain. With 40-year chain-making history, KMC will continue to develop different products and work on innovative design so as to let our consumers to experience different characteristics of chain.

B. R&D expenses invested: The amount invested by the company and its subsidiaries in the fiscal year 2020 was NT\$48,815 thousand.

i. Business development plan in the short and long terms:

A. Short-term business development plan:

In the bicycle chain business, we will continue to develop the European and US high-end bicycle chain repair market; meanwhile, we also design various E-bike specialized chains to respond to the rapid increase of E-bike market in the near future and to expand our E-bike market share as well. Besides, we will apply the dual-brand strategy to expand the overall market share of bicycle chain.

Motorcycle parts business focused on strengthening the cooperation with distributors of local motorcycle transmission products in Asia, deepening the local market and marketing channels, and increasing the sales volume in the repair market.

In addition to keeping business cooperation with manufacturers in Mainland China, the automotive timing system business will also develop repairs market around the world. The garage door opener business is to increase the number of new parts and striving to expand the market share.

B. Long-term business development plan:

The bicycle chain and motorcycle parts are the evergreen industry. With the economic development and improvement of living quality standards, it also develops into diversified utilization purpose follows the changes of the times and the market characteristics of various regions. In addition to satisfying essential transport transmission functions, it also emphasizes environmental protection and energy-conservation design, and further demands for products derived from various leisure activities and sports events.

The long-term development goal of the company's bicycle chain and motorcycle parts business is to focus on the global two-wheel vehicle transmission parts market. In response to the high-quality trend of these two industries, KMC has the ability to develop new technologies and apply new materials. Through continuous investment in R&D and product innovative design, we are striving to make better products which possess both rigidity and tenacity and are also flawlessly compatible with all types of bicycles, cyclists, and riding environments. As for the trade sales, KMC will enhance brand marketing, local service, and master production and R&D capacity to improve the company's overall competitiveness and make the company a quality brand and enterprise with international competition.

In the automobile timing system business, the company will focus on expanding the market share of repairs, meanwhile, through the cooperation with the car manufacturers; develop the parts for the new energy cars. Garage door opener business is developing toward the direction of module and OEM market.

2. Market and sale overview

(1) Market analysis

1. Sales of the major products by region:

In NT\$ thousand

Region \ Year	2019		2020	
	Revenue	%	Revenue	%
Asia	4,265,204	81.4%	4,979,060	81.2%
Europe	831,717	15.9%	901,357	14.7%
America	142,714	2.7%	250,066	4.1%
Total	5,239,635	100.0%	6,130,483	100.0%

2. Market share

(A) Bicycle chain business:

The company is the biggest bicycle chain manufacturer in the world, especially in the original equipment bicycle manufacturer market. KMC possesses the largest market share in the bicycle OEM market. Besides, the company also actively expands the market share and brand reputation in Europe and the US bicycle repair market. Recently, the company also strives to develop specific chains for e-bike which could be highly compatible with all e-bike systems. In the future, KMC will continue to develop different products so as to reach the leadership status in the international market

(B) Motorcycle parts business:

Currently, the company ranks first in the market share of ASEAN, and continuing to strive to the sales of existing motorcycle manufacturers and customers in the repair market, and aggressively develops and deploys emerging markets in Indonesia, Pakistan, and the Philippines to improve market share in Southeast Asia and South Asia.

(C) Automobile timing system business

The company keeps a good relationship with the automobile manufacturer in Mainland China which is also its primary client. The current market share ranks third.

(D) Garage door opener market

Because of long-term stable cooperation relationship with clients, the company ranks first in the transmission system parts market of garage door opener.

3. The supply and demand in the market and the future growth:

(A) Bicycle chain business:

In the advanced countries such as Europe and Japan, the bicycle has becoming the commute vehicle accepted by the public. Since the global awareness of environmental protection is rising and the urban air pollution is getting severe, all the countries have set reducing carbon emission as their primary goal. Driven by this trend, it will be beneficial to the sales of bicycles. Europe and North America are the primary consuming countries of high-end bicycles. The total market demand in Europe and North America is about 35 million units, accounting for about 28% of the entire market. Because of the emphasis on the differentiation of bicycles, the style, color design, function, and utilization are also significantly diversified.

(B) Motorcycle part business:

Due to COVID-19, statistics indicate that the global motorcycle market recorded sales of 56.5 million in 2020. However, with more and more countries easing their lockdown and other restrictions, people tend to buy their own vehicles. Thus, it makes the global motorcycle sales to show the signs of recovery. According to the statistics, in the next few years, the global motorcycle market will reach 60-70 million units, and the primary markets are still located within Asia. Most of the developing countries in this region still have problems of shortage of public transportation construction. In this case, most people still choose motorcycle for their travel and shipping purpose. Besides, the purchasing power of the youth in these developing countries is gradually rising, and the entire market demand will keep growing steadily.

(C) Automobile timing system

Market research organization estimates that the global car ownership may reach 1 billion, the huge car ownership will also bring the huge repair market opportunities, and it can be a long-term business item for parts suppliers. The market survey institute also states that the new car market will keep growing in the next few years, but because of the policy promotion for the new energy cars by each country, it is estimated that by 2030, 55% of new cars will be electric cars, this will drive the car part manufacturers to more actively develop electric-vehicle related parts.

(D) Garage door opener

According to statistics, the market size of global garage door opener is about USD1.196 billion in 2020, and it is estimated to reach USD1.331 billion by 2027, with a compound annual growth rate of 1.8%.

4. Competitive edge:

(A) Own the core technology:

The bicycle chains, as well as other types of vehicle transmission chains and sprockets sold by the company, is one of the world's leading brands. In the markets of each country, it has a very high brand reputation and has been adopted by significant bicycle manufacturers and automakers and motorcycle makers on the globe. The quality of products has won the recognition of clients and consumers. The performance indicators in many production chain products of the company are the benchmark of the same products in the industry. This is mainly because KMC has many unique vital technologies. For example, KMC owns a leading lightweight technology in the chain, and the critical technologies are the combined use of "new materials," "high-precision stamping mold" and "special heat treatment technologies." Through the selection of product materials, with unique structural design and particular heat treatment technology, the KMC chain can still maintain high strength, high rigidity, high safety and long useful life while significantly reducing weight. Since KMC chain provides higher drivetrain efficiency and optimal power transfer, it enables riders to display their explosive power when lightning speeding up. Thus, KMC chain is very popular with bicycle riders.

(B) Manufacturing advantages:

The KMC Group has ten production bases in the world and can support each other and provide clients with real-time service without a time difference.

(C) Product advantages:

Backed by core technology and manufacturing technology, the double-X bridge chamfering could be compatible with most drivechain systems. Moreover, the internal double X bridge could increase spacing between chain plates, providing smoother chain-teeth interaction and better shifting performance. Therefore, the patented KMC chain with precise shifting performance has become our critical know-how and also one of our core competitiveness. In addition, KMC combines the industrial design with computer-aided engineering and also utilizes the lightweight structure design of chain pieces and coating technology, making KMC chain shows new technological elements of strength and beauty. With a focus on product innovation, KMC emphasizes aesthetics to complement product value. Both the Titanium Gold and the color of national flag provide unique implementation of aesthetics and personal style. Therefore, KMC has won sixteen iF Design Awards in twelve consecutive years, five Red Dot Design Awards in three years.

(D) Channel advantage:

In addition to local production plants, the KMC Group has seven service locations in various regions of the world. Through these factories and service sites, they can provide support services to each other and build up the distribution service network downward. Therefore, KMC can provide zero time difference and zero gap instant service. Currently, KMC's products are sold in 13 languages in more than 150 countries around the world.

5. Favorable and unfavorable factors of further development and the response to each issue:

The favorable factors:

(A) In order to restrain further spread of Covid-19, governments are now recommending walking or riding bicycles to work so as to avoid taking public transportation to adhere to social distancing rules. Besides, some governments in Europe are offering subsidies for buying new bicycles or for people getting their bicycles repaired. This will lead to more use of bikes.

As a short-distance vehicle, bicycles bring a lot of economic, environmental and health-related benefits, such as reducing traffic congestion and pollution, relying less on fuel, increasing new job opportunities and better public hygiene. The governments of various countries have also gradually promulgated regulations to promote the transition to the bicycle riding culture for the different groups who will become bicycle users, and shape the next generation to become bicycle generations.

(B) Major global motorcycle markets are located in developing countries such as Asia, Latin America, and Africa. The potential markets of these developing countries are significant, and it is favorable for the marketing of motorcycle transmission products. Compared with developed countries, developing countries generally have the problem of shortage of public transportation construction. Most of them choose to use the motorcycle as their primary means of transportation to provide travel and shipment functions. Therefore, the purchasing power of these emerging countries will gradually increase, and the motorcycle chain and sprocket market will keep growing.

- (C) There is still room for growth in the global automobile market in emerging countries, and the substantial business opportunities in the repair market are even higher.
- (D) The garage door opener combined with various intelligent software is expected to create new demands in the home market.

Unfavorable factors:

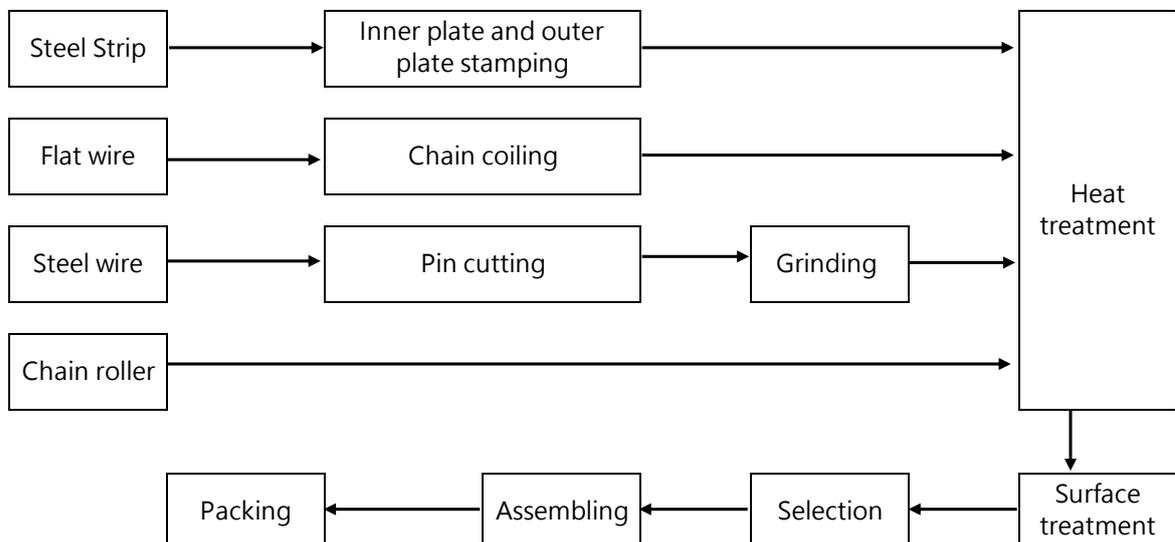
- (A) The global economic outlook fluctuates and affects the demand of the entire consumer market.
- (B) Unfriendly competition within industry, such as counterfeiting, price destruction and other factors which causing difficulties in our marketing.
- (C) Trade protection measures started by each country.

Countermeasures:

- A. Self-operate our channels in developed countries and regions and coordinate our sales promotional activities with subsidies provided by government.
- B. Through our strong “supply-chain relationship” and “strategic customer partnership,” we will continue to deepen both ends of the value chain to increase the influence and synergies of this value chain.
- C. Introduce dedicated chains for higher performance and expand market share with differentiated strategies.
- D. Launched “high-quality but fair price” entry-level products to expand the market share of repairs in emerging countries including mainland China.
- E. Utilize the group's factories deployment sale locations to provide local services.
- F. Enhance the alertness of distributors and customers through rigorous staff training. Also, use different packaging and label design to enable our customers to distinguish between genuine and counterfeit products.

(2) Purposes of the major products and the production process

- A. The purpose of our major products is to provide the components of transmission system for Bicycle, Motorcycle, Automobile and Garage Door Opener.
- B. The production process:



(3) The supply of key materials:

Key Materials	Supply situation
Steel strip Flat wire Steel wire Chain roller	Good

(4) If any customer in any of the previous two years with purchase (sales) amount exceeding 10% of the total purchase (sales), the name, amount and proportion to total purchase (sales) shall be specified, so shall the reasons for any change if applicable:

A. Main Vendors

item	2019				2020				1Q21			
	Vendor	Amount	Percentage of total net purchases	Relationship	Vendor	Amount	Percentage of total net purchases	Relationship	Vendor	Amount	Percentage of total net purchases	Relationship
1	ANSTEEL	337,780	16.2%	none	ANSTEEL	421,947	18.7%	none	ANSTEEL	135,056	18.2%	none
2	Others	1,747,422	83.8%		Others	1,834,268	81.3%		Others	605,084	81.8%	
	Total Net Purchase	2,085,202	100.0%		Total Net Purchase	2,256,215	100.0%		Total Net Purchase	740,140	100.0%	

B. Main customers

Item	2019				2020				1Q21			
	Customer	Amount	Percentage of total net sales	Relationship	Customer	Amount	Percentage of total net sales	Relationship	Customer	Amount	Percentage of total net sales	Relationship
1	Note				Note				Note			
2	Others	5,239,635	100%		Others	6,130,483	100%		Others	1,806,331	100%	
	Total Net Sales	5,239,635	100%		Total Net Sales	6,130,483	100%		Total Net Sales	1,806,331	100%	

Note: No customers with sales amount exceeding 10% of total net sales.

(5) Production value and volume in the last 2 years:

Unit : NT\$ thousands

Capacity Main products	Year	2019			2020		
		Capacity	Output	Amount	Capacity	Output	Amount
Transmission components		N/A	N/A	3,096,355	N/A	N/A	3,311,001

(6) Sales value and volume in the last 2 years:

Unit : NT\$ thousands

Shipment & Net Revenue Main Products	Year	2019				2020			
		Domestic		Export		Domestic		Export	
		Shipment	Net Revenue						
Transmission components		N/A	676,897	N/A	4,562,738	N/A	951,728	N/A	5,178,755

3. In the last two years as of the date this report was printed, the number of employees, average working period, average age and education are shown in the table below

Year		2019	2019	Current year to March 31th
Number of employees	Direct Labor	1,020	1,077	1,101
	Indirect Labor	750	750	758
	Total	1,770	1,827	1,859
Average age		38.5	41.0	40.0
Average working period		6.2	6.0	7.0
Education	PhD	0.1%	0.1%	0.1%
	Masters	1.1%	1.0%	0.9%
	Bachelors	15.0%	15.4%	15.8%
	Senior high school	31.5%	31.0%	30.7%
	Below senior high school	52.3%	52.5%	52.5%

4. Information on the expenditures for environmental protection

The loss including compensation and total penalty because of the environmental pollution in recent years and as of the date that the annual report published. And explain the future countermeasures (including improvement measures) and possible expenditures (including the potential loss, the estimated amount of penalty, and compensation in the absence of response measures, if it cannot be reasonably determined, please state the fact that it cannot reasonably estimate):

There is no significant loss, compensation, or disposition due to environmental pollution.

5. Labor Relations

(1) Listed below are the employee welfare, education, training, retirement system and implementation of the company, as well as the status of the agreement between the company and various employee rights and maintenance:

A. Welfare

(A) Employee Stock Ownership Trust: According to the annual profit, the company additionally allocates a certain amount to purchase company's stocks, and allocate to employees according to their grades, seniority to retain talents and increase the employee's Centripetal force.

(B) Cash gift: Cash gift for Dragon Festival, Moon Festival, Chinese New Year, marriage, maternity allowance, hospitalization allowance and funeral subsidy.

(C) Insurance and Retirement: All employees of the company participate in labor insurance, national health insurance and employer's liability insurance, and contribute pension monthly based on the regulation.

(D) Medical insurance: Health examination.

(E) Other benefits: Perfecting promotion channels, distribute bonus according to the annual profit, and pay the bonus according to comprehensive considerations such as contribution, grade, and seniority.

B. Employee further study and training system:

(A) The company plans to hold internal and external training for employees' further study and training.

(B) The company has formulated employee training regulations, and plans relevant training courses according to the requirements of the functions and professions, to enhance employee knowledge, improve the overall quality of employees and business performance.

C. Retirement system and implementation situation:

For the employees who applied the old pension system, the company has formulated labor pension regulation according to the relevant regulations of Labor Standards Act. The company entrusts actuaries to make actuarial calculations, accrue labor pension provisions monthly and deposits the pension funds in a dedicated account in Bank of Taiwan. The calculation and payment methods are based on the provisions of the labor retirement scheme. The employees who applied to the new pension system, according to the provisions of the Labor Pension Act, the monthly pensions are 6% of the wages and deposit to the individual retirement accounts.

D. The agreement between the investor and the employee and the maintenance of employee rights and interests:

(A) The company pays much attention to the employees' opinions. We hold regular labor conference and also conduct employee satisfaction survey so as to maintain a good relationship.

(B) The company conducts regular workplace safety inspections, labor safety education training, employee health examination and weekly appointed doctors to our factories to provide health consultation and also provide our employees with a safe and healthy working environment. Fire drills are conducted at least once a year in each plant to ensure that employees can adequately respond to unforeseen disasters. The Group has set up security guards at the entrances of the various plants or has access control at each office area to control personnel access to ensure that employees have a safe working environment. The Group equipped various types of environmental protection facilities to the production line, including noise reduction facilities, heat recycling, etc.; besides, when operating

the transportation facilities and overhead cranes in a warehouse, employees are required to understand the safety regulations in advance and to follow the rules to maintain a safe working environment.

- (C) The company has formulated management regulations based on the various labor laws and regulations, and with reference to international human rights conventions to enable the employee to have an equal and fair working environment, and protect the working interests of employees. The company complies with the regulations of various labor laws and is committed to the improvement of employee benefits. If the employee has a complaint, he or she may appeal to the immediate supervisor or the HR supervisor. When the HR unit received the complaint, they should launch an investigation. The opinions of the employees can be given full attention. Also, the company supports gender equality and the concept of equal pay for equal work. We will work together with all sectors of the society to narrow the gap of payment between different genders.
- (2) The loss incurred by labor disputes in the most recent fiscal year and as of the date of this annual report and the potential expenditures as well as the countermeasures to be taken in the future:
None

6. Important Contracts

None

VI. Financial Information

1. Most Recent 5-Year Concise Financial Information
 - (1) Condensed Balance Sheet (Unconsolidated)-IFRS

Unit: NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information(Audited)					1Q21
		FY16	FY17	FY18	FY19	FY20	
Current Assets		973,573	982,705	1,084,001	869,835	861,033	N/A
Property, Plant and Equipment		76	36	13,050	10,640	8,041	
Other Assets		6,821,920	7,384,306	8,299,715	8,339,069	8,974,542	
Total Assets		7,795,569	8,367,047	9,396,766	9,219,544	9,843,616	
Current Liability	Before Distribution	3,068,999	1,856,572	2,323,411	2,856,249	1,710,440	
	After Distribution (note)	3,458,999	2,396,572	2,890,411	3,423,249	2,617,640	
Noncurrent Liabilities		501,550	1,721,959	2,002,505	1,085,066	1,730,407	
Total Liabilities	Before Distribution	3,570,549	3,578,531	4,325,916	3,941,315	3,440,847	
	After Distribution (note)	3,960,545	4,118,531	4,892,916	4,508,315	4,348,047	
Equity Attributable to Shareholders of the Parent		4,225,020	4,788,516	5,070,850	5,278,229	6,402,769	
Capital Stock		1,200,000	1,200,000	1,260,000	1,260,000	1,260,000	
Capital Surplus		1,541,021	1,541,021	1,541,021	1,541,021	1,633,538	
Retained Earnings	Before Distribution	1,846,880	2,495,645	2,840,982	3,288,101	4,225,696	
	After Distribution (note)	1,456,880	1,955,645	2,273,982	2,721,101	3,318,496	
Others		(362,881)	(448,150)	(571,153)	(810,893)	(716,465)	
Total Equity	Before Distribution	4,225,020	4,788,516	5,070,850	5,278,229	6,402,769	
	After Distribution (note)	3,835,020	4,248,516	4,503,850	4,711,229	5,495,569	

Note: The amount of after distribution has been approved by Board of Directors on March 15, 2021, but the proposal of earnings distribution of year 2020 had not yet been submitted to the Shareholders' Meeting.

(2) Condensed Balance Sheet (Consolidated)-IFRS

NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information(Audited)					1Q21 (Audited)
		FY16	FY17	FY18	FY19	FY20	
Current Assets		3,577,541	4,270,686	4,440,157	4,073,075	4,800,671	5,075,959
Property, Plant and Equipment		2,958,734	3,171,827	3,174,144	3,072,048	3,114,632	3,105,402
Intangible assets		842,580	1,365,648	1,371,323	1,613,065	1,563,190	1,555,368
Other Assets		1,186,005	1,263,411	1,200,290	1,202,984	1,181,788	1,154,316
Total Assets		8,564,860	10,071,572	10,185,914	9,961,172	10,660,281	10,887,745
Current Liability	Before Distribution	3,197,195	2,633,377	2,535,478	3,081,254	1,897,193	1,855,782
	After Distribution (note)	3,587,195	3,173,377	3,102,478	3,648,254	2,804,393	note
Noncurrent Liabilities		1,142,429	2,649,434	2,579,342	1,601,435	2,360,090	2,193,144
Total Liabilities	Before Distribution	4,339,624	5,282,811	5,114,820	4,682,689	4,257,283	4,052,226
	After Distribution (note)	4,729,624	5,822,811	5,681,820	5,249,689	5,164,483	note
Equity Attributable to Shareholders of the Parent		4,225,020	4,788,516	5,070,850	5,278,229	6,402,769	6,838,595
Capital Stock		1,200,000	1,200,000	1,260,000	1,260,000	1,260,000	1,260,000
Capital Surplus		1,541,021	1,541,021	1,541,021	1,541,021	1,633,538	1,633,538
Retained Earnings	Before Distribution	1,846,880	2,495,645	2,840,982	3,288,101	4,225,696	4,730,054
	After Distribution (note)	1,456,880	1,955,645	2,273,982	2,721,101	3,318,496	note
Others		(362,881)	(448,150)	(571,153)	(810,893)	(716,465)	(784,997)
Noncontrolling Interests		216	245	244	254	229	224
Total Equity	Before Distribution	4,225,236	4,788,761	5,071,094	5,278,483	6,402,998	6,838,819
	After Distribution (note)	3,835,236	4,248,761	4,504,094	4,711,483	5,495,798	note

Note: As of March 15th, 2021, the amount of after distribution has not presented due to the proposal of earnings distribution of year 2020 had not yet been submitted to the Shareholders' Meeting.

(3) Condensed Statement of Comprehensive Income (Unconsolidated)-IFRS

NT\$ thousand

Item	Most Recent 5-Year Financial Information(Audited)					1Q21
	FY16	FY17	FY18	FY19	FY20	
Net Revenue	1,618,026	1,806,320	2,054,112	2,185,137	2,462,114	N/A
Gross Profit	525,497	792,825	982,299	1,093,310	1,081,360	
Income from Operations	409,560	670,593	816,736	984,879	991,961	
Non-operating Income and Expenses	478,362	482,958	313,144	220,519	721,162	
Income before Income Tax	887,922	1,153,551	1,129,880	1,205,398	1,713,123	
Net Income	856,581	1,042,893	947,655	1,007,486	1,514,654	
Other Comprehensive Income for the Year, Net of Income Tax	(338,062)	(89,397)	(125,321)	(233,107)	84,369	
Total Comprehensive Income for the Year	518,519	953,496	822,334	774,379	1,599,023	
Basic Earnings Per Share (NT\$ Dollar)	7.14	8.28	7.52	8.00	12.02	

(4) Condensed Statement of Comprehensive Income (Consolidated)-IFRS

NT\$ thousand

Item	Year	Most Recent 5-Year Financial Information(Audited)					1Q21 (Audited)
		FY16	FY17	FY18	FY19	FY20	
Net Revenue		4,012,789	5,050,603	5,056,832	5,239,635	6,130,483	1,806,331
Gross Profit		1,792,093	2,122,446	2,138,990	2,143,280	2,819,482	855,437
Income from Operations		1,093,618	1,319,533	1,225,582	1,253,552	1,974,277	624,709
Non-operating Income and Expenses		(19,086)	(32,354)	33,035	39,400	5,128	21,332
Income before Income Tax		1,074,532	1,287,179	1,258,617	1,292,952	1,979,405	646,041
Net Income		856,621	1,042,941	947,666	1,007,490	1,514,646	504,359
Other Comprehensive Income for the Year, Net of Income Tax		(338,062)	(89,416)	(125,333)	(233,101)	84,352	(68,538)
Total Comprehensive Income for the Year		518,559	953,525	822,333	774,389	1,598,998	435,821
Net Income (Loss) Attributable to: Shareholders of the Parent		856,581	1,042,893	947,655	1,007,486	1,514,654	504,358
Net Income (Loss) Attributable to: Noncontrolling Interests		40	48	11	4	(8)	1
Total Comprehensive Income (Loss) Attributable to: Shareholders of the Parent		518,519	953,496	822,334	774,379	1,599,023	435,826
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests		40	29	(1)	10	(25)	(5)
Basic Earnings Per Share (NT\$ Dollar)		7.14	8.28	7.52	8.00	12.02	4.00

(5) Auditors' Opinions from 2016 to 2020

Year	CPA Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Liao, Hung Ju & Li, Chi-Chen	An Unmodified Opinion
2017	Deloitte & Touche	Liao, Hung Ju & Yang, Chao Chin	An Unmodified Opinion
2018	Deloitte & Touche	Liao, Hung Ju & Yang, Chao Chin	An Unmodified Opinion
2019	Deloitte & Touche	Yang, Chao-Chin & Liu, Yu-Xiang	An Unmodified Opinion
2020	Deloitte & Touche	Yang, Chao-Chin & Li, Chi-Chen	An Unmodified Opinion

2. Most Recent 5-Year Financial Analysis

(1) Financial Analysis from 2016 to 2020 (Unconsolidated)–IFRS

Item		Year	Most Recent 5-Year Financial Analysis					1Q21
		FY16	FY17	FY18	FY19	FY20		
Financial structure (%)	Liabilities to assets ratio	45.8	42.8	46	42.8	35.0	N/A	
	Long-term capital to real estate, plants, and equipment ratio	6,219,171.1	18,084,652.8	54,202.0	59,805.4	101,146.3		
Ability to repay debts (%)	Current ratio	31.7	52.9	46.7	30.5	50.3		
	Quick ratio	31.6	52.9	46.3	30.2	49.4		
	Times interest earned (times)	3,668.0	3,309.9	3,036.2	3,540.8	6,326.1		
Utility	Receivables turnover	7.2	6.4	6.3	6.2	6.7		
	Average days for cash receipt	51.0	57.2	58.0	59.4	54.4		
	Inventory turnover	160.6	577.7	225.6	126.5	118.2		
	Payables turnover	4.1	3.1	2.9	2.6	2.7		
	Average days of sales	2.3	0.6	1.6	2.9	3.1		
	Real estate, plants, and equipment turnover	4,978.5	32,255.7	313.9	184.5	263.6		
	Total assets turnover	0.2	0.2	0.2	0.2	0.3		
Profitability(%)	ROA	13.2	13.3	11.0	11.1	16.1		
	ROE	20.8	23.1	19.2	19.5	25.9		
	Pre-tax Income to Paid-in Capital Ratio (%)	74.0	96.1	89.7	95.7	136.0		
	Net margin	52.9	57.7	46.1	46.1	61.5		
	EPS(NT\$ Dollar)	7.14	8.69	7.64	8.00	12.02		
Cash flow	Cash flow ratio	15.9	32.9	31.7	28.7	63.1		
	Net cash flow adequacy ratio	15.5	163.5	144.0	142.7	156.8		
	Cash reinvestment ratio	4.0	3.4	2.8	4.0	6.3		
Leverage	Operation leverage	1.4	2.7	2.5	2.2	1.0		
	Financial leverage	1.1	1.1	1.0	1.0	1.0		

Note 1: The financial information audited by the independent auditors.

Note 2: The explanations for the change in the various financial ratios of 2020

- (1) Long-term capital to real estate, plants, and equipment ratio: KMC issued the convertible corporate bond in 2020 which resulted in the increase of the long-term capital. In this case, the ratio was higher than 2019.
- (2) Current ratio and Quick ratio: In 2020, KMC issued the convertible corporate bond and the raised fund was used to repay bank loans. Therefore, we replace the short-term liabilities with long-term stable

capital which in turn enhanced our current ratio and quick ratio.

- (3) Times Interest Earned: Demand for bicycles had increased sharply in 2020 so as to let our pre-tax income increase. Also, KMC issued the convertible corporate bond in 2020 and the raised fund was used to repay bank loans. Hence, our interest expense decreased and times interest earned increase.
- (4) Real estate, plants, and equipment turnover (times): The sales revenue of 2020 increased which resulted in the increase of real estate, plants, and equipment turnover.
- (5) ROA, ROE, Pre-tax income to paid-in capital ratio, Net margin, EPS: The demand for bicycles had increased sharply and the utilization rate also increased which in turn enhanced our profitability.
- (6) Cash flow ratio and cash reinvestment ratio: The Company's operating performance has increased year by year, and the cash inflow has also increased from the previous year. Therefore, our cash flow ratio and cash reinvestment ratio were higher than 2019.

The equations for the calculation of the above financial ratios (under IFRS) are shown below:

- (1) Financial structure
 - (A) Liabilities to assets ratio = $\text{total liabilities} / \text{total assets}$
 - (B) Long-term capital to real estate, plants, and equipment ratio = $(\text{total equity} + \text{non-current liabilities}) / \text{net value of real estate, plants, and equipment}$
- (2) Ability to repay debts
 - (A) Current ratio = $\text{current assets} / \text{current liabilities}$
 - (B) Quick ratio = $(\text{current assets} - \text{inventory} - \text{prepayments}) / \text{current liabilities}$
 - (C) Times interest earned(times) = $\text{EBIT} / \text{interest expenses in current period}$
- (3) Utility
 - (A) Receivables (including account receivables and note receivables deriving from business operation) turnover = $\text{net sales} / \text{the average receivable balance in each period (including account receivables and note receivables deriving from business operation)}$
 - (B) Average days for cash receipt = $365 \text{ days} / \text{receivable turnover rate}$
 - (C) Inventory turnover = $\text{cost of goods sold} / \text{average inventory}$

 - (D) Payables (including account payables and note payables deriving from business operations) turnover = $\text{cost of goods sold} / \text{average payable balance in each period (including account payables and note payables deriving from business operation)}$.
 - (E) Average days of sales = $365 \text{ days} / \text{inventory turnover rate}$.
 - (F) Real estate, plants, and equipment turnover = $\text{net sales} / \text{net value of real estate, plants, and equipment}$.
 - (G) Total assets turnover = $\text{net sales} / \text{average total assets}$.
- (4) Profitability
 - (A) ROA = $[\text{Corporate earnings} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$
 - (B) ROE = $\text{Corporate earnings} / \text{average total equity}$
 - (C) Pre-tax Income to Paid-in Capital Ratio = $\text{Income before Tax} / \text{Paid-in Capital}$
 - (D) Net margin = $\text{Corporate earnings} / \text{net sales}$
 - (E) EPS = $(\text{Earnings attributable to the owners of parent} - \text{preferred stock dividend}) / \text{weighted average quantity of outstanding shares}$
- (5) Cash flow
 - (A) Cash flow ratio = $\text{net cash flow from operation} / \text{current liabilities}$
 - (B) Net cash flow adequacy ratio = $\text{net cash flow from operation in the last 5 years} / (\text{capital expenditure} + \text{increase in inventory} + \text{cash dividend}) \text{ in the last 5 years}$
 - (C) Cash reinvestment ratio = $(\text{net cash flow from operation} - \text{cash dividend}) / \text{gross real estate, plants, and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{working capital}$
- (6) Leverage:
 - (A) Operation leverage = $(\text{net sales} - \text{cost of goods sold and expenses}) / \text{operating income}$
 - (B) Financial leverage = $\text{operating income} / (\text{operation income} - \text{interest expenses})$

(2) Financial Analysis from 2016 to 2020 (Consolidated)

financial ratios		Year	Financial information (note1)					Current year to March 31th
		2016	2017	2018	2019	2020		
Financial structure (%)	Liabilities to assets ratio	50.7	52.5	50.2	47.0	39.9	37.2	
	Long-term capital to real estate, plants, and equipment ratio	181.4	234.5	241.0	224.0	281.4	290.8	
Ability to repay debts (%)	Current ratio	111.9	162.2	175.1	132.2	253.0	273.5	
	Quick ratio	87.9	119.0	125.6	94.4	191.4	201.4	
	Times interest earned(times)	2,729.9	3,929.8	3,317.5	3757.2	7,144.9	13,927.9	
Utility	Receivables turnover	6.1	5.6	5.2	4.9	5.0	5.3	
	Average days for cash receipt	59.9	65.0	69.7	74.0	73.2	68.5	
	Inventory turnover	3.7	3.7	2.9	2.9	3.6	4.1	
	Payables turnover	9.6	10.1	8.5	8.8	8.1	7.9	
	Average days of sales	97.9	98.1	128.1	124.6	100.8	89.2	
	Real estate, plants, and equipment turnover	1.4	1.6	1.6	1.7	2.0	2.3	
	Total assets turnover	0.5	0.5	0.5	0.5	0.6	0.7	
Profitability	ROA	11.5	11.5	9.7	10.3	14.9	4.7	
	ROE	20.8	23.1	19.2	19.5	25.9	7.6	
	Pre-tax Income to Paid-in Capital Ratio (%)	89.5	107.3	99.9	102.6	157.1	51.3	
	Net margin	21.3	20.6	18.7	19.2	24.7	27.9	
	EPS(NT\$ Dollar)	7.14	8.69	7.52	8.00	12.02	4.00	
Cash flow	Cash flow ratio	34.1	37.5	46.5	47.6	105.5	107.8	
	Cash flow adequacy ratio	45.0	55.4	56.2	65.2	88.2	88.2	
	Cash reinvestment ratio	16.5	9.6	9.4	15.8	18.3	17.5	
Leverage	Operation leverage	2.4	2.3	2.3	2.2	1.8	1.7	
	Financial leverage	1.0	1.0	1.0	1.0	1.0	1.0	

Note 1: The financial information audited by the independent auditors.

Note 2: The explanations for the change in the various financial ratios of 2020

- (1) Long-term capital to real estate, plants, and equipment ratio: KMC issued the convertible corporate bond in 2020 which resulted in the increase of the long-term capital. In this case, the ratio was higher than 2019.
- (2) Current ratio and Quick ratio: In 2020, KMC issued the convertible corporate bond and the raised fund was used to repay bank loans. Therefore, we replace the short-term liabilities with long-term stable capital which in turn enhanced our current ratio and quick ratio.
- (3) Times Interest Earned: Demand for bicycles had increased sharply in 2020 so as to let our pre-tax income increase. Also, KMC issued the convertible corporate bond in 2020 and the raised fund was used to repay bank loans. Hence, our interest expense decreased and times interest earned increase.
- (4) Inventory turnover: Demand from market had increased sharply in 2020 so as to let our inventory destock quickly.
- (5) ROA, ROE, Pre-tax income to paid-in capital ratio, Net margin, EPS: The demand for bicycles had increased sharply and the utilization rate also increased which in turn enhanced our profitability.

- (6) Cash flow ratio and Net cash flow adequacy ratio: The Company's operating performance has increased year by year, and the cash inflow has also increased from the previous year. Therefore, our cash flow ratio and cash flow adequacy ratio were higher than 2019.
- (7) Operation leverage: The Company continued to optimize its product mix and also increased its utilization rate which in turn enhanced its operating profit. Therefore, the operation leverage was lower than 2019.

The equations for the calculation of the above financial ratios (under IFRS) are shown below:

- (1) Financial structure
- (A) Liabilities to assets ratio = total liabilities/total assets
- (B) Long-term capital to real estate, plants, and equipment ratio = (total equity + non-current liabilities)/net value of real estate, plants, and equipment
- (2) Ability to repay debts
- (A) Current ratio = current assets/ current liabilities
- (B) Quick ratio = (current assets – inventory – prepayments) / current liabilities
- (C) Times interest earned(times) = EBIT/interest expenses in current period
- (3) Utility
- (A) Receivables (including account receivables and note receivables deriving from business operation) turnover = net sales/the average receivable balance in each period (including account receivables and note receivables deriving from business operation)
- (B) Average days for cash receipt = 365 days/receivable turnover rate
- (C) Inventory turnover = cost of goods sold / average inventory
- (D) Payables (including account payables and note payables deriving from business operations) turnover = cost of goods sold/ average payable balance in each period (including account payables and note payables deriving from business operation).
- (E) Average days of sales = 365 days/ inventory turnover rate.
- (F) Real estate, plants, and equipment turnover = net sales/net value of real estate, plants, and equipment.
- (G) Total assets turnover = net sales/ average total assets.
- (4) Profitability
- (A) ROA = [Corporate earnings + interest expense x (1- tax rate)] / average total assets
- (B) ROE = Corporate earnings /average total equity
- (C) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
- (D) Net margin = Corporate earnings / net sales
- (E) EPS = (Earnings attributable to the owners of parent – preferred stock dividend)/ weighted average quantity of outstanding shares
- (5) Cash flow
- (A) Cash flow ratio = net cash flow from operation / current liabilities
- (B) Net cash flow adequacy ratio = net cash flow from operation in the last 5 years/ (capital expenditure + increase in inventory + cash dividend) in the last 5 years
- (C) Cash reinvestment ratio = (net cash flow from operation – cash dividend) /gross real estate, plants, and equipment + long-term investment + other non-current assets + working capital)
- (6) Leverage:
- (A) Operation leverage = (net sales – cost of goods sold and expenses) /operating income
- (B) Financial leverage = operating income / (operation income – interest expenses)

3. Audit Committee's Review Report
Please refer to Attachment section (II), Audit Committee's Review Report
4. Consolidated Financial Statements and Independent Auditors' Report
Please refer to Attachment section (III), Consolidated Financial Statements and Independent Auditors' Report
5. Unconsolidated Financial Statements and Independent Auditors' Report
None
6. The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2020 and as of the date of this Annual Report.
None.

VII. Financial Position, Financial Operation in Review, and Risk Assessment

1. Financial Status

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current Assets	4,800,671	4,073,075	727,596	17.9%
Property, Plant and Equipment	3,114,632	3,072,048	42,584	1.4%
Goodwill	1,340,187	1,339,550	637	0.0%
Total Assets	10,660,281	9,961,172	699,109	7.0%
Current Liabilities	1,897,193	3,081,254	(1,184,061)	-38.4%
Non-current Liabilities	2,360,090	1,601,435	758,655	47.4%
Total Liabilities	4,257,283	4,682,689	(425,406)	-9.1%
Share Capital	1,260,000	1,260,000	0	0.0%
Retained Earnings	4,225,696	3,288,101	937,595	28.5%
Total Equity	6,402,998	5,278,483	1,124,515	21.3%

Analysis of deviation over 20% and the indicated amount exceeds NTD 10 million :

- (1) Current liabilities and Non-current liabilities: In 2020, KMC issued the convertible corporate bond and the raised fund was used to repay bank loans. Therefore, we replace the short-term liabilities with long-term stable capital which in turn decreased our current liabilities and increased our non-current liabilities.
- (2) Retained earnings and total equity: The Company's operating performance has increased year by year which resulted in the increase of retained earnings. In this case, the company was required to set aside legal capital reserve and additional special reserve pursuant to existing regulations. Therefore, our total equity was also higher than 2019.

2. Financial Performance

Unit: NT\$ thousand

Item	Year	2020	2019	Difference	%
	Net Revenue		6,130,483	5,239,635	890,848
Cost of good sold		3,311,001	3,096,355	214,646	6.9%
Gross profit		2,819,482	2,143,280	676,202	31.5%
Operating Expenses		839,859	883,829	(43,970)	-5.0%
Income from Operations		1,974,277	1,253,552	720,725	57.5%
Non-operating Income and Expenses		5,128	39,400	(34,272)	-87.0%
Income before Income Tax		1,979,405	1,292,952	686,453	53.1%
Income Tax Expenses		464,759	285,462	179,297	62.8%
Net Income		1,514,646	1,007,490	507,156	50.3%
Analysis of deviation over 20% and the indicated amount exceeds NTD 10 million :					
(1) Gross profit, Income from operations, Income before income tax, Net income: The Company continued to optimize its product mix and also increased its utilization rate which in turn enhanced its profitability.					
(2) Non-operating income and expenses: The main reason is the difference in exchange gains and losses arising from exchange rate fluctuations in the two years.					
(3) Income tax expenses: Demand from markets had increased sharply in 2020 so as to let our pre-tax income increase.					

A. Sales Volume Forecast and Related Information:

The main business of KMC doesn't have any significant change and the market is also mature and tends to grow steadily. Therefore, it is expected that the sales revenue and the revenue growth rate will rise steadily.

B. Possible impact to the company's financials and operations as well as related response plans:

The above deviations had no major impact on KMC's financial performance and it is expected that the operation of KMC will remain stable. Hence, there is no significant uncertainties of KMC's financials and operations in the future.

3. Cash Flow

(1) Analysis of Cash Flow

Unit: NT\$ thousand

Cash Balance 12/31/2019	Net Cash Provided by Operating Activities in 2020	Net Cash Used in Investing and Financing Activities in 2020	Effect of Exchange Rate Changes on Cash and Cash Equivalents in 2020	Cash Balance 12/31/2020	Remedy for Liquidity Shortfall	
					Investment Plan	Financing Plan
1,765,933	2,001,139	1,797,377	21,697	1,991,392	-	-

1. Operating activities: Net cash inflows NT\$ 2,001,139 thousand, mainly because net cash inflows from operation and the collection of account receivables is going without a hitch.
2. Investing activities: Net cash outflows NT\$ 504,310 thousand, and it is primary for time deposit and capital expenditures.
3. Financing activities: Net cash outflows NT\$ 1,293,067 thousand, and it is primary for cash dividend payment and repayment of bank loans.
4. The supplementary countermeasures of cash shortage: N/A.

(2) Cash flow analysis for the past two fiscal years and the corrective measure to be taken in response to illiquidity:

Item \ Year	2020	2019	Difference (%)
Cash flow ratio (%)	105.5	47.6	121.7%
Cash Flow Adequacy Ratio (%)	88.2	65.2	35.3%
Cash reinvestment ratio (%)	18.3	15.8	15.4%

A. Analysis of change in variance: The Company's operating performance has increased year by year which resulted in net cash inflow from operating activities. Therefore, our cash flow ratio and cash flow adequacy ratio were higher than 2019.

B. The corrective measure to be taken in response to illiquidity: Not applicable.

(3) Cash Flow Projection for Next Year:

Unit: NT\$ thousand

Cash Balance 12/31/2020	Net Cash Provided by Operating Activities in 2021	Net Cash Used in Investing and Financing Activities in 2021	Cash Balance 12/31/2021	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,991,392	2,000,000	1,800,000	2,191,392	N/A	N/A-

A. Estimated cash balance for the coming year: NT\$ 2,191,392 thousand

B. Estimated remedy for cash deficit and liquidity analysis: N/A.

4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year:

The company didn't have major capital expenditures during the most recent fiscal year.

5. Long-term Investment Policy and Results

(1) Investment policy in the last fiscal year, the main reason for profits or losses, the improvement plan

NT\$ thousand

Subsidiaries	Net Income(loss) of Subsidiaries	Investment Policy	main reason for profits or losses	Improvement plan
KMC CHAIN INDUSTRIAL CO.,LTD	755,466	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
PRO (TAIWAN) PROCUREMENT CO., LTD	1,005	Selling various bicycle components	Operation of bicycle component grew steadily	N/A
K.M.C. Automobile Transmission Co., Ltd	6,067	Manufacturing and selling various chains and components of vehicle.	Operation of vehicle component grew steadily	N/A
KMC Industries (Vietnam) Co., Ltd	(2,386)	Selling various chains and components	The indicated amount is not significant, so detailed analysis is not required.	N/A
KMC(BVI) Holding Co., Ltd.	43,917	Investing activities	The subsidiaries make profits.	N/A
KMC Chain (Vietnam) Co., Ltd.	43,917	Manufacturing and selling various chains and components of motorcycle.	Operation of motorcycle component grew steadily	N/A
KMC CHAIN EUROPE N.V.	75,895	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
KMC CHAIN AMERICAN CORPORATION	36,476	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
PT. Kuei Meng Chain Indonesia	(811)	Selling various motorcycle chains and components	The indicated amount is not significant, so detailed analysis is not required.	N/A
KMC Investment (China) Co., Ltd	470,009	Investing activities	The subsidiaries make profits.	N/A
KMC Transmission (Tianjin) Co., Ltd	54,999	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
KMC Chain (Shenzhen) Co., Ltd.	96,428	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
KMC Chain (Suzhou) Co., Ltd.	53,827	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
Maya Chain Co., Ltd.	20,091	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A

Subsidiaries	Net Income(loss) of Subsidiaries	Investment Policy	main reason for profits or losses	Improvement plan
KMC Automotive Transmission Co., Ltd.	12,826	Manufacturing and selling various chains and components of vehicle.	Operation of vehicle component grew steadily	N/A
KMC Transton Company Limited.	11,404	Manufacturing and selling various chains and components of garage door opener.	Operation of door opener component grew steadily	N/A
Shenzhen Kmc Industrial Co., Ltd.	(173)	Manufacturing, selling various chains and components of door opener.	The indicated amount is not significant, so detailed analysis is not required.	N/A
Taichang Tec Industry and Trade Co., Ltd.	19,670	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
Suzhou Kmc Industry and Trade Co., Ltd.	288,574	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
Suzhou Maya Trading Co., Ltd.	13,176	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
KMC International Trading (Taicang) Co., Ltd.	(68)	Selling various chains and components	The indicated amount is not significant, so detailed analysis is not required.	N/A

(2) Investment plan for next year

The company will follow the Group's development strategy and market conditions to determine the investment plan. At the same time, the management has established a future development strategy. Base on the current technology and products, the Company will continue to expand the components of the motorcycle transmission, automotive transmission and garage door opener. Besides, the Company will also continue to deepen its cultivation in the bicycle industry and expand its business scope.

6. Risk analysis and assessment

- (1) The effect of fluctuation of interest rate and exchange rate and inflation on the income status of the Company, and the responses:

Unit: NT\$ in thousand

	2019		2020	
	Amount	Percentage for Net profit before tax	Amount	Percentage for Net profit before tax
Interest expense	35,354	2.7%	28,097	1.4%
Exchange gain (loss)	(4,820)	-0.4%	(50,133)	-2.5%

1. Interest rate fluctuation:

- (1) The effect to the company's profit and loss: Because of the operation expansion and increase in capital expenditure, the interest expense account to 1.4% of income before tax in 2020.
- (2) The countermeasure in the future: If there is an increase in interest expenses due to the requirement of bank loans for business in the future, the effect of interest rate changes on the company's profit and loss will increase. The company will also pay attention to changes in interest rates and take necessary measures to reduce the impact of interest rates on the company's profit or loss.

2. Exchange rate fluctuation:

- (1) The impact on the company's profit and loss: The principle of the company's foreign currency exchange is the natural hedge. The exchange loss in the year 2020 is because of the fluctuations in foreign currency assets held.
- (2) Future countermeasures: Collect exchange rate changes information at any time and keep a close connection with financial institutions to understand the movement of the exchange rate and take appropriate hedging measures. Also, KMC uses foreign currency derivative contracts for hedging, such as currency forwards or export loans, to protect against currency exchange rate risks associated with certain forecasted transactions.

3. Inflation:

- (1) The impact on the company's profit and loss: As of the date of the annual report published, there no significant effect on the company's profit and loss because of the inflation.
- (2) Future countermeasures: The company pays close attention to changes in the relevant economic environment and changes in market conditions in order to avoid the adverse impact of inflation on the company's profit or loss.

- (2) The policy of engagements in high risk and high leverage investment, financing a third party, endorsement and guarantee in favor of a third party, and derivative trade, the main reason for profits or losses, and the responses in the future:
- A. The company did not engage in transactions such as high-risk and highly leveraged investments in the most recent year; besides, the fund loan to others and endorsement guarantees were based on the company's and subsidiary's internal control policy and relevant regulations.
- B. The currency forwards transactions engaged in by KMC are mainly for hedging purposes so as to protect against currency exchange rate risks associated with operations and fund management. All derivative financial transactions entered in 2020 by KMC were strictly for hedging and not for speculative purposes. Also, the currency possessed should be in line with the actual foreign currency demand for import and export transactions. Moreover, all the derivative transactions should follow the company's regulations stated in the "Operating Procedures of Acquisition or Disposal of Asset". The relative calculations of the fair value are provided based on the assessment done by the banks.

- (3) R&D plan in the future and estimated expenses of R&D:
Having set itself the goal of becoming “The Most Valuable Chain Brand”, KMC consistently invests in product design and innovation to provide its corporate customers and end users with bicycle chain products of the finest quality and best compatibility with conventional transmission systems.

As more transmission system manufacturers launch new products, the demand of the 12-speed advanced bicycle is getting more popular, KMC has plans to develop a series of 12-speed advanced bicycles to comply with the market trend. Europe and the U.S. are the most important bicycle chain repair markets where KMC has been deeply cultivated for a long time, with its own strong branding, KMC, its products can be seen and sold in more than 130 countries. Over the past 3 years, KMC’s annual growth rates were maintained at more than 15% from the repair service where most of well-known brands get high margin from. KMC will continue to cultivate in the repair market, expect to achieve another success in brand influence and sales channels, as well as bring in new opportunities.

KMC also helps bicycle brand owners to improve the stability when riding the traditional bicycles. Moreover, KMC has exclusive “Chain Mate” design which provides higher drivetrain efficiency and optimal power transfer via maximized component pairing. That is, on top of the chain, KMC also offered the total E-bike solution which includes E-bike specific chain, sprocket, and also chainring. Made of High Tensile Steel, the Chainring structure enhances retention with an optimized tooth design to hold the rollers in place which significantly preventing chain drop.

The R&D expenses are expected to be at least 1% of the consolidated revenue in the future.

- (4) The effect of national and international changes in vital policies and legal environment on the financial and business operation of the Company, and the responses to such changes:
The company complies with national policies and decrees, and financial and legal units can adequately follow the significant policy and legal changes, and make the adjustment in the company’s internal systems and business activities to ensure that the company operates smoothly.
- (5) The effect of technological and industrial change on the financial position and operation of the Company, and the responses to the change:
The company pays attention to the evolution of the technology of the transmission industry at any time and proceeds to assess and R&D to meet the market trend. No significant technological change leads to a substantial impact on the company's financial business in the recent year.
- (6) The effect of corporate image on crisis management and the responses to the crisis:
The company always pays attention to corporate image and actively participates in public charity activities to meet its responsibilities as a member of the society.
- (7) Expected result and possible risks deriving from mergers and acquisitions, and the responses:
None.
- (8) Expected result and possible risks deriving from plant expansion, and the responses:
None

(9) The risk deriving from concentration of purchase or sales, and the responses:

A. Main Vendors

Unit: NT\$ in thousand

item	2019				2020			
	Vendor	Amount	Percentage of total net purchases	Relationship	Vendor	Amount	Percentage of total net purchases	Relationship
1	ANSTEEL	337,780	16.2%	None	ANSTEEL	421,947	18.7%	None
2	Others	1,747,422	83.8%		Others	1,834,268	81.3%	
	Total net purchase	2,085,202	100.0%		Total net purchase	2,256,215	100.0%	

Note: In 2020, due to the expansion of operations and the rise in steel prices, the purchase of ANSTEEL reached 18.7%. The company also embarked on the development of other raw material suppliers to reduce the risk of concentration of vendors.

B. Main customers

Unit: NT\$ in thousand

Item	2019				2020			
	Customer	Amount	Percentage of total net sales	Relationship	Customer	Amount	Percentage of total net sales	Relationship
1	Note				Note			
2	Others	5,239,635	100%		Others	6,130,483	100%	
	Total net sales	5,239,635	100%		Total net sales	6,130,483	100%	

Note: No customers with sales amount exceeding 10% of total net sales.

- (10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: In 2020 and as of the date of publication of the annual report, there was no major quantity of shares being transferred or changed hands.
- (11) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: There was no any change in governance personnel or top management in 2020 and as of the date of publication of the annual report
- (12) Major law suits, non-contentious matters, or administrative actions involving the directors, supervisors, general manager, owners, shareholders that hold more than 10% of the equity shares, with sentence or pending on court decision, the result of which may significantly affect the shareholders' equity or stock price of the Company, the action taken in response to the aforementioned disputes, the target amount involved, the date on which the law suit started, the parties concerned, and the status as of the day this report was printed:
None

(13) Other Material Risks

Information security risk assessment and analysis:

In order to implement information security management and regulations, the company has not only stipulated internal control regulations for computer and information operations but also formed the Information Integration Department to reinforce the company's maintenance and management concerning information security. Moreover, we regularly strengthen our employees' information security awareness to minimize the risk and impact of information security-related problems. The following measures have been implemented with an emphasis on the risk assessment of information system-related disasters:

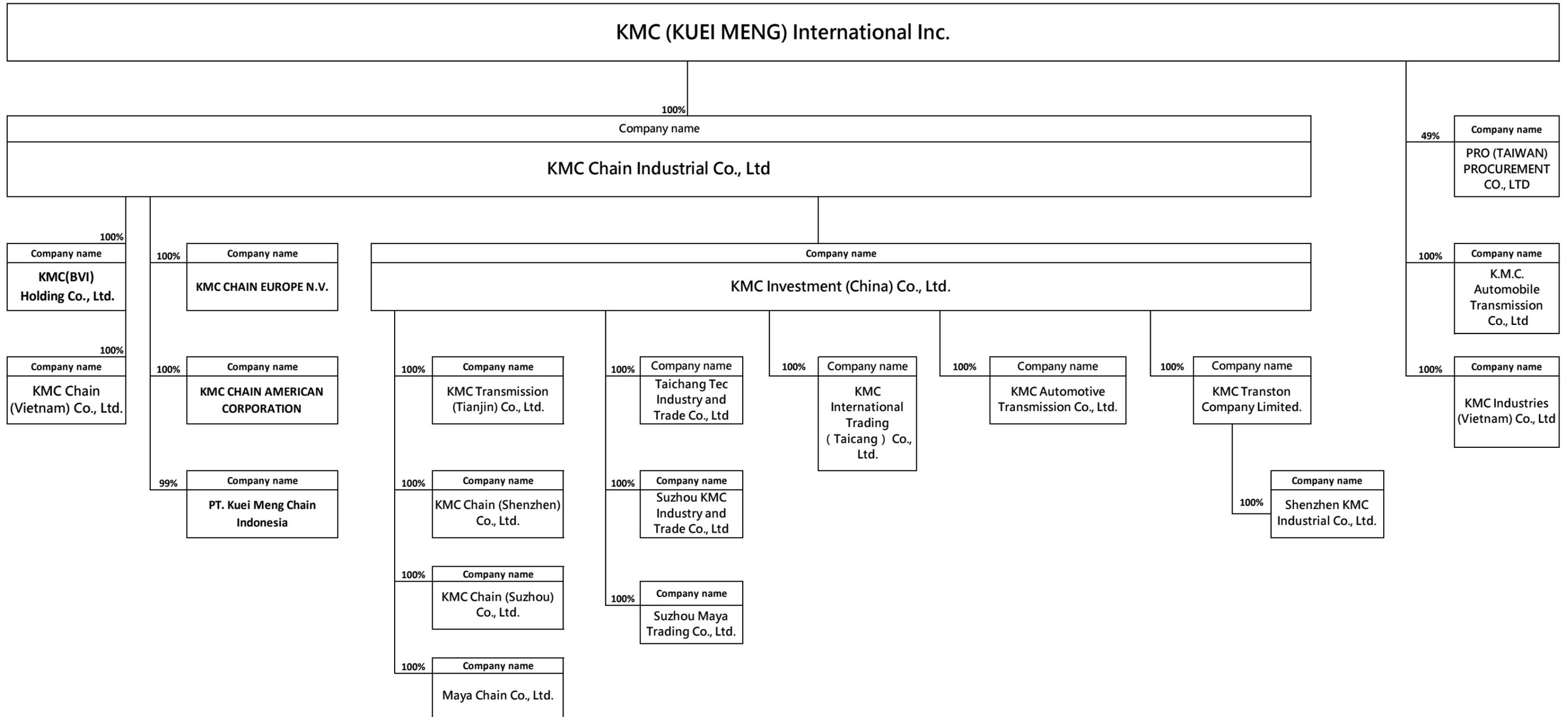
1. File and information equipment safety and control:
 - (a) Increasing backup storage media: Virtual tape library (VTL) and Network Attached Storage (NAS) devices.
 - (b) The Information Integration Department regularly backs up important system files, programs, and data daily, while backup records are kept for future reference.
 - (c) The remote backup mechanism is adopted, and the media storage environment must comply with ISO27001 data center security standards. Furthermore, the backup records are stored in VTL and NAS systems.
 - (d) Access control is applied to various storage media and no external connections are permitted.
 - (e) The usability of various backup equipment is tested from time to time.
2. Intrusion and virus detection/protection:
 - (a) The Information Integration Department utilizes corporate anti-virus software, and the latest virus database and anti-virus software component are downloaded daily. After updating and testing the anti-virus software of the main system, the update will be delivered to various computers according to schedule.
 - (b) When external data storage media and personal computer assets are brought into the company, an application must be submitted to the Information Integration Department and a virus scan must be executed. Endpoint protection will detect whether the external storage media is accessing the company's information equipment.
 - (c) Corporate firewall and information security analysis systems are established to effectively block packets of unknown origin from attacking the connection and network service. Additionally, it can automatically screen and prevent the transmission of viruses.
 - (d) Install an enterprise-level anti-spam system to block the spam and virus emails as well as automatically filtering and blocking the delivery of suspicious emails.
3. Information security check and control:
 - (a) When network packets are transmitted or received through the Internet, email, and communication software, the company's firewall, corporate anti-virus software and anti-spam system will conduct a scan to prevent the attack of hackers or computer viruses.
 - (b) Reinforcing information security-related education and training among employees, reminding them to beware of emails, verify the authenticity of their source, and never click on the attached files or links contained within an email of unknown origin to prevent installing backdoors unawares. Users should avoid receiving or downloading emails or software that are not related to the company's business via the company's network to prevent taking up network resources and increasing the chance of virus infection.
 - (c) Without authorization from a superior, the company's employees are prohibited to send company-related information externally via the Internet, email, or communication software.

7. Other important notice

None.

VIII. Special Notes

1. Subsidiaries information
 - (1) Subsidiaries chart



(2) Business Scope of Subsidiaries

Subsidiaries name	Date of Incorporation	Capital stock (thousand)		Business activities
KMC CHAIN INDUSTRIAL CO.,LTD	1977/8/20	NTD	886,000	Manufacturing, selling various chains and components of bicycle.
PRO (TAIWAN) PROCUREMENT CO., LTD	2016/2/16	NTD	25,000	Selling various bicycle chains and components
K.M.C. Automobile Transmission Co., Ltd	2004/11/1	NTD	32,538	Manufacturing, selling various chains and components of vehicle.
KMC(BVI) Holding Co., Ltd.	2000/4/20	USD	520	Investing activities
KMC Chain (Vietnam) Co., Ltd.	2000/5/31	USD	3,000	Manufacturing, selling various chains and components of motorcycle.
KMC CHAIN EUROPE N.V.	1996/12/23	EUR	45	Selling various bicycle chains and components
KMC CHAIN AMERICAN CORPORATION	1991/8/19	USD	2,805	Selling various bicycle chains and components
PT. Kuei Meng Chain Indonesia	2003/3/2	USD	100	Selling various motorcycle chains and components
KMC Investment (China) Co., Ltd	2014/6/10	RMB	1,061,573	Investing activities
KMC Transmission (Tianjin) Co., Ltd	2005/6/17	RMB	88,790	Manufacturing, selling various chains and components of bicycle.
KMC Chain (Shenzhen) Co., Ltd.	1980/8/16	RMB	173,808	Manufacturing, selling various chains and components of bicycle.
KMC Chain (Suzhou) Co., Ltd.	2001/7/6	RMB	80,702	Manufacturing, selling various chains and components of bicycle.
KMC Automotive Transmission Co., Ltd.	2009/4/29	RMB	41,000	Manufacturing, selling various chains and components of vehicle.
KMC Transton Company Limited.	2007/7/2	RMB	9,000	Manufacturing, selling various chains and components of door opener.
Shenzhen Kmc Industrial Co., Ltd.	2001/1/2	RMB	1,000	Manufacturing, selling various chains and components of door opener.
Taichang Tec Industry and Trade Co., Ltd.	2014/10/22	RMB	2,000	Selling various bicycle chains and components
Suzhou Kmc Industry and Trade Co., Ltd.	2014/10/22	RMB	2,000	Selling various bicycle chains and components
KMC Industries (Vietnam) Co., Ltd	2019/1/17	USD	1,000	Selling various chains and components
Maya Chain Co., Ltd.	2014/12/25	RMB	78,338	Manufacturing, selling various chains of bicycle.
Suzhou Maya Trading Co., Ltd.	2017/11/15	RMB	11,000	Selling various bicycle chains
KMC International Trading (Taicang) Co., Ltd.	2020/10/13	RMB	2,000	Selling various chains and components

(3) Shareholders in Common of KMC and Its Subsidiaries with Deemed Control and Subordination: None.

(4) Rosters of Directors, Supervisors, and Presidents of KMC's Subsidiaries

Company name	Name or the Representative	Share holding (%)
KMC CHAIN INDUSTRIAL CO.,LTD	KMC (KUEI MENG) INTERNATIONAL INC. Representative Wu, Jui-Chang	100
PRO (TAIWAN) PROCUREMENT CO., LTD	Shimano (Taiwan) Co., Ltd. Representative Takeshi Kanazawa	49
K.M.C. Automobile Transmission Co., Ltd	KMC (KUEI MENG) INTERNATIONAL INC. Representative Wu, Jui-Chang	100
KMC Industries (Vietnam) Co., Ltd	KMC (KUEI MENG) INTERNATIONAL INC. Representative Fang, Hsiang	100
KMC(BVI) Holding Co., Ltd.	KMC CHAIN INDUSTRIAL CO., LTD. Representative Wu, Ying-Chin	100
KMC Chain (Vietnam) Co., Ltd.	KMC(BVI) HOLDING CO LTD Representative Wu, Jui-Chang	100
KMC CHAIN EUROPE N.V.	KMC CHAIN INDUSTRIAL CO., LTD. Representative Christ Bakker	100
KMC CHAIN AMERICAN CORPORATION	KMC CHAIN INDUSTRIAL CO., LTD. Representative Lee, Po-Yi	100
PT. Kuei Meng Chain Indonesia	KMC CHAIN INDUSTRIAL CO., LTD. Representative Wu, Jui-Chang	99
KMC Investment (China) Co., Ltd	KMC CHAIN INDUSTRIAL CO.,LTD Representative Wu, Jui-Chang	100
KMC Transmission (Tianjin) Co., Ltd	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100
KMC Chain (Shenzhen) Co., Ltd.	KMC Investment (China) Co., Ltd Representative Ke, Miao-Tzu	100
KMC Chain (Suzhou) Co., Ltd.	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100
KMC Automotive Transmission Co., Ltd.	KMC Investment (China) Co., Ltd Representative Li, Chao-Hsin	100
KMC Transton Company Limited.	KMC Investment (China) Co., Ltd Representative Hsu,Yi-Chih	100
Shenzhen Kmc Industrial Co., Ltd.	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100
Taichang Tec Industry and Trade Co., Ltd.	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100
Suzhou Kmc Industry and Trade Co., Ltd.	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100
Maya Chain Co., Ltd.	KMC Investment (China) Co., Ltd Representative Chang,Tsung-Hao	100
Suzhou Maya Trading Co., Ltd.	KMC Investment (China) Co., Ltd Representative Chang,Tsung-Hao	100
KMC International Trading (Taicang) Co., Ltd.	KMC Investment (China) Co., Ltd Representative Wu, Jui-Chang	100

(5) Operational Highlights of KMC Subsidiaries

NT\$ thousand

Subsidiaries	Total Assets	Total Liabilities	Total Equity	Revenue	Net Profit(Loss)
KMC CHAIN INDUSTRIAL CO.,LTD	8,016,385	457,336	7,559,049	788,313	755,466
PRO (TAIWAN) PROCUREMENT CO., LTD	71,265	45,156	26,110	21,557	1,005
K.M.C. Automobile Transmission Co., Ltd	59,845	17,831	42,014	160,862	6,067
KMC(BVI) Holding Co., Ltd.	390,129	0	390,129	0	43,917
KMC Chain (Vietnam) Co., Ltd.	473,426	83,511	389,915	516,470	42,146
KMC CHAIN EUROPE N.V.	654,654	138,428	516,226	901,357	75,899
KMC CHAIN AMERICAN CORPORATION	213,193	57,754	155,439	250,066	36,476
PT. Kuei Meng Chain Indonesia	43,097	20,244	22,853	32,754	(811)
KMC Investment (China) Co., Ltd	6,005,735	12,179	5,993,556	2,116	462,511
KMC Transmission (Tianjin) Co., Ltd	753,556	265,940	487,616	877,578	54,999
KMC Chain (Shenzhen) Co., Ltd.	2,484,514	1,410,264	1,074,250	987,495	96,428
KMC Chain (Suzhou) Co., Ltd.	880,547	131,836	748,711	850,301	53,827
KMC Automotive Transmission Co., Ltd.	447,804	99,994	347,810	355,082	12,826
KMC Transton Company Limited.	145,069	57,345	87,724	159,829	11,404
Shenzhen Kmc Industrial Co., Ltd.	159,666	140,731	18,935	263,408	(173)
Taichang Tec Industry and Trade Co., Ltd.	198,005	161,416	36,589	380,275	19,670
Suzhou Kmc Industry and Trade Co., Ltd.	511,994	203,757	308,237	1,202,797	288,574
KMC Industries (Vietnam) Co., Ltd	28,168	4,461	23,707	37,553	(2,315)
Maya Chain Co., Ltd.	167,727	301	167,426	6,232	(65,347)
Suzhou Maya Trading Co., Ltd.	197,815	194,606	3,209	455,139	14,240
KMC International Trading (Taicang) Co., Ltd.	12,029	3,345	8,684	0	(68,426)

2. Private placement securities in 2020 and as of the date of this annual report
None
3. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report
None
4. Other necessary supplement
None

IX. Other Disclosed Matters

Situations might materially affect shareholders' equity or the price of Company's securities set forth in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act during the most recent fiscal year and up to the date of publication of the annual report:

- The 11th term of office of the directors expired on June 24, 2020. The 12th Board of Directors was elected at Annual Shareholders' Meeting on the same day which caused change in more than one-third of directors. KMC adopted the candidates' nomination system for electing the 12th term of directors. The nomination of candidate is pursuant to Corporate Governance Best Practice Principles. Also, the Board of Directors of KMC should follow the principle of diversification and the nomination of candidates will be based on the operation of the company, operation type and requirements for future development. It should include but not limited to the two primary standards:
 - Primary condition and value: Gender, age, nationality, and culture, etc.
 - Professional knowledge and technique: Professional background (such as Law, Accounting, Industry, Finance, Marketing or Technology), professional technique and industrial experiences, etc.
- KMC's 12th Board of Directors is made up of 7 directors (including 3 independent directors). For the 12th Board of Directors, we added a female director into our BOD. The diversity of the BOD members has been implemented as shown below. It is expected to positively benefit both corporate operation and future development. Therefore, the variation of directors shall not have significant effect on shareholders' equity or the price of the Company's securities.

Director	Gender	Age	Professional Background
4 Directors 3 Independent Directors	1 Female Director 6 Male Director	41-50: 3 Directors 51-60: 1 Director 61-70: 3 Directors	1. Business developing and strategy planning 2. Business and production management 3. Marketing 4. Finance 5. Accounting 6. Tax management 7. Corporate legal affairs

X. Attachment

- Statement of Internal Control for 2020
- Audit Committee's review report for 2020
- Consolidated Financial Statements for the Years Ended December 31, 2020 and Independent Auditors' Report

Attachment 1 Statement of Internal Control for 2020

KMC (Kuei Meng) International Inc.

Statement of Internal Control

Date: March 15, 2021

The statement of the company's internal control system for the year of 2020, in accordance with the results of self-inspection, is as follows:

1. The company is aware that establishing, implementing and maintaining the internal control system is the responsibility of the Board of Directors and managers of the company. The company has established this system. Its purpose is to provide reasonable assurance as to the achievement of the objectives of the operation's effectiveness and efficiency (including profitability, performance, and protection of asset safety, etc.), the reliability of financial reporting, and compliance with relevant laws and regulations.
2. There are inherent limitations in internal control system. No matter how perfect the system design is, an adequate internal control system can only provide reasonable assurance for the achievement of the goals mentioned above; besides, the effectiveness of the internal control system may change because of the change in environment and circumstances. However, there is a self-monitoring mechanism in the company's internal control system. Once the defect is identified, the company will take corrective action.
3. The company determines the effectiveness of the design and implementation of the internal control system based on the judgment items of the efficiency of the internal control system as stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (referred to as the "Regulations"). The assessment items of the internal control system used in the "Regulations" is based on the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring. Each component includes several items. For the items mentioned above, please refer to the provisions of the "Regulations."
4. The company has adopted the assessment items of internal control system mentioned above to validate the effectiveness of the design and implementation of the internal control system.
5. Based on the inspection result of the prior paragraph, the company believes that the company's internal control system (including supervision and management of subsidiaries) on December 31, 2020, including the degree of effectiveness of operation awareness and efficiency target achievement, the reliability of financial reporting and compliance of relevant regulations are practical, it ensures the targets mentioned above will be finished reasonably.
6. This statement will become the primary content of the company's annual report and disclosed to the public. If any of the above disclosure is false or hidden, it will involve the legal obligations of Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.
7. This statement was approved by the Board of Directors of the company on March 15, 2021. No one held an objection out of the seven (7) Directors present, and all agreed with the contents of this statement and made this statement.

KMC(Kuei Meng) International Inc.

Chairman: Wu, Ying-Jin

President: Wu, Jui-Chang

Attachment 2 Audit Committee's Review Report

KMC(Kuei Meng) International Inc. Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and the proposal of distribution of earnings. The financial statements including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows) and consolidated financial statements. In addition, the board of directors appointed Chao Chin Yang and Chi Chen Li of Deloitte & Touche to audit KMC's financial statements and has issued an audit report relating to the financial statements.

The Audit Committee is responsible for supervising the company's financial reporting process.

The Company's independent auditors have communicated the following matters with the Audit Committee on their audits of the Company's financial statements:

1. There are no major findings in the audit scope and timing planned by the independent auditors.
2. The independent auditors provided the personnel of the accounting firm who subject to independence regulations to the audit committee that have complied with the statement of independence in the professional ethics of accountants, and there is no other relationships or matters that may be considered to affect the independence of accountants.
3. The independent auditor communicate with the audit committee on key audit matters, and the key audit matters that must be communicated in the audit report have been included in the audit report.

The Company's 2020 Financial Statements, Business Report and the proposal of distribution of earnings which had been resolved by the Board of Directors have been reviewed by the Audit Committee and found that they are in compliance with relevant laws and regulations. According to relevant requirements of the Article 14-4 of Securities and Exchange Law and Article 219 of the Company Law, we hereby submit this report.

KMC(Kuei Meng) International Inc.

Chairman of the Audit Committee

Mr. Wang, Ming-Lung

March 15, 2021

**Attachment 3 Consolidated Financial Statements for the Years Ended December 31, 2020 and
Independent Auditors' Report**

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

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF
AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KMC (KUEI MENG) INTERNATIONAL INC.

By

YING-CHIN WU
Chairman
March 15, 2021.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of KMC (KUEI MENG) International Inc. and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Taiwan, the Republic of China (ROC).

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matter of the Group's consolidated financial statements for the

year ended December 31, 2020 is as follows:

Revenue recognition

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

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

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

Other Matter

We have also audited the parent company only financial statements of KMC (KUEI MENG) International Inc. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of Taiwan, the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 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 Chao-Chin Yang and Chi-Chen Li.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2021.

Notice to Readers

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,991,392	19	\$ 1,765,933	18
Financial Assets at fair value through profit or loss - current (Notes 4, 7 and 21)	1,100	-	-	-
Financial assets at amortized cost - current (Notes 4, 8 and 9)	271,263	2	59,396	1
Notes receivable (Notes 4, 10 and 28)	88,294	1	107,758	1
Notes receivable from related parties (Notes 4, 10, 28 and 35)	16,110	-	-	-
Accounts receivable (Notes 4, 10 and 28)	1,137,324	11	870,226	9
Accounts receivable from related parties (Notes 4, 10, 28 and 35)	62,872	-	52,471	-
Other receivables (Note 35)	29,970	-	35,606	-
Current tax assets (Notes 4 and 30)	17,043	-	20,768	-
Inventories (Notes 4 and 11)	819,819	8	880,476	9
Prepayments (Note 13)	291,313	3	216,037	2
Other current assets (Note 13)	74,171	1	64,404	1
Total current assets	<u>4,800,671</u>	<u>45</u>	<u>4,073,075</u>	<u>41</u>
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 14)	12,793	-	12,764	-
Property, plant and equipment (Notes 4, 15 and 35)	3,114,632	29	3,072,048	31
Right-of-use assets (Notes 4, 16 and 35)	897,719	8	908,305	9
Investment properties (Notes 4 and 17)	126,140	1	133,458	1
Goodwill (Notes 4 and 19)	1,340,187	13	1,339,550	13
Other intangible assets (Notes 4 and 20)	223,003	2	273,515	3
Deferred tax assets (Notes 4 and 30)	59,182	1	85,605	1
Other financial assets - non-current (Note 12)	3,244	-	3,244	-
Other non-current assets (Note 13)	82,710	1	59,608	1
Total non-current assets	<u>5,859,610</u>	<u>55</u>	<u>5,888,097</u>	<u>59</u>
TOTAL	<u>\$ 10,660,281</u>	<u>100</u>	<u>\$ 9,961,172</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 22)	\$ 604,368	6	\$ 898,177	9
Short-term bills payable (Notes 4 and 22)	119,834	1	99,955	1
Financial Liabilities at fair value through profit or loss - current (Notes 4 and 7)	58	-	-	-
Notes payable (Note 23)	944	-	944	-
Accounts payable (Note 23)	425,423	4	300,948	3
Accounts payable to related parties (Notes 23 and 35)	49,602	-	35,725	-
Other payables (Note 24)	292,810	3	283,846	3
Current tax liabilities (Notes 4 and 30)	299,448	3	143,778	2
Lease liabilities - current (Notes 4, 16 and 35)	3,110	-	2,828	-
Current portion of long-term borrowings (Notes 4 and 22)	-	-	1,270,000	13
Deferred revenue - current (Notes 4 and 25)	7,178	-	7,060	-
Other current liabilities (Notes 24 and 28)	94,418	1	37,993	-
Total current liabilities	<u>1,897,193</u>	<u>18</u>	<u>3,081,254</u>	<u>31</u>
NON-CURRENT LIABILITIES				
Bonds Payable (Notes 4 and 21)	979,427	9	-	-
Long-term borrowings (Notes 4 and 22)	859,419	8	1,085,000	11
Deferred tax liabilities (Notes 4 and 30)	469,048	4	472,527	5
Lease liabilities - non-current (Notes 4, 16 and 35)	4,500	-	1,791	-
Deferred revenue - non-current (Notes 4 and 25)	-	-	7,060	-
Net defined benefit liabilities - non-current (Notes 4 and 26)	45,409	1	32,926	-
Other non-current liabilities	2,287	-	2,131	-
Total non-current liabilities	<u>2,360,090</u>	<u>22</u>	<u>1,601,435</u>	<u>16</u>
Total liabilities	<u>4,257,283</u>	<u>40</u>	<u>4,682,689</u>	<u>47</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 27)				
Capital stock - common stock	1,260,000	12	1,260,000	13
Capital surplus	1,633,538	15	1,541,021	15
Retained earnings				
Legal reserve	550,646	5	449,234	4
Special reserve	810,893	8	571,153	6
Unappropriated earnings	2,864,157	27	2,267,714	23
Total retained earnings	<u>4,225,696</u>	<u>40</u>	<u>3,288,101</u>	<u>33</u>
Other equity	(716,465)	(7)	(810,893)	(8)
Total equity attributable to owners of the Company	<u>6,402,769</u>	<u>60</u>	<u>5,278,229</u>	<u>53</u>
NON - CONTROLLING INTERESTS	<u>229</u>	<u>-</u>	<u>254</u>	<u>-</u>
Total equity	<u>6,402,998</u>	<u>60</u>	<u>5,278,483</u>	<u>53</u>
TOTAL	<u>\$ 10,660,281</u>	<u>100</u>	<u>\$ 9,961,172</u>	<u>100</u>

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 28, 35 and 40)	\$ 6,130,483	100	\$ 5,239,635	100
OPERATING COSTS (Notes 11, 29 and 35)	<u>3,311,001</u>	<u>54</u>	<u>3,096,355</u>	<u>59</u>
GROSS PROFIT	<u>2,819,482</u>	<u>46</u>	<u>2,143,280</u>	<u>41</u>
OPERATING EXPENSES (Notes 29 and 35)				
Selling and marketing expenses	368,905	6	389,771	7
General and administrative expenses	430,451	7	450,905	9
Research and development expenses	48,815	1	34,104	1
Expected credit loss (gain)	<u>(8,312)</u>	<u>-</u>	<u>9,049</u>	<u>-</u>
Total operating expenses	<u>839,859</u>	<u>14</u>	<u>883,829</u>	<u>17</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 29 and 35)	<u>(5,346)</u>	<u>-</u>	<u>(5,899)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>1,974,277</u>	<u>32</u>	<u>1,253,552</u>	<u>24</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 14, 21, 25, 29 and 35)				
Interest income	24,641	-	24,949	1
Other income	72,855	1	67,697	1
Other gains and losses	(64,763)	(1)	(18,516)	-
Share of profit of associates	492	-	624	-
Finance cost	<u>(28,097)</u>	<u>-</u>	<u>(35,354)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>5,128</u>	<u>-</u>	<u>39,400</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,979,405	32	1,292,952	25
INCOME TAX EXPENSE (Notes 4 and 30)	<u>464,759</u>	<u>7</u>	<u>285,462</u>	<u>6</u>
NET PROFIT	<u>1,514,646</u>	<u>25</u>	<u>1,007,490</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 26)	(12,574)	-	8,291	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss (Note 30)	<u>2,515</u>	<u>-</u>	<u>(1,658)</u>	<u>-</u>
	<u>(10,059)</u>	<u>-</u>	<u>6,633</u>	<u>-</u>

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 27)	\$ 94,411	1	\$ (239,199)	(4)
Income tax expense relating to items that may be reclassified subsequently to profit or loss (Notes 27 and 30)	<u>-</u>	<u>-</u>	<u>(535)</u>	<u>-</u>
	<u>94,411</u>	<u>1</u>	<u>(239,734)</u>	<u>(4)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>84,352</u>	<u>1</u>	<u>(233,101)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,598,998</u>	<u>26</u>	<u>\$ 774,389</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,514,654	25	\$ 1,007,486	19
Non-controlling interests	<u>(8)</u>	<u>-</u>	<u>4</u>	<u>-</u>
	<u>\$ 1,514,646</u>	<u>25</u>	<u>\$ 1,007,490</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,599,023	26	\$ 774,379	15
Non-controlling interests	<u>(25)</u>	<u>-</u>	<u>10</u>	<u>-</u>
	<u>\$ 1,598,998</u>	<u>26</u>	<u>\$ 774,389</u>	<u>15</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 12.02</u>		<u>\$ 8.00</u>	
Diluted	<u>\$ 11.94</u>		<u>\$ 7.99</u>	

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company						Total	Non-controlling Interests	Total Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Other Equity Differences on Translation of the Financial Statements of Foreign Operations			
BALANCE, JANUARY 1, 2019	\$ 1,260,000	\$ 1,541,021	\$ 354,469	\$ 448,150	\$ 2,038,363	\$ (571,153)	\$ 5,070,850	\$ 244	\$ 5,071,094
Appropriation of the 2018 earnings (Note 27)									
Legal reserve	-	-	94,765	-	(94,765)	-	-	-	-
Special reserve	-	-	-	123,003	(123,003)	-	-	-	-
Cash dividends distributed by the Company - NT\$ 4.5 per share	-	-	-	-	(567,000)	-	(567,000)	-	(567,000)
Net profit for the year ended December 31, 2019	-	-	-	-	1,007,486	-	1,007,486	4	1,007,490
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	6,633	(239,740)	(233,107)	6	(233,101)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,014,119	(239,740)	774,379	10	774,389
BALANCE, DECEMBER 31, 2019	1,260,000	1,541,021	449,234	571,153	2,267,714	(810,893)	5,278,229	254	5,278,483
Appropriation of the 2019 earnings (Note 27)									
Legal reserve	-	-	101,412	-	(101,412)	-	-	-	-
Special reserve	-	-	-	239,740	(239,740)	-	-	-	-
Cash dividends distributed by the Company - NT\$ 4.5 per share	-	-	-	-	(567,000)	-	(567,000)	-	(567,000)
Equity component of convertible bonds issued by the company (Note 27)	-	92,517	-	-	-	-	92,517	-	92,517
Net profit for the year ended December 31, 2020	-	-	-	-	1,514,654	-	1,514,654	(8)	1,514,646
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(10,059)	94,428	84,369	(17)	84,352
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,504,595	94,428	1,599,023	(25)	1,598,998
BALANCE, DECEMBER 31, 2020	<u>\$ 1,260,000</u>	<u>\$ 1,633,538</u>	<u>\$ 550,646</u>	<u>\$ 810,893</u>	<u>\$ 2,864,157</u>	<u>\$ (716,465)</u>	<u>\$ 6,402,769</u>	<u>\$ 229</u>	<u>\$ 6,402,998</u>

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,979,405	\$ 1,292,952
Adjustments for:		
Depreciation expenses	299,793	292,281
Amortization expenses	56,211	52,170
Expected credit loss recognized (reserved) on accounts receivable	(8,312)	9,049
Finance costs	28,097	35,354
Interest income	(24,641)	(24,949)
Share of profit of associates	(492)	(624)
Loss on disposal of property, plant and equipment	5,346	5,899
Unrealized loss on foreign currency exchange	8,871	12,646
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(100)	-
Notes receivable	3,354	15,384
Accounts receivable	(260,503)	46,908
Accounts receivable from related parties	(10,145)	3,739
Other receivables	10,249	(1,154)
Inventories	69,408	233,921
Prepayments	(75,276)	(104,568)
Other current assets	(9,767)	(4,869)
Financial liabilities mandatorily classified as at fair value through profit or loss	58	-
Notes payable	-	(5,563)
Accounts payable	124,455	(36,139)
Accounts payable to related parties	9,255	(1,559)
Other payables	18,803	(52,127)
Deferred revenue	(7,022)	14,668
Other current liabilities	56,425	6,681
Net defined benefit liability	12,483	(7,833)
Cash generated from operations	<u>2,285,955</u>	<u>1,782,267</u>
Income tax paid	<u>(284,816)</u>	<u>(316,384)</u>
Net cash generated from operating activities	<u>2,001,139</u>	<u>1,465,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(211,867)	(50,842)
Acquisition of subsidiaries	-	(347,046)
Acquisition of property, plant and equipment	(312,481)	(305,162)
Proceeds from disposal of property, plant and equipment	3,010	13,467
Increase in prepayments for equipment	(5,705)	-
Increase in refundable deposits	(1,186)	(1,739)
Decrease in refundable deposits	4,488	2,095
Acquisition of other intangible assets	(2,888)	(4,240)
Acquisition of investment properties	-	(2,612)

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in other non-current assets	\$ 1,829	\$ 129
Interest received	<u>20,490</u>	<u>22,949</u>
Net cash used in investing activities	<u>(504,310)</u>	<u>(673,001)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	7,917,564	11,087,120
Repayments of short-term borrowings	(8,211,426)	(11,923,642)
Proceeds from short-term bills payable	920,000	3,250,000
Repayments of short-term bills payable	(901,125)	(3,152,401)
Proceeds from issuance of convertible bonds	1,074,972	-
Proceeds from long-term borrowings	7,423,592	5,150,000
Repayments of long-term borrowings	(8,919,000)	(4,795,000)
Proceeds from guarantee deposits received	129	-
Refund of guarantee deposits received	-	(281)
Repayment of the principal portion of lease liabilities	(3,344)	(3,251)
Cash dividends	(567,000)	(567,000)
Interest paid	<u>(27,429)</u>	<u>(33,004)</u>
Net cash used in financing activities	<u>(1,293,067)</u>	<u>(987,459)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>21,697</u>	<u>(112,919)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	225,459	(307,496)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,765,933</u>	<u>2,073,429</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,991,392</u>	<u>\$ 1,765,933</u>

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The Company’s board of directors approved the consolidated financial statements for issue on March 15, 2021.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

See Note 18, tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

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

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

reclassified to profit or loss.

g. Inventories

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

h. Investment in associates

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

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

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

At the end of each reporting period, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable

amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

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, accounts receivable at amortized cost, notes receivable, other receivables,

financial assets at amortized cost, refundable deposits (classified under other non-current assets) and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Impairment of financial assets

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Convertible bonds

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

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

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

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

4) Derivative financial instruments

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

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

o. Revenue recognition

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

Revenue from the sale of goods

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

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

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

q. Borrowing costs

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

r. Government grants

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

periods.

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 1,865	\$ 2,045
Checking accounts and demand deposits	1,049,752	823,746
Cash equivalent (investments with original maturities less than three months)		
Time deposits	939,775	928,450
Repurchase agreements	<u>-</u>	<u>11,692</u>
	<u>\$ 1,991,392</u>	<u>\$ 1,765,933</u>

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

	December 31	
	2020	2019
Time deposits	0.28% ~ 6.6%	1.43% ~ 2.9%
Repurchase agreements	-	2%

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

	December 31, 2020
<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)	
Convertible options (Note 21)	<u>\$ 1,100</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>\$ 58</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, 2020</u>			
Buy	USD/NTD	2021.2.26	USD\$ 200 / NTD\$ 5,619
Buy	USD/RMB	2021.2.26	USD\$ 1,130 / RMB\$ 7,382

The Group entered into foreign exchange forward contracts in the year ended December 31, 2020 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.

The amount of the fair value changes of financial assets and liabilities at FVTPL for the years ended December 31, 2020 included the gain from the increase in the fair value of financial assets and the loss from the increase in the fair value of financial liabilities of \$100 thousand and \$58 thousand, respectively.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ <u>271,263</u>	\$ <u>59,396</u>

- a. The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.4% ~ 6.6% and 1.98% ~ 2.85% per annum as of December 31, 2020 and December 31, 2019, respectively.
- b. Refer to Note 9 for information relating to their credit risk management and impairment of investments in financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Gross carrying amount	\$ 271,263	\$ 59,396
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	\$ <u>271,263</u>	\$ <u>59,396</u>

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)	Expected Loss Rate	Gross Carrying Amount at December 31, 2020 At Amortized Cost
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs	0%	\$ <u>271,263</u>

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)	Expected Loss Rate	Gross Carrying Amount at December 31, 2019 At Amortized Cost
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs	0%	\$ <u>59,396</u>

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

	December 31	
	2020	2019
<u>Notes receivable - operating</u>		
At amortized cost		
Gross carrying amount	\$ 88,294	\$ 107,758
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 88,294</u>	<u>\$ 107,758</u>
Notes receivable from related parties	<u>\$ 16,110</u>	<u>\$ -</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,191,902	\$ 939,987
Less: Allowance for impairment loss	<u>54,578</u>	<u>69,761</u>
	<u>\$ 1,137,324</u>	<u>\$ 870,226</u>
Accounts receivable from related parties	<u>\$ 62,872</u>	<u>\$ 52,471</u>

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

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

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

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

a. Notes receivable

All of the Group's notes receivable were not past due as of December 31, 2020 and 2019 and no loss allowance were accrued.

b. Accounts receivable (including related parties)

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0% ~ 2%	0% ~ 10%	0% ~ 25%	0% ~ 40%	100%	-
Gross carrying amount	\$1,126,111	\$ 74,423	\$ 4,447	\$ 1,876	\$ 47,917	\$1,254,774
Loss allowance (Lifetime ECLs)	(2,979)	(1,937)	(1,499)	(745)	(47,418)	(54,578)
	<u> </u>					
Amortized cost	<u>\$1,123,132</u>	<u>\$ 74,486</u>	<u>\$ 2,948</u>	<u>\$ 1,131</u>	<u>\$ 499</u>	<u>\$1,200,196</u>

December 31, 2019

	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	\$ 861,361	\$ 58,961	\$ 4,599	\$ 937	\$ 66,600	\$ 992,458
Loss allowance (Lifetime ECLs)	(442)	(1,621)	(804)	(294)	(66,600)	(69,761)
	<u> </u>					
Amortized cost	<u>\$ 860,919</u>	<u>\$ 57,340</u>	<u>\$ 3,795</u>	<u>\$ 643</u>	<u>\$ -</u>	<u>\$ 922,697</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 69,761	\$ 39,151
Acquisitions through business combinations	-	26,832
Add: Net remeasurement of loss allowance	-	9,049
Less: Amounts written off	(7,456)	(2,630)
Less: Net remeasurement of loss allowance	(8,312)	-
Foreign exchange gains and losses	<u>585</u>	<u>(2,641)</u>
Balance at December 31	<u>\$ 54,578</u>	<u>\$ 69,761</u>

11. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ 140,628	\$ 164,567
Finished goods	169,766	274,753
Work in process	182,838	209,714
Raw materials and supplies	<u>326,587</u>	<u>231,442</u>
	<u>\$ 819,819</u>	<u>\$ 880,476</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was as follows:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	\$ 3,435,150	\$ 3,218,144
Revenue from sale of scrap	<u>(124,149)</u>	<u>(121,789)</u>
	<u>\$ 3,311,001</u>	<u>\$ 3,096,355</u>

12. OTHER FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2020	2019
Cash surrender value of life insurance	<u>\$ 3,244</u>	<u>\$ 3,244</u>

13. PREPAYMENTS AND OTHER ASSETS

	December 31	
	2020	2019
<u>Prepayments</u>		
Prepayments for suppliers	\$ 191,523	\$ 150,233
Prepaid expense	<u>99,790</u>	<u>65,804</u>
	<u>\$ 291,313</u>	<u>\$ 216,037</u>
<u>Current</u>		
Input tax	\$ 26,403	\$ 33,220
Excess VAT Paid	45,191	28,849
Others	<u>2,577</u>	<u>2,335</u>
	<u>\$ 74,171</u>	<u>\$ 64,404</u>

(Continued)

	December 31	
	2020	2019
<u>Non-current</u>		
Prepaid equipment	\$ 75,214	\$ 47,005
Refundable deposits	4,180	7,459
Others	<u>3,316</u>	<u>5,144</u>
	<u>\$ 82,710</u>	<u>\$ 59,608</u>
		(Concluded)

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
<u>Associates that are not individually material</u>		
Pro (Taiwan) Procurement Co., Ltd.	<u>\$ 12,793</u>	<u>\$ 12,764</u>

In February 2016, the Group set up a company Pro (Taiwan) Procurement Co., Ltd. with non-related party. The proportion of the Group's ownership was both 49% as of December 31, 2020 and 2019.

Refer to Table 5 "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	
	2020	2019
The Group's share of:		
Profit from continuing operations and total comprehensive income for the year	<u>\$ 492</u>	<u>\$ 624</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

See Table 10 for the movements of property, plant and equipment.

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment.

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 890,137	\$ 903,708
Buildings	5,790	1,001
Transportation equipment	<u>1,792</u>	<u>3,596</u>
	<u>\$ 897,719</u>	<u>\$ 908,305</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 6,268</u>	<u>\$ 948</u>
Depreciation charge for right-of-use assets		
Land	\$ 25,272	\$ 26,221
Buildings	1,480	1,487
Transportation equipment	<u>1,816</u>	<u>1,726</u>
	<u>\$ 28,568</u>	<u>\$ 29,434</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Current		<u>\$ 2,828</u>
Non-current		<u>\$ 1,791</u>

Discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land, buildings and transportation equipment	1.0114% ~ 1.5%	1.0114%

c. Material leasing activities and terms

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

d. Other lease information

As lessor, the Group has operating leases of investment properties; details are set out in Notes 16.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 1,983	\$ 2,839
Expenses relating to low-value asset leases	\$ 4,551	\$ 5,420
Total cash outflow for leases	\$ 9,878	\$ 11,510

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

17. INVESTMENT PROPERTIES

	Buildings
<u>Cost</u>	
Balance at January 1, 2019	\$ 131,046
Additions	2,612
Transferred from property, plant and equipment	73,488
Effect of foreign currency exchange differences	<u>(7,736)</u>
Balance at December 31, 2019	\$ <u>199,410</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ 32,651
Depreciation	8,599
Transferred from property, plant and equipment	27,261
Effect of foreign currency exchange differences	<u>(2,559)</u>
Balance at December 31, 2019	\$ <u>65,952</u>
Carrying amounts at December 31, 2019	\$ <u>133,458</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 199,410
Effect of foreign currency exchange differences	<u>3,335</u>
Balance at December 31, 2020	\$ <u>202,745</u>

(Continued)

BuildingsAccumulated depreciation

Balance at January 1, 2020	\$ 65,952
Depreciation	9,344
Effect of foreign currency exchange differences	<u>1,309</u>
Balance at December 31, 2020	<u>\$ 76,605</u>
Carrying amounts at December 31, 2020	<u>\$ 126,140</u> (Concluded)

The investment properties are the rental factory buildings.

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

18. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark	
			2020	2019		
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.	Manufacturing, selling various chains and components of motorcycle and vehicle.	100	100		
	KMC Chain Industrial Co., Ltd. (Samoa) (KMC Samoa)	Selling various bicycle chains and components.	-	-	Note a	
	TEC Chains Co., Ltd. (TEC)	Selling various bicycle chains and components.	-	-	Note a	
	KMC Chain (Seychelles) Industrial Co., Ltd. (KMC Seychelles)	Selling various bicycle chains and components.	-	-	Note b	
	TEC Chains (Seychelles) Co., Ltd. (TEC Seychelles)	Selling various bicycle chains and components.	-	-	Note b	
	K.M.C. Automobile Transmission Co., Ltd.	Selling equipment and materials for chains and designing products	100	100		
	KMC Industries (Vietnam) Co., Ltd.	Selling various chains and components	100	100	Note c	
	KMC Chain Industrial Co., Ltd.	KMC (BVI) Holding Co., Ltd. (KMC BVI)	Investing activities	100	100	
		KMC Chain Europe N.V. (KMC Europe)	Selling various bicycle chains and components	100	100	
		KMC Chain American Corporation (KMC America)	Selling various bicycle chains and components	100	100	
P. T. Kuei Meng Chain Indonesia (KMC Indonesia)		Selling various motorcycle chains and components	99	99		
KMC (BVI) Holding Co., Ltd.	KMC Investment (China) Co., Ltd. (KMC China)	Investing activities	100	100		
	KMC Chain (Vietnam) Co., Ltd. (KMC Vietnam)	Manufacturing and selling various chains and components	100	100		

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2020	2019	
KMC Investment (China) Co., Ltd	KMC Transmission (Tianjin) Co., Ltd. (KMC Tianjin)	Manufacturing and selling various chains and components	100	100	
	Taicang Tec Industry and Trade Co., Ltd. (Taicang Tec)	Selling various bicycle chains and components	100	100	
	Suzhou KMC Industry and Trade Co., Ltd. (Suzhou KMC)	Selling various bicycle chains and components	100	100	
	KMC Chain (Shenzhen) Co., Ltd. (KMC Shenzhen)	Manufacturing and selling various chains and components	100	100	
	KMC Chain (Suzhou) Co., Ltd. (KMC Suzhou)	Manufacturing and selling various chains and components	100	100	
	KMC Transton Company Limited. (KMC Transton)	Manufacturing and selling Garage Door Opener (GDO)	100	100	
	KMC Automotive Transmission Co., Ltd. (KMC Automotive Shenzhen)	Manufacturing and selling Automotive Timing System (ATS)	100	100	
	Maya Chain Co., Ltd. (Maya Chain)	Manufacturing and selling various chains and components	100	100	Note d
	Suzhou Maya Trading Co., Ltd. (Maya Trading)	Manufacturing and selling various chains and components	100	100	Note e
	KMC International Trading (Taicang) Co., Ltd. (KMC Taicang)	Selling various chains	100	-	Note f
KMC Transton Company Limited.	Shenzhen KMC Industrial Co., Ltd. (Shenzhen KMC)	Selling of components of garage door	100	100	

(Concluded)

- a. KMC Samoa and TEC had no actual operating activities in recent years, and had resolved to liquidate, the liquidation base date was on September 23, 2019 for both. The liquidation residual amount of \$16,554 thousand has been collected.
- b. KMC Seychelles and TEC Seychelles had no actual operating activities in recent years, and had resolved to liquidate, the liquidation base dates were on November 7, 2019 and November 12, 2019, respectively. The liquidation residual amount of \$4,465 thousand has been collected.
- c. The Company founded KMC Industries (Vietnam) Co., Ltd. with investment of US\$ 1,000 thousand on January 5, 2019. The main business of KMC Industries (Vietnam) Co., Ltd is selling various of chains and components.
- d. On September 21, 2018, the Company's board of directors approved the acquisition of 100% shareholding of Maya Chain Co., Ltd. (including subsidiary Suzhou Maya Trading Co., Ltd.). The acquisition was made by the subsidiary of KMC Chain Industrial Co., Ltd., KMC China. The acquisition price was not more than RMB 85,000 thousand (or in foreign currency equivalent). The main businesses of the acquired company are manufacturing and selling various of chains and components of automatic bicycle and motorcycle. The subsidiary is included in the consolidated financial statements in 2019. The acquisition price was based on the corporate equity valuation report issued by a professional valuer organization and the report of independent accountant on the reasonableness of the equity value.
- e. The Group reorganized after the acquisition of Maya Chain Co., Ltd. On March 21, 2019, KMC Investment (China) Co., Ltd. acquired Suzhou Maya Trading Co., Ltd. from Maya Chain Co., Ltd. The shareholdings had been transferred on March 31, 2019.

- f. The Company founded KMC Taicang with investment of RMB 2,000 thousand on October 13, 2020. The main business of is selling various chains and components.

19. GOODWILL

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,339,550	\$ 1,226,567
Additional amount recognized from business combinations occurring during the year (Note 32)	-	114,460
Effect of foreign currency exchange differences	<u>637</u>	<u>(1,477)</u>
Balance at December 31	<u>\$ 1,340,187</u>	<u>\$ 1,339,550</u>

At the end of each year, the Group performs impairment assessment by reviewing the recoverable amounts based on value in use calculation which incorporates cash flow projections covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady 9.12% and 11.23% per annum growth rate as of December 31, 2020 and 2019. In assessing value in use, the estimated future cash flows are discounted to their present value using annual discount rates.

For the years ended December 31, 2020 and 2019, the Group did not recognize impairment loss on goodwill.

20. OTHER INTANGIBLE ASSETS

	Customer Relationships	Computer Software	Patents	Skills	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 358,811	\$ 76,507	\$ 26,556	\$ -	\$ 461,874
Acquisitions through business combinations	17,853	1,213	96,296	70,193	185,555
Additions	-	3,831	409	-	4,240
Effect of foreign currency exchange differences	(8,458)	(478)	(3,621)	(2,622)	(15,179)
Balance at December 31, 2019	<u>\$ 368,206</u>	<u>\$ 81,073</u>	<u>\$ 119,640</u>	<u>\$ 67,571</u>	<u>\$ 636,490</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ 267,431	\$ 25,402	\$ 24,285	\$ -	\$ 317,118
Amortization expense	35,952	9,715	(1,296)	7,799	52,170
Effect of foreign currency exchange differences	(5,721)	(368)	67	(291)	(6,313)
Balance at December 31, 2019	<u>\$ 297,662</u>	<u>\$ 34,749</u>	<u>\$ 23,056</u>	<u>\$ 7,508</u>	<u>\$ 362,975</u>
Carrying amounts at December 31, 2019	<u>\$ 70,544</u>	<u>\$ 46,324</u>	<u>\$ 96,584</u>	<u>\$ 60,063</u>	<u>\$ 273,515</u>
<u>Cost</u>					
Balance at January 1, 2020	\$ 368,206	\$ 81,073	\$ 119,640	\$ 67,571	\$ 636,490
Additions	-	2,888	-	-	2,888
Disposals	-	(1,580)	-	-	(1,580)
Effect of foreign currency exchange differences	3,646	223	1,537	1,130	6,536
Balance at December 31, 2020	<u>\$ 371,852</u>	<u>\$ 82,604</u>	<u>\$ 121,177</u>	<u>\$ 68,701</u>	<u>\$ 644,334</u>

(Continued)

	Customer Relationships	Computer Software	Patents	Skills	Total
<u>Accumulated amortization</u>					
Balance at January 1, 2020	\$ 297,662	\$ 34,749	\$ 23,056	\$ 7,508	\$ 362,975
Amortization expense	27,196	9,940	11,607	7,468	56,211
Disposals	-	(1,580)	-	-	(1,580)
Effect of foreign currency exchange differences	3,069	171	194	291	3,725
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2020	<u>\$ 327,927</u>	<u>\$ 43,280</u>	<u>\$ 34,857</u>	<u>\$ 15,267</u>	<u>\$ 421,331</u>
Carrying amounts at December 31, 2020	<u>\$ 43,925</u>	<u>\$ 39,324</u>	<u>\$ 86,320</u>	<u>\$ 53,434</u>	<u>\$ 223,000</u> (Concluded)

21. BONDS PAYABLE

	Amount
Third secured domestic convertible bonds	\$ 1,000,000
Less: discount on bonds payable	<u>20,573</u>
	<u>\$ 979,427</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, 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.

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:

	For the Year Ended December 31, 2020
	<hr/>
Issued in year 2020	\$ 1,000
Adjustment for valuation	<u>100</u>
Balance at December 31, 2020	<u>\$ 1,100</u>

b. Equity component (presented in equity under the heading of capital surplus, refer to Note 27)

The movement of equity component:

	For the Year Ended December 31, 2020
	<hr/>
Issued in year 2020 and the balance at December 31, 2020	<u>\$ 92,517</u>

22. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
	<hr/>	<hr/>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 604,368</u>	<u>\$ 898,177</u>

The ranges of weighted average effective interest rates on bank loans were 0.71%-0.88% and 0.74%-1.0525% per annum as of December 31, 2020 and 2019, respectively.

b. Short-term bills payable

Outstanding short-term bills payable as follows:

December 31, 2020

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of collateral
<u>Commercial Paper</u>						
International Bills Finance Corporation	\$120,000	\$ (166)	\$119,834	0.9%	None	\$ -

December 31, 2019

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	\$ (45)	\$ 99,955	1%	None	\$ -

c. Long-term borrowings

	<u>December 31</u>	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings		
Amount	\$ 859,419	\$ 2,355,000
Less: Current portions	<u>-</u>	<u>1,270,000</u>
	<u>\$ 859,419</u>	<u>\$ 1,085,000</u>

The range of weighted average effective interest rates on bank loans were 0.86%-1% and 0.97%-1.15% per annum as of December 31, 2020 and 2019, respectively.

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

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

24. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Other payables		
Payable for salaries or bonus	\$ 105,517	\$ 110,414
Payable for compensation of employees	25,985	14,500
Payable for promotions	13,557	7,132
Payable for taxes	12,842	12,652
Output tax	12,244	8,449
Payable for remuneration to directors and supervisors	8,400	8,400
Payable for annual leave	4,739	4,986
Payable for purchase of equipment	3,930	17,403
Others	<u>105,596</u>	<u>99,910</u>
	<u>\$ 292,810</u>	<u>\$ 283,846</u>
Other current liabilities		
Contract liabilities (Note 28)	\$ 92,250	\$ 35,959
Others	<u>2,168</u>	<u>2,034</u>
	<u>\$ 94,418</u>	<u>\$ 37,993</u>

25. DEFERRED REVENUE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Current	\$ 7,178	\$ 7,060
Non-current	<u>-</u>	<u>7,060</u>
	<u>\$ 7,178</u>	<u>\$ 14,120</u>

The subsidiary company, KMC Automotive Shenzhen, received a government grant for its technical transformation. The amount was recognized as deferred revenue and subsequently transferred to profit or loss over the useful life of 3 years. The credit to income was \$7,022 thousand and \$7,334 thousand (classified under other income) for the years ended December 31, 2020 and 2019.

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

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

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

	December 31	
	2020	2019
KMC Chain Industrial Co., Ltd.		
Present value of defined benefit obligation	\$ 67,361	\$ 56,739
Fair value of plan assets	<u>(26,162)</u>	<u>(28,214)</u>
Net defined benefit liabilities	41,199	28,525
KMC Vietnam		
Net defined benefit liabilities	<u>4,210</u>	<u>4,401</u>
	<u>\$ 45,409</u>	<u>\$ 32,926</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	\$ 70,510	\$ (34,252)	\$ 36,258
Service cost			
Current service cost	557	-	557
Net interest expense (income)	<u>705</u>	<u>(345)</u>	<u>360</u>
Recognized in profit or loss	<u>1,262</u>	<u>(345)</u>	<u>917</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(982)	(982)
Actuarial loss - changes in financial assumptions	1,284	-	1,284
Actuarial gain - experience adjustments	<u>(8,593)</u>	<u>-</u>	<u>(8,593)</u>
			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Recognized in other comprehensive income	\$ (7,309)	\$ (982)	\$ (8,291)
Contributions from the employer	<u>-</u>	<u>(359)</u>	<u>(359)</u>
Benefits paid	<u>(7,724)</u>	<u>7,724</u>	<u>-</u>
Balance at December 31, 2019	<u>56,739</u>	<u>(28,214)</u>	<u>28,525</u>
Service cost			
Current service cost	216	-	216
Net interest expense (income)	<u>425</u>	<u>(213)</u>	<u>212</u>
Recognized in profit or loss	<u>641</u>	<u>(213)</u>	<u>428</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,066)	(1,066)
Actuarial loss - changes in financial assumptions	1,461	-	1,461
Actuarial loss - experience adjustments	<u>12,179</u>	<u>-</u>	<u>12,179</u>
Recognized in other comprehensive income	13,640	(1,066)	12,574
Contributions from the employer	<u>-</u>	<u>(328)</u>	<u>(328)</u>
Benefits paid	<u>(3,659)</u>	<u>3,659</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 67,361</u>	<u>\$ (26,162)</u>	<u>\$ 41,199</u> (Concluded)

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

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

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

	December 31	
	2020	2019
Discount rate	0.5%	0.75%
Expected rate of salary increase	2.5%	2.5%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other

assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	\$ (1,461)	\$ (1,284)
0.25% decrease	<u>\$ 1,508</u>	<u>\$ 1,326</u>
Expected rate of salary increase		
0.25% increase	\$ 1,453	\$ 1,281
0.25% decrease	<u>\$ (1,415)</u>	<u>\$ (1,247)</u>

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

	December 31	
	2020	2019
Expected contributions to the plan for the next year	\$ 360	\$ 385
Average duration of the defined benefit obligation	8.8 years	9.1 years

Before 2008, the employees' retirement benefit plan of the subsidiary in Vietnam was a defined benefit plan. The amount of retirement benefit was calculated by service years and the average salary of the six months before retirement. The balance of net defined benefit liabilities amounted to \$ 4,210 thousand and \$4,401 thousand as of December 31, 2020 and 2019.

27. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of authorized shares (in thousands)	<u>200,000</u>	<u>200,000</u>
Amount of authorized shares	\$ 2,000,000	\$ 2,000,000
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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<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
<u>May be used to offset a deficit only</u>		
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>-</u>
	<u>\$ 1,633,538</u>	<u>\$ 1,541,021</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

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 of 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 29(h).

An appropriation of earnings to a 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.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 had been approved in the stockholders' meetings on June 24, 2020 and June 20, 2019, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 101,412	\$ 94,765
Special reserve	239,740	123,003
Cash dividends	567,000	567,000
Cash dividends per share (NT\$)	4.5	4.5

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 15, 2021; the amounts were as follows:

	For the Year Ended December 31, 2020
Legal reserve	\$ 150,459
Special reserved	94,428
Cash dividends	907,200
Cash dividends per share (NT\$)	7.2

The appropriation of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held on June 24, 2021.

d. Special reserves

Under Rule No. 1010012865 issued by the FSC, the Company appropriated to special reserve \$239,740 thousand in 2020 and \$123,003 thousand in 2019 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	
	2020	2019
Balance as of January 1	\$ (810,893)	\$ (571,153)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	94,428	(239,205)
Loss on tax of exchange differences on translation of the financial statements of foreign operations	-	(535)
Balance as of December 31	<u>\$ (716,465)</u>	<u>\$ (810,893)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 254	\$ 244
Attributable to non-controlling interests:		
Share of profit (loss) for the year	(8)	4
Exchange difference on translation of the financial statements of foreign entities	<u>(17)</u>	<u>6</u>
Balance at December 31	<u>\$ 229</u>	<u>\$ 254</u>

28. REVENUE

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

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 6,130,483</u>	<u>\$ 5,239,635</u>

a. Contract information

1) Revenue from sale of goods

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

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note 10)	<u>\$ 88,294</u>	<u>\$ 107,758</u>	<u>\$ 113,675</u>
Notes receivable from related parties (Note 10)	<u>\$ 16,110</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts receivable (Note 10)	<u>\$ 1,137,624</u>	<u>\$ 870,226</u>	<u>\$ 817,389</u>
Accounts receivable from related parties (Note 9)	<u>\$ 62,872</u>	<u>\$ 52,471</u>	<u>\$ 56,275</u>
Contract liabilities (classified under other current liabilities) (Note 24)			
Sale of goods	<u>\$ 92,250</u>	<u>\$ 35,959</u>	<u>\$ 20,885</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	
	2020	2019
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 35,285</u>	<u>\$ 20,359</u>

29. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2020	2019
Loss on disposal of property, plant and equipment	<u>\$ 5,346</u>	<u>\$ 5,899</u>

b. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	<u>\$ 24,641</u>	<u>\$ 24,949</u>

c. Other income

	For the Year Ended December 31	
	2020	2019
Rental income	\$ 23,656	\$ 24,684
Government grants	19,025	27,911
Others	<u>30,174</u>	<u>15,102</u>
	<u>\$ 72,855</u>	<u>\$ 67,697</u>

d. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	\$ 33,557	\$ 39,989
Foreign exchange losses	(83,690)	(44,809)
Others	<u>(14,630)</u>	<u>(13,696)</u>
	<u>\$ (64,763)</u>	<u>\$ (18,516)</u>

e. Finance cost

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 25,794	\$ 32,937
Interest on convertible bonds	1,241	-
Interest on bills payable	1,005	2,356
Interest on lease liabilities	<u>57</u>	<u>61</u>
	<u>\$ 28,097</u>	<u>\$ 35,354</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 182,136	\$ 170,531
Operating expenses	108,313	113,151
Other losses	<u>9,344</u>	<u>8,599</u>
	<u>\$ 299,793</u>	<u>\$ 292,281</u>
An analysis of amortization by function		
Operating costs	\$ 120	\$ 265
Operating expenses	<u>56,091</u>	<u>51,905</u>
	<u>\$ 56,211</u>	<u>\$ 52,170</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	<u>\$ 809,392</u>	<u>\$ 807,588</u>
Post-employment benefits		
Defined contribution plans	10,343	43,828
Defined benefit plans (Note 26)	<u>428</u>	<u>917</u>
	<u>10,771</u>	<u>44,745</u>
	<u>\$ 820,163</u>	<u>\$ 852,333</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 465,383	\$ 493,740
Operating expenses	<u>354,780</u>	<u>358,593</u>
	<u>\$ 820,163</u>	<u>\$ 852,333</u>

h. Compensation of employees and remuneration of directors and supervisors

According 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, 2020 and 2019 which were approved by the Company's board of directors on March 15, 2021 and March 19, 2020, respectively are as follows:.

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	0.612%	1.027%
Remuneration of directors and supervisors	0.485%	0.685%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	\$ 10,606	\$ 12,600
Remuneration of directors and supervisors	8,400	8,400

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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.

30. INCOME TAXES

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 435,469	\$ 317,173
Income tax on unappropriated earnings	5,298	8,028
Adjustment for prior periods	3,444	(345)
	<u>444,211</u>	<u>324,856</u>
Deferred tax		
In respect of the current year	<u>20,548</u>	<u>(39,394)</u>
Income tax expense recognized in profit	<u>\$ 464,759</u>	<u>\$ 285,462</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	\$ <u>1,979,405</u>	\$ <u>1,292,952</u>
Income tax expense calculated at the statutory rate	\$ 603,740	\$ 368,638
Deductible income in determining taxable income	(153,813)	(48,571)
Unrecognized deductible temporary differences	6,090	(42,288)
Additional income tax on unappropriated earnings	5,298	8,028
Adjustments for prior years' tax	<u>3,444</u>	<u>(345)</u>
Income tax expense recognized in profit	\$ <u>464,759</u>	\$ <u>285,462</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ -	\$ (535)
Remeasurement on defined benefit plans	<u>2,515</u>	<u>(1,658)</u>
	\$ <u>2,515</u>	\$ <u>(2,193)</u>

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	\$ 13,442	\$ 18,963
Prepaid income tax	<u>3,601</u>	<u>1,805</u>
	\$ <u>17,043</u>	\$ <u>20,768</u>
Current tax liabilities		
Income tax payable	\$ <u>299,448</u>	\$ <u>143,778</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Influence of acquisition	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>						
Temporary differences						
Provision for loss on inventories	\$ 1,959	\$ -	\$ 245	\$ -	\$ 5	\$ 2,209
Allowance for impair receivables	1,969	-	(1,941)	-	(2)	26
Unrealized foreign exchange loss	2,329	-	(1,748)	-	-	581
Defined benefit obligation	6,520	-	(795)	(2,515)	-	8,240
Unrealized gross profit	43,991	-	(20,989)	-	-	23,002
Exchange difference on translation of the financial statements of foreign operations	9,633	-	1,796	-	-	11,429
Others	-	-	518	-	20	538
	66,401	-	(22,914)	2,515	23	46,025
Tax losses	19,204	-	(6,230)	-	183	13,157
	<u>\$ 85,605</u>	<u>\$ -</u>	<u>\$ (29,144)</u>	<u>\$ 2,515</u>	<u>\$ 206</u>	<u>\$ 59,182</u>
<u>Deferred Tax Liabilities</u>						
Temporary differences						
Unrealized foreign exchange gain	\$ 2	\$ -	\$ (2)	\$ -	\$ -	\$ -
Cash surrender value of life insurance	261	-	-	-	-	261
Unappropriated earnings of subsidiaries	30,492	-	-	-	-	30,492
Reserve for land value increment tax	124,388	-	-	-	-	124,388
Deferred revenue	317,384	-	(8,594)	-	5,117	313,907
	<u>\$ 472,527</u>	<u>\$ -</u>	<u>\$ (8,596)</u>	<u>\$ -</u>	<u>\$ 5,117</u>	<u>\$ 469,048</u>

For the year ended December 31, 2019

	Opening Balance	Influence of acquisition	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred Tax Assets</u>						
Temporary differences						
Provision for loss on inventories	\$ 6,864	\$ 4,995	\$ (9,880)	\$ -	\$ (20)	\$ 1,959
Allowance for impair receivables	9,406	6,708	(14,133)	-	(12)	1,969
Unrealized foreign exchange loss	-	-	2,329	-	-	2,329
Defined benefit obligation	7,635	-	538	(1,658)	5	6,520
Unrealized gross profit	50,077	-	(6,086)	-	-	43,991
Unrealized gross profit of exported inventories after declared	3,483	-	(3,483)	-	-	-
Exchange difference on translation of the financial statements of foreign operations	10,168	-	-	(535)	-	9,633
	87,633	11,703	(30,715)	(2,193)	(27)	66,401
Tax losses	-	-	19,949	-	(745)	19,204
	<u>\$ 87,633</u>	<u>\$ 11,703</u>	<u>\$ (10,766)</u>	<u>\$ (2,193)</u>	<u>\$ (772)</u>	<u>\$ 85,605</u>
<u>Deferred Tax Liabilities</u>						
Temporary differences						
Unrealized foreign exchange gain	\$ 150	\$ -	\$ (148)	\$ -	\$ -	\$ 2
Cash surrender value of life insurance	261	-	-	-	-	261
Unappropriated earnings of subsidiaries	71,451	-	(40,959)	-	-	30,492
Reserve for land value increment tax	124,388	-	-	-	-	124,388
Deferred revenue	338,749	-	(9,053)	-	(12,312)	317,384
	<u>\$ 534,999</u>	<u>\$ -</u>	<u>\$ (50,160)</u>	<u>\$ -</u>	<u>\$ (12,312)</u>	<u>\$ 472,527</u>

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

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$2,012,505 thousand and \$1,380,975 thousand, respectively.

- f. Income tax assessments

The tax returns of the Company, KMC Chain Industrial Co., Ltd. and K.M.C Automobile Transmission Co., Ltd. through 2018 have been assessed by the tax authorities.

31. 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	
	2020	2019
Profit for the year attributable to owners of the Company	\$ 1,514,654	\$ 1,007,486
Effect of potentially dilutive ordinary shares		
Convertible bonds	<u>842</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,515,496</u>	<u>\$ 1,007,486</u>

Number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2020	2019
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	841	-
Compensation of employees	<u>86</u>	<u>138</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>126,927</u>	<u>126,138</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.

32. BUSINESS COMBINATION – FOR THE YEAR ENDED DECEMBER 31, 2019

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interest Acquired (%)	Consideration Transferred
Maya Chain (including subsidiary Maya Trading)	Manufacturing and selling various chains and components	Jan 1, 2019	100	Note

Note: The total consideration in the acquisition of Maya Chain amounted to RMB85,000 thousand.

The Group acquired Maya Chain in order to expand the market in China for bicycle components, and also to expand the customer base in overseas markets.

b. Consideration transferred

Consideration transferred was in cash. Acquisition-related costs amounting to \$430 thousand were excluded from the consideration transferred and were recognized as an expense in the period.

c. Goodwill recognized on acquisition

	MAYA CHAIN
Consideration transferred	\$ 380,120
Less: Fair value of identifiable net assets acquired	<u>265,660</u>
Goodwill recognized on acquisition	<u>\$ 114,460</u>

d. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31, 2019
Consideration paid in cash	\$ 380,120
Less: Cash and cash equivalents balances acquired	<u>33,074</u>
	<u>\$ 347,046</u>

e. Impact of acquisitions on the results of the Group

The financial results of the acquires since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

	For the Year Ended December 31, 2019
Revenue	
Maya Chain	\$ 12,407
Maya Trading	<u>297,049</u>
	<u>\$ 309,456</u>

33. CAPITAL MANAGEMENT

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

34. FINANCIAL INSTRUMENTS

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

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

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Convertible bonds	<u>\$ 979,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985,400</u>	<u>\$ 985,400</u>

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - Convertible bonds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,100</u>	\$ <u>1,100</u>
Financial liabilities at FVTPL				
Derivatives - foreign exchange forward contracts	\$ <u>-</u>	\$ <u>58</u>	\$ <u>-</u>	\$ <u>58</u>

There were no transfers between Levels 1 and 2 in the current years.

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

For the year ended December 31, 2020

Financial Assets at FVTPL	Convertible Bonds
Additions	\$ 1,000
Recognized in profit or loss (included in other gains and losses)	100
	<hr/>
Balance at December 31, 2020	\$ <u>1,000</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 input 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	
	2020	2019
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 1,100	\$ -
Financial assets at amortized cost (1)	3,601,405	2,902,093
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	58	-
Amortized cost (2)	3,334,114	3,976,726

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 38.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (NTD, the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates a 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	
	2020	2019
Profit or loss	\$ 7,252	\$ 7,359

	EUR impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ 73	\$ 318

	RMB impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	\$ 1,149	\$ 690

The Group's sensitivity to the currency rate decreased during the current period mainly due to the decrease in net assets in the currency USD.

b) Interest rate risk

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

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 1,211,038	\$ 999,538
Financial liabilities	1,106,871	99,955
Cash flow interest rate risk		
Financial assets	1,049,752	823,743
Financial liabilities	1,463,787	3,253,177

Sensitivity analysis

If interest rates had been 1% higher and all other variables were held constant, the Group's profit before tax for the year ended December 31, 2020 and 2019 would decrease by \$4,140 thousand and \$24,294 thousand, respectively; the change was mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings and deposits.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

December 31, 2020

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 725,400	\$ 1,724	\$ 14,655
Lease liabilities	843	829	6,078
Variable interest rate liabilities	111,730	451,459	911,645
Fixed interest rate liabilities	<u>116,674</u>	<u>2,788</u>	<u>1,000,479</u>
	<u>\$ 981,647</u>	<u>\$ 456,800</u>	<u>\$ 1,932,857</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 3,174</u>	<u>\$ 4,576</u>

December 31, 2019

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 585,165	\$ 9,293	\$ 27,005
Lease liabilities	838	838	2,985
Variable interest rate liabilities	527,962	723,925	2,020,748
Fixed interest rate liabilities	<u>100,250</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,214,215</u>	<u>\$ 734,056</u>	<u>\$ 2,050,738</u>

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

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

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

December 31, 2020

	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 37,915	\$ -	\$ -	\$ -
Outflows	<u>(37,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (58)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,583,622	\$ 3,353,132
Amount unused	<u>6,806,997</u>	<u>5,241,868</u>
	<u>\$ 8,390,619</u>	<u>\$ 8,595,000</u>

35. 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 half of seats in the board of directors of the Company as of December 31, 2020 and 2019.

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

Name of Related Party	Relationship with the Group
KMC Transton Industries Limited	Ultimate parent company
Wincorp Enterprises Limited	Same members of the key management personnel
Surmount Technology Shenzhen Co., Ltd.	Same members of the key management personnel
President Industry Development (Shenzhen) Co., Ltd.	Same members of the key management personnel
KMC Transmission (Chengdu) Co., Ltd.	Same members of the key management personnel
KMC Transmission (Tianjin) Co., Ltd.	Same members of the key management personnel
Top Leader Industries Limited	Substantial related party
KMC Taiwan Physical Activity Foundation	Same members of the key management personnel

a. Sales of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Same members of the key management personnel	\$ <u>149,541</u>	\$ <u>135,675</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 180 days and for non-related parties were 30 to 90 days.

b. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Same members of the key management personnel	\$ <u>39,935</u>	\$ <u>119,943</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 30 to 90 days.

c. Receivables from related parties

Account Item	Related Party Type	December 31	
		2020	2019
Accounts receivable from related parties	Same members of the key management personnel	\$ <u>62,872</u>	\$ <u>52,471</u>
Other receivables from related parties (classified under other receivables)	Same members of the key management personnel	\$ <u>1,908</u>	\$ <u>3,967</u>

The outstanding receivables from related parties are unsecured. For the year ended December 31, 2020 and 2019, no impairment loss was recognized for receivables from related parties.

d. Payables to related parties

Account Item	Related Party Type	December 31	
		2020	2019
Accounts payable to related parties	Same members of the key management personnel	\$ <u>49,602</u>	\$ <u>35,725</u>

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

e. Acquisitions of property, plant and equipment

Related Party Type / Name	Purchase Price	
	For the Year Ended December 31	
	2020	2019
Same members of the key management personnel President Industry Development (Shenzhen) Co., Ltd.	\$ <u>31,085</u>	\$ <u>52,246</u>

f. Disposals of property, plant and equipment

For the Year Ended December 31, 2019

Related Party Category / Name	Proceeds	Gain on Disposal
Same member of the key management personnel President Industry Development (Shenzhen) Co., Ltd.	\$ <u>894</u>	\$ <u>81</u>

g. Acquisitions of subsidiaries

For the Year Ended December 31, 2019

Related Party Category / Name	Item	Purchase Price
Substantial related party Top Leader Industries Limited	Shareholdings of Maya Chain Co., Ltd.	\$ <u>380,120</u>

h. Lease arrangements - Group as lessee

Acquisition of right-of-use assets

The Group leases offices and plants from the parent company. The lease terms are from August 2015 to July 2025, and the rentals are paid quarterly.

Account Item	Related Party Category	December 31	
		2020	2019
Lease liabilities	Parent Company	\$ <u>5,801</u>	\$ <u>1,006</u>

Related Party Category	For the Year Ended December 31	
	2020	2019
<u>Interest expense</u>		
Parent company	\$ <u>26</u>	\$ <u>18</u>

i. Lease arrangements

Lease arrangements - Group as lessor under operating leases

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

Future lease payment receivable are as follows:

Related Party Category / Name	December 31	
	2020	2019
Same members of the key management personnel		
President Industry Development (Shenzhen) Co., Ltd.	\$ 2,223	\$ 1,094
Surmount Technology Shenzhen Co., Ltd.	<u>3,225</u>	<u>879</u>
	\$ <u>5,448</u>	\$ <u>1,973</u>

Lease income was as follows:

Related Parties Types / Name	For the Year Ended December 31	
	2020	2019
Same members of the key management personnel		
President Industry Development (Shenzhen) Co., Ltd.	\$ 1,813	\$ 2,272
Surmount Technology Shenzhen Co., Ltd.	<u>1,456</u>	<u>1,826</u>
	\$ <u>3,269</u>	\$ <u>4,098</u>

j. Others

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Donations	Same members of the key management personnel		
	KMC Taiwan Physical Activity Foundation	\$ <u>-</u>	\$ <u>1,400</u>

k. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 14,911	\$ 15,942
Post-employment benefits	<u>195</u>	<u>223</u>
	<u>\$ 15,106</u>	<u>\$ 16,165</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals, the performance of the Group, and the risk of future operations.

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Unrecognized commitments of the Group were as follows:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$ 38,949</u>	<u>\$ 25,153</u>

37. OTHER ITEMS

To cope with the impact of the COVID-19, the Group is continuously applying for government grants from local governments. The Group had received government grants of \$8,382 thousand from the second quarter to fourth quarter of year 2020 (refer to Note 29). As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the impact of COVID-19 on the Group's economy.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,927	28.78 (USD : NTD)	\$ 487,131
USD	1,109	23,129 (USD : VND)	31,743
USD	12,871	6.5254 (USD : RMB)	366,558
EUR	76	34.17 (EUR : NTD)	2,593
EUR	282	8.0250 (EUR : RMB)	9,874
RMB	88,437	4.34 (RMB : NTD)	383,831
<u>Financial liabilities</u>			
Monetary items			
USD	4,279	28.48 (USD : NTD)	121,875
USD	731	23,190 (USD : VND)	20,994
USD	606	14,070 (USD : RMB)	17,314
EUR	152	33.63 (EUR : NTD)	5,120
RMB	61,445	4.38 (RMB : NTD)	268,944

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,465	30.02 (USD : NTD)	\$ 584,321
USD	1,450	23,151 (USD : VND)	39,283
USD	439	13,752 (USD : IDR)	13,174
USD	8,015	7.8163 (USD : RMB)	240,288
EUR	1,554	33.59 (EUR : NTD)	52,208
EUR	83	7.8155 (EUR : RMB)	2,782
RMB	52,945	4.31 (RMB : NTD)	227,927
<u>Financial liabilities</u>			
Monetary items			
USD	2,076	30.17 (USD : NTD)	62,618
USD	1,695	23,229 (USD : VND)	46,071
USD	534	13,752 (USD : IDR)	16,018
USD	551	6.984 (USD : RMB)	16,506
EUR	690	33.59 (EUR : NTD)	23,192
RMB	36,916	4.31 (RMB : NTD)	158,924

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

Foreign Currencies	For the Year Ended December 31			
	2020		2019	
Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)	
NTD	1 (NTD:NTD)	\$ (24,387)	1 (NTD:NTD)	\$ (11,627)
VND	0.00124 (VND:NTD)	1,483	0.0013305(VND:NTD)	705
IDR	0.00203 (IDR:NTD)	455	0.00221 (IDR:NTD)	168
RMB	4.377 (RMB:NTD)	(27,684)	4.472 (RMB:NTD)	5,836
USD	28.48 (USD:NTD)	-	30.912 (USD:NTD)	98
		<u>\$ (50,133)</u>		<u>\$ (4,820)</u>

39. 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. (N/A)
- 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 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 8)

b. Information on investees. (Table 5)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount

of the investment at the end of the period, and repatriations of investment from the mainland China area. (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 7)
 - 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. (N/A)
 - 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).

40. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a plant by plant basis with focus on the operating result of each plant. As each plant shares similar economic characteristics, produces similar products using similar production process and all products are distributed and sold to same level of customers through a central sales function, the Group's operating segments are aggregated into a single reportable segment. The Group's chief operating decision maker reviews segment information measured on the same basis as the financial statements. Information about reportable segment sales and profit or loss is referred to the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019, and information on assets is referred to the consolidated balance sheets as of December 31, 2020 and 2019.

a. Geographical information

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

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

	Revenue from External Customers	
	For the Year Ended December 31	
	2020	2019
Asia	\$ 4,979,060	\$ 4,265,204
Europe	901,357	831,717
America	<u>250,066</u>	<u>142,714</u>
	<u>\$ 6,130,483</u>	<u>\$ 5,239,635</u>
	Non-current Assets	
	December 31,	December 31,
	2020	2019
Asia	\$ 5,691,372	\$ 5,699,680
Europe	42,478	29,481
America	<u>46,361</u>	<u>49,864</u>
	<u>\$ 5,780,211</u>	<u>\$ 5,779,025</u>

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

b. Information about major customers

There are no single customers who contributed 10% or more to the Group's revenue for the years ended December 31, 2020 and 2019.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	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 Transmission (Tianjin) Co., Ltd.	Other receivable	Y	\$ 87,540 (RMB 20,000 thousand)	\$ 87,540 (RMB 20,000 thousand)	\$ -	3.5%	2	\$ -	Operating capital	\$ -	-	-	\$ 5,371,250	\$ 12,805,538	
		KMC Automotive Transmission Co., Ltd.	Other receivable	Y	21,885 (RMB 5,000 thousand)	21,885 (RMB 5,000 thousand)	-	3.5%	2	-	Operating capital	-	-	-	5,371,250	12,805,538	

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.

Note 4: The rate of exchange was NT\$4.377 to one RMB.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	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	\$ 12,805,538	\$ 341,760 (USD 12,000 thousand)	\$ 341,760 (USD 12,000 thousand)	\$ -	\$ -	5	\$ 12,805,538	Y	N	N
		KMC Chain (Vietnam) Co., Ltd.	Subsidiary	12,805,538	427,200 (USD 15,000 thousand)	427,200 (USD 15,000 thousand)	-	-	7	12,805,538	Y	N	N

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

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

Note 3: The rate of exchange was NT\$28.48 to one US dollar.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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, 2020
(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	\$ (614,216)	(25)	Net 90 days after month end close or advance payment	Negotiation method	Net 90 days after month end close or advance payment	\$ -	-	
	KMC Chain American Corporation	Subsidiary	Sales	(121,564)	(5)	Net 90 days after month end close	Negotiation method	Net 90 days after month end close	25,055	6	
	KMC Chain (Vietnam) Co., Ltd.	Subsidiary	Purchases	128,314	9	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(24,194)	(4)	
	KMC Chain Industrial Co., Ltd.	Subsidiary	Purchases	721,317	52	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(327,634)	(52)	
	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	452,040	33	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(250,536)	(40)	
	WINCORP ENTERPRISES LIMITED	Affiliates	Sales	(147,358)	(6)	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	62,872	15	
KMC Automobile Transmission Co., Ltd.	KMC Automotive Transmission Co., Ltd.	Affiliates	Purchases	134,323	92	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	(12,150)	(80)	
KMC Transmission (Tianjin) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Affiliates	Sales	(369,224)	(42)	Net 90 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	106,116	31	
	Suzhou Maya Trading Co., Ltd.	Affiliates	Sales	(304,106)	(35)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	157,722	46	
	KMC Chain (Shenzhen) Co., Ltd.	Affiliates	Sales	(125,356)	(14)	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	53,386	15	
KMC Chain (Shenzhen) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Affiliates	Sales	(131,067)	(13)	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	26,327	5	
KMC Chain (Suzhou) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Affiliates	Sales	(285,293)	(34)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	27,888	13	
	Taicang Tec Industry and Trade Co., Ltd.	Affiliates	Sales	(243,846)	(29)	Net 60 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	99,945	45	
	KMC Transmission (Tianjin) Co., Ltd.	Affiliates	Sales	(100,975)	(12)	Net 120 days after month end close	No comparable payment terms for general customers	No comparable sales prices for general customers	23,894	11	

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(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 Chain (Shenzhen) Co., Ltd.	KMC (KUEI MENG) International Inc.	Parent company	\$ 250,536	4.47	\$ -	-	\$ 95,605	\$ -
KMC Chain Industrial Co., Ltd.	KMC (KUEI MENG) International Inc.	Parent company	327,634	2.61	-	-	83,351	-
KMC Chain (Shenzhen) Co., Ltd.	KMC Transmission (Tianjim) Co., Ltd.	Affiliates	153,021	0.69	-	-	8,526	-
KMC Transmission (Tianjim) Co., Ltd.	Suzhou Maya Trading Co., Ltd.	Affiliates	157,722	1.95	-	-	18,487	-
KMC Transmission (Tianjim) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Affiliates	106,116	5.50	-	-	6,849	-

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	%	Carrying Amount			
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.	Taiwan	Manufacturing, selling various chains and components of motorcycle and vehicle	\$ 7,261,427	\$ 7,261,427	88,600,000	100	\$ 8,262,661	\$ 755,466	\$ 759,230	
	Pro (Taiwan) Procurement Co., Ltd	Taiwan	Selling various bicycle components	12,250	12,250	1,225,000	49	12,793	1,005	492	
	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	622,328	6,067	6,067	
	KMC Industries (Vietnam) Co., Ltd.	Vietnam	Selling various chains and components	28,480 (USD 1,000 thousand)	29,980 (USD 1,000 thousand)	-	100	23,707	(2,386)	(2,386)	
KMC Chain Industrial Co., Ltd.	KMC (BVI) Holding Co., Ltd.	British Virgin IS	Investing activities	14,810 (USD 520 thousand)	15,590 (USD 520 thousand)	520,000	100	390,129	43,917		
	KMC Chain Europe N.V.	Netherlands	Selling various bicycle chains and components	320,919	320,919	100	100	581,419	75,895		
	KMC Chain American Corporation	United States	Selling various bicycle chains and components	130,845	130,845	10,000	100	159,683	36,476		
	P.T. Kuei Meng Chain Indonesia	Indonesia	Selling various motorcycle chains and components	24,750	24,750	-	99	22,625	(811)		
KMC(BVI)Holding Co., Ltd.	KMC Chain (Vietnam) Co., Ltd.	Vietnam	Manufacturing and selling various chains and components	85,440 (USD 3,000 thousand)	89,940 (USD 3,000 thousand)	-	100	420,028	43,917		

Note 1: Information on investment in mainland China is provided in Table 6.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
KMC Investment (China) Co., Ltd	Investing activities.	\$ 4,646,505 (RMB 1,061,573 thousand)	1.(1)	\$ 5,036,936	\$ -	\$ -	\$ 5,036,936	\$ 470,009	100	\$ 470,009	\$ 5,993,556	\$ -	
KMC Transmission (Tianjin) Co., Ltd.	Manufacturing and selling various chains of bicycle.	388,634 (RMB 88,790 thousand)	1.(3)	1.(3)	-	-	1.(3)	54,999	100	49,240	649,327	-	Note 5
Taichang Tec Industry and Trade Co., Ltd.	Selling various bicycle chains.	8,754 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	19,670	100	19,670	36,589	-	
Suzhou KMC Industry and Trade Co., Ltd.	Selling various bicycle chains.	8,754 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	288,574	100	288,574	308,236	-	
KMC Chain (Shenzhen) Co., Ltd.	Manufacturing and selling various chains of bicycle.	760,758 (RMB 173,808 thousand)	1.(3)	1.(3)	-	-	1.(3)	96,428	100	64,797	2,324,821	-	Note 5
KMC Chain (Suzhou) Co., Ltd.	Manufacturing and selling various chains of bicycle.	353,233 (RMB 80,702 thousand)	1.(3)	1.(3)	-	-	1.(3)	53,827	100	33,804	912,147	-	Note 5
KMC Automotive Transmission Co., Ltd.	Manufacturing and selling ATS.	179,457 (RMB 41,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	12,826	100	1,513	365,156	-	Note 5
KMC Transton Company Limited.	Manufacturing and selling GDO.	39,393 (RMB 9,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	11,404	100	6,341	299,484	-	Note 5
Shenzhen KMC Industrial Co., Ltd.	Selling of GDO.	4,377 (RMB 1,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	(173)	100	(173)	18,935	-	
Maya Chain Co., Ltd.	Manufacturing and selling various chains of bicycle.	342,885 (RMB 78,338 thousand)	1.(3)	1.(3)	-	-	1.(3)	20,091	100	12,727	348,958	-	Note 5
Suzhou Maya Trading Co., Ltd.	Selling various bicycle chains.	48,147 (RMB 1,200 thousand)	1.(3)	1.(3)	-	-	1.(3)	13,176	100	13,176	2,112	-	
KMC International Trading (Taicang) Co., Ltd.	Selling various chains.	8,754 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	(68)	100	(68)	8,684	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,643,187 (RMB 1,060,815 thousand)	\$ 5,625,313 (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 Jing-Shen-Zi Letter 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 are NT\$4.377 to one RMB and NT\$ 28.48 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.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain
			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	\$ 452,040	14	Net 150 days after month end close	Bargain	Equivalent	\$ (250,536)	(40)	\$ (20,569)
	KMC Chain (Suzhou) Co., Ltd.	Subsidiary	Purchases	65,357	2	Net 60 days after month end close	Bargain	Equivalent	(18,408)	(3)	-
KMC Chain Industrial Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	Affiliates	Purchases	94,574	3	Net 60 days after month end close	Bargain	Equivalent	(21,928)	(32)	5,370
	KMC Chain (Shenzhen) Co., Ltd.	Affiliates	Sales	(24,672)	-	Net 60 days after month end close	Bargain	Equivalent	5,261	2	1,246
	KMC Chain (Suzhou) Co., Ltd.	Affiliates	Sales	(12,699)	1	Net 60 days after month end close	Bargain	Equivalent	3,701	1	663
K.M.C. Automobile Transmission Co., Ltd	KMC Automotive Transmission Co., Ltd.	Affiliates	Purchases	134,323	4	Net 60 days after month end close	Bargain	Equivalent	(12,150)	(80)	-
KMC Industries (Vietnam) Co., Ltd.	Shenzhen KMC Industrial Co., Ltd.	Affiliates	Purchases	20,753	1	Net 60 days after month end close	Bargain	Equivalent	(2,272)	(4)	-

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Related Party	Counterparty	Relationship (Note 2)	Transaction Details					
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets (Note 3)		
0	KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	1.	Sales	\$ 614,216	Negotiation method	1		
		KMC Chain American Corporation	1.	Sales	121,564	Negotiation method	2		
		P.T. Kuei Meng Chain Indonesia	1.	Sales	19,892	Negotiation method	-		
		KMC Chain (Vietnam) Co., Ltd.	1.	Purchases	128,314	Negotiation method	2		
		KMC Chain Industrial Co., Ltd.	1.	Purchases	721,317	Negotiation method	12		
		KMC Chain (Shenzhen) Co., Ltd.	1.	Purchases	452,040	Negotiation method	7		
		KMC Chain (Suzhou) Co., Ltd.	1.	Purchases	65,357	Negotiation method	1		
		KMC Chain American Corporation	1.	Accounts receivable	25,055	Net 90 days after month end close	-		
		P.T. Kuei Meng Chain Indonesia	1.	Accounts receivable	15,043	Net 180 days after month end close	-		
		KMC Chain (Vietnam) Co., Ltd.	1.	Accounts payable	24,194	Net 60 days after month end close	-		
		KMC Chain Industrial Co., Ltd.	1.	Accounts payable	327,634	Net 120 days after month end close	3		
		KMC Chain (Shenzhen) Co., Ltd.	1.	Accounts payable	250,536	Net 150 days after month end close	2		
		KMC Chain (Suzhou) Co., Ltd.	1.	Accounts payable	18,408	Net 60 days after month end close	-		
		KMC Chain Europe N.V.	1.	Unrealized gain	68,969	-	1		
		KMC Chain Europe N.V.	1.	Contract liabilities	98,309	Negotiation method	1		
		1	KMC Chain Industrial Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	3.	Sales	24,672	Negotiation method	-
				KMC Chain (Suzhou) Co., Ltd.	3.	Sales	12,699	Negotiation method	-
KMC Chain (Shenzhen) Co., Ltd.	3.			Purchases	94,574	Negotiation method	2		
KMC Chain (Vietnam) Co., Ltd.	3.			Purchases	36,247	Net 60 days after month end close	1		
2	K.M.C. Automobile Transmission Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	3.	Accounts payable	21,928	Net 60 days after month end close	-		
		KMC Automotive Transmission Co., Ltd.	3.	Purchases	134,323	Negotiation method	2		
		KMC Automotive Transmission Co., Ltd.	3.	Accounts payable	12,150	Negotiation method	-		
3	KMC Chain (Vietnam) Co., Ltd.	3.	Purchases	21,003	Negotiation method	-			
4	KMC Transmission (Tianjin) Co., Ltd.	Shenzhen KMC Industrial Co., Ltd.	3.	Purchases	21,003	Negotiation method	-		
		Taichang Tec Industry and Trade Co., Ltd.	3.	Sales	34,684	Negotiation method	1		
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	369,224	Negotiation method	6		
		Shenzhen KMC Industrial Co., Ltd.	3.	Sales	125,356	Negotiation method	2		
		Suzhou Maya Trading Co., Ltd.	3.	Sales	304,106	Negotiation method	5		
		KMC Chain (Shenzhen) Co., Ltd.	3.	Purchases	81,376	Negotiation method	1		
		KMC Chain (Suzhou) Co., Ltd.	3.	Purchases	100,582	Negotiation method	2		
		Taichang Tec Industrial and Trades Co., Ltd.	3.	Accounts receivable	12,119	Net 120 days after month end close	-		
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Accounts receivable	106,116	Net 90 days after month end close	1		
		Shenzhen KMC Industrial Co., Ltd.	3.	Accounts receivable	53,386	Net 60 days after month end close	1		
		Suzhou Maya Trading Co., Ltd.	3.	Accounts receivable	157,722	Net 120 days after month end close	1		
KMC Chain (Shenzhen) Co., Ltd.	3.	Accounts payable	153,021	Net 120 days after month end close	1				
KMC Chain (Suzhou) Co., Ltd.	3.	Accounts payable	23,894	Net 120 days after month end close	-				

(Continued)

No. (Note 1)	Related Party	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets (Note 3)
5	KMC Chain (Shenzhen) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	\$ 131,067	Negotiation method	2
		Taichang Tec Industry and Trade Co., Ltd.	3.	Sales	49,179	Negotiation method	1
		KMC Chain (Suzhou) Co., Ltd.	3.	Sales	55,002	Negotiation method	1
		KMC Transton Company Limited.	3.	Sales	53,480	Negotiation method	1
		Shenzhen KMC Industrial Co., Ltd.	3.	Sales	31,594	Negotiation method	1
		KMC Chain (Suzhou) Co., Ltd.	3.	Purchases	26,146	Negotiation method	-
		Suzhou KMC Industry and Trade Co., Ltd.	3.	Accounts receivable	26,327	Net 60 days after month end close	-
		Taichang Tec Industry and Trade Co., Ltd.	3.	Accounts receivable	21,650	Net 90 days after month end close	-
		KMC Transton Company Limited.	3.	Accounts receivable	22,198	Net 120 days after month end close	-
		KMC Chain (Suzhou) Co., Ltd.	3.	Accounts receivable	10,448	Net 60 days after month end close	-
		Shenzhen KMC Industrial Co., Ltd.	3.	Accounts receivable	16,511	Net 120 days after month end close	-
		6	KMC Chain (Suzhou) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	3.	Sales	285,293
Taichang Tec Industry and Trade Co., Ltd.	3.			Sales	243,846	Negotiation method	4
KMC Transton Company Limited.	3.			Sales	26,356	Negotiation method	-
Suzhou Maya Trading Co., Ltd.	3.			Sales	79,855	Negotiation method	1
Suzhou KMC Industry and Trade Co., Ltd.	3.			Accounts receivable	27,888	Net 60 days after month end close	-
Taichang Tec Industry and Trade Co., Ltd.	3.			Accounts receivable	99,945	Net 120 days after month end close	-
KMC Transton Company Limited.	3.			Accounts receivable	16,633	Net 120 days after month end close	-
Suzhou Maya Trading Co., Ltd.	3.			Accounts receivable	27,793	Net 60 days after month end close	-
Shenzhen KMC Industrial Co., Ltd.	3.			Sales	25,815	Negotiation method	-
Shenzhen KMC Industrial Co., Ltd.	3.			Accounts receivable	11,862	Net 120 days after month end close	-
7	KMC Transton Company Limited.	Shenzhen KMC Industrial Co., Ltd.	3.	Other receivable	39,207	-	-

(Concluded)

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

Note 2: The transaction relationships with the counterparties are as follows:
No. 1: Represents transactions from parent Company to subsidiary.
No. 2: Represents transactions from the subsidiary to the parent Company.
No. 3: Represents transactions among subsidiaries.

Note 3: The percentage of total assets is for balance sheet accounts, and the percentage of total sales is for profit or loss accounts.

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
KMC Transton Industries Limited	47,412,256	37.62
Wu, Hsing-Chuan	7,902,042	6.27
Yu, Wen- Ying	7,902,042	6.27

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Land	Buildings	Machinery and equipment	Transportation equipment	Leasehold improvement	Furniture and fixtures	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>									
Balance at January 1, 2019	\$ 239,734	\$ 2,386,304	\$ 1,356,388	\$ 70,859	\$ 10,875	\$ 35,791	\$ 216,587	\$ 273,529	\$ 4,590,067
Acquisitions through business combinations	-	-	128,547	855	-	-	1,111	-	130,513
Additions	-	3,600	136,493	4,631	12	2,294	66,875	63,540	277,445
Disposals	-	-	(153,119)	(12,044)	-	(390)	(32,166)	-	(197,719)
Reclassification	-	217,191	34,295	1,519	(1,519)	1,760	17,585	(308,637)	(37,806)
Effect of foreign currency exchange differences	(658)	(93,080)	(42,986)	(2,297)	(317)	(895)	(8,536)	(1,062)	(149,831)
Balance at December 31, 2019	<u>\$ 239,076</u>	<u>\$ 2,514,015</u>	<u>\$ 1,459,618</u>	<u>\$ 63,523</u>	<u>\$ 9,051</u>	<u>\$ 38,560</u>	<u>\$ 261,456</u>	<u>\$ 27,370</u>	<u>\$ 4,612,669</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	\$ -	\$ 510,595	\$ 703,365	\$ 53,318	\$ 6,964	\$ 18,989	\$ 122,692	\$ -	\$ 1,415,923
Acquisitions through business combinations	-	-	121,954	855	-	-	981	-	123,790
Disposals	-	-	(153,174)	(10,958)	-	(322)	(13,899)	-	(178,353)
Depreciation	-	92,174	115,040	4,793	2,626	4,613	35,002	-	254,248
Reclassification	-	(27,261)	(1,029)	444	(443)	1,527	(1,692)	-	(28,454)
Effect of foreign currency exchange differences	-	(18,376)	(21,280)	(1,652)	(312)	(738)	(4,175)	-	(46,533)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 557,132</u>	<u>\$ 764,876</u>	<u>\$ 46,800</u>	<u>\$ 8,835</u>	<u>\$ 24,069</u>	<u>\$ 138,909</u>	<u>\$ -</u>	<u>\$ 1,540,621</u>
Carrying amounts at December 31, 2019	<u>\$ 239,076</u>	<u>\$ 1,956,883</u>	<u>\$ 694,742</u>	<u>\$ 16,723</u>	<u>\$ 216</u>	<u>\$ 14,491</u>	<u>\$ 122,547</u>	<u>\$ 27,370</u>	<u>\$ 3,072,048</u>
<u>Cost</u>									
Balance at January 1, 2020	\$ 239,076	\$ 2,514,015	\$ 1,459,618	\$ 63,523	\$ 9,051	\$ 38,560	\$ 261,456	\$ 27,370	\$ 4,612,669
Additions	-	131	117,017	5,867	-	924	45,989	58,800	228,728
Disposals	-	-	(53,154)	(4,458)	-	(1,193)	(6,203)	-	(65,008)
Derecognition	-	-	-	-	(6,652)	-	(12,910)	-	(19,562)
Reclassification	-	-	35,364	2,149	-	37	10,058	(167)	47,441
Effect of foreign currency exchange differences	(945)	37,222	1,953	722	(154)	663	3,900	1,759	45,120
Balance at December 31, 2020	<u>\$ 238,131</u>	<u>\$ 2,551,368</u>	<u>\$ 1,560,798</u>	<u>\$ 67,803</u>	<u>\$ 2,245</u>	<u>\$ 38,991</u>	<u>\$ 302,290</u>	<u>\$ 87,762</u>	<u>\$ 4,849,388</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	\$ -	\$ 557,132	\$ 764,876	\$ 46,800	\$ 8,835	\$ 24,069	\$ 138,909	\$ -	\$ 1,540,621
Disposals	-	-	(46,058)	(4,224)	-	(1,186)	(5,184)	-	(56,652)
Depreciation	-	89,390	117,521	4,577	104	4,693	45,596	-	261,881
Derecognition	-	-	-	-	(6,652)	-	(12,910)	-	(19,562)
Reclassification	-	-	(347)	-	-	25	(13)	-	(335)
Effect of foreign currency exchange differences	-	8,361	(2,247)	354	(147)	562	1,920	-	8,803
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 654,883</u>	<u>\$ 833,745</u>	<u>\$ 47,507</u>	<u>\$ 2,140</u>	<u>\$ 28,163</u>	<u>\$ 168,318</u>	<u>\$ -</u>	<u>\$ 1,734,756</u>
Carrying amounts at December 31, 2020	<u>\$ 238,131</u>	<u>\$ 1,896,485</u>	<u>\$ 727,053</u>	<u>\$ 20,296</u>	<u>\$ 105</u>	<u>\$ 10,828</u>	<u>\$ 133,972</u>	<u>\$ 87,762</u>	<u>\$ 3,114,632</u>

KMC (Kuei Meng) International Inc.

Chairman: Wu, Ying-Chin



LINK TO PERFECTION