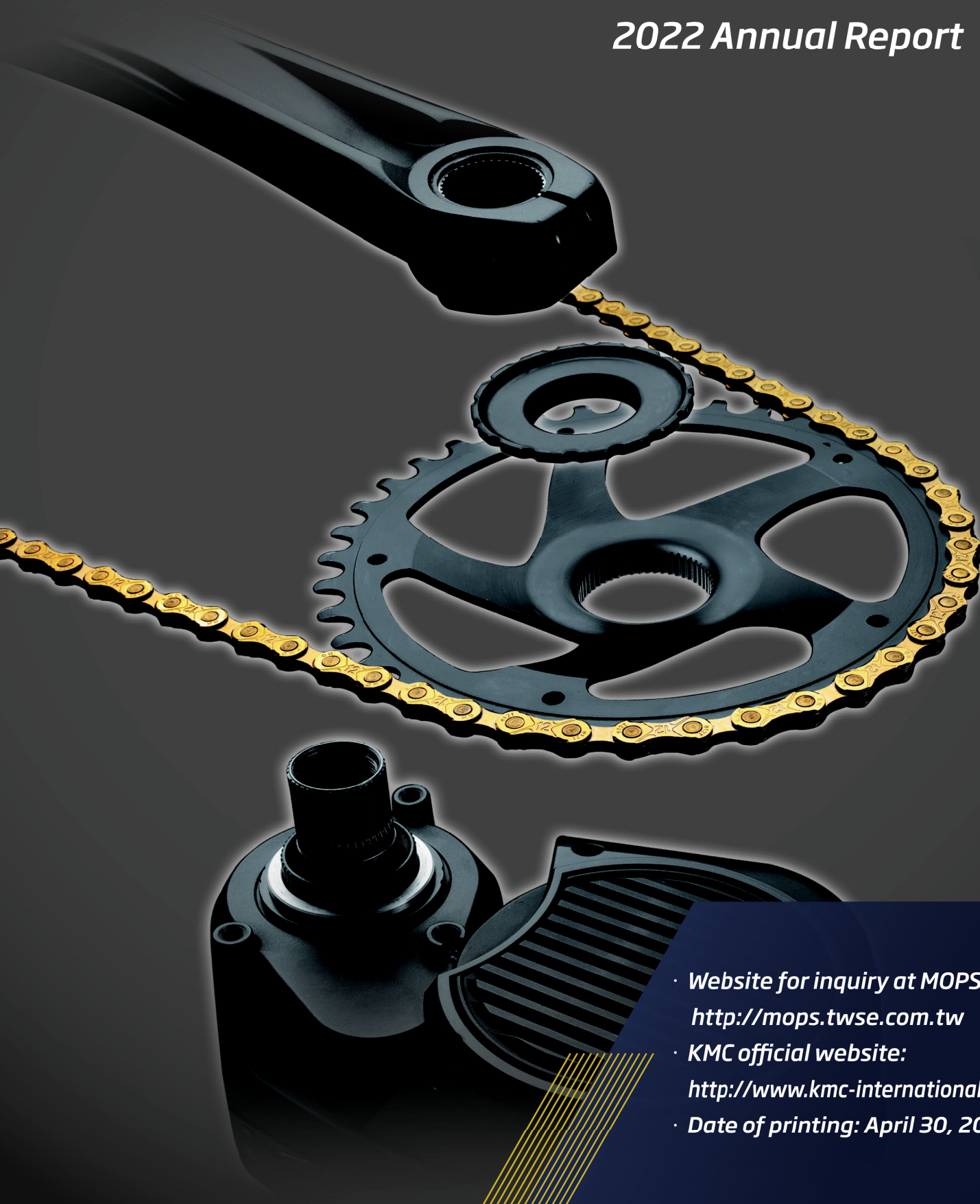




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KMC(Kuei Meng) International Inc.

2022 Annual Report



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<http://mops.twse.com.tw>
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<http://www.kmc-international.com>
- Date of printing: April 30, 2023

The Spokesperson and the Deputy Spokesperson

Spokesperson:

Chen, Yung-Jen

Director, IR Office/ Manager, Finance and Accounting Division

Tel: +886-6-3037111

E-mail: ir@kmc-international.com

Deputy Spokesperson:

Li, Chao-Hsin

Vice President, ATS Division

Tel: +886-6-3037111

E-mail: ir@kmc-international.com

I. Headquarter, Branches and Plant

Headquarter: 8F-5, No.425, Zhonghua Rd., Yongkang Dist., Tainan City 710039, Taiwan (R.O.C.)

Tel:+886-6-3037111

Taiwan Plant: No. 41, Zhongshan Rd., Xinhua Dist., Tainan City 712003 , Taiwan (R.O.C.)

Tel:+886-6-5900711

Vietnam Plant: Amata Modern Industrial Park, Long Binh Ward, Bien Hoa City, Dong Nai Province, VN

Tel:+84-0251-3936-531

Tainjin Plant: No.9, Xin An Rd., West Dist., Economic And Technological Development Area, Tianjin City, China.

Tel:+86-022-66320988

Shenzhen Plant: Fu An Rd., Kuei Meng Industrial Park, Guan Lan, Shenzhen, China

Tel:+86-755-27747994

Suzhou Plant: No.68, Fuda Rd., Taicang Gang Jingji Technology Development Zone New Area, Taicang City, JiangSu Province, China.

Tel:+86-512-53451661

II. Stock Affairs Department

Chinatrust Commercial Bank Transfer Agency Department

5F, No.83, Sec. 1, Chung-ching S. Rd., Taipei 100, Taiwan, R.O.C.

Website: <https://www.ctbcbank.com>

Tel: +886-2- 6636-5566

III. Auditors

Deloitte & Touche

Li, Chi-Chen and Yang, Chao-Chin

13th Floor, 189 Yongfu Road, Sec. 1 Tainan 70051, Taiwan, R.O.C.

Tel:+886-6-2139988

Website: www.deloitte.com.tw

IV. 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.

V. Company website: <http://www.kmc-international.com/index.php?lang=en>

Contents

I. Letter to the Shareholders	1
II. Company Overview	6
1. Date of incorporation.....	6
2. Company milestone	6
III. Corporate Governance	8
1. Organizational Structure	8
2. Information on the directors, general manager, vice general manager, assistant vice general manager, heads of divisions and branches	10
3. Remuneration paid during the most recent fiscal year to directors, the general managers and vice general managers	17
4. Implementation of Corporate governance	21
5. Information on the fees for certified public accountants	65
6. Information on replacement of certified public accountants	65
7. KMC's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions within KMC's independent audit firm or its affiliates in the most recent year	65
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, managers or the shareholders with more than 10% of the Company's shares	66
9. Information showing that top 10 shareholders have the relationship with one another as the related parties, spouse or kindred within the 2nd tier	68
10. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, managers and any investment business directly or indirectly controlled by the Company, and the consolidated percentage of combined shareholdings	70
IV. Capital Projection and Implementation	71
1. Company capital and shares	71
2. Issuance of corporate bonds.....	76
3. Preferred shares.....	77
4. The issuance of overseas depository receipts	77
5. The status of employee stock option plan.....	77
6. The status of new restricted employee shares.....	77
7. The status of issuance of new shares in connection with mergers or acquisitions	77
8. Implementation of the capital allocation plans.....	77
V. Operating Highlights	78
1. Business Activities	78
2. Market and sale overview.....	85
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	91
4. Information on the expenditures for environmental protection	92
5. Labor Relations.....	92
6. Information Security Management	94
7. Important Contracts.....	95

VI. Financial Information	96
1. Most Recent 5-Year Concise Financial Information.....	96
2. Most Recent 5-Year Financial Analysis	101
3. Audit Committee’s Review Report.....	105
4. Consolidated Financial Statements and Independent Auditors’ Report	105
5. Parent Company Only Financial Statements and Independent Auditors’ Report	105
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 2021 and as of the date of this Annual Report.	105
VII. Review and Analysis of Financial Position and Financial Performance, and Risk Assessment	106
1. Financial Status	106
2. Financial Performance	107
3. Cash Flow	107
4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year:.....	108
5. Long-term Investment Policy and Results	109
6. Risk analysis and assessment.....	111
7. Other important notice.....	115
VIII. Special Notes	116
1. Subsidiaries information	116
2. Private placement securities in 2022 and as of the date of this annual report	120
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	120
4. Other necessary supplement	120
IX. Other Disclosed Matters	120
X. Attachment.....	120
Attachment 1 Statement of Internal Control for 2022	121
Attachment 2 Audit Committee’s Review Report	122
Attachment 3 Consolidated Financial Statements for the Years Ended December 31, 2022 and Independent Auditors’ Report	
Attachment 4 Parent Company Only Financial Statements for the Years Ended December 31, 2022 and Independent Auditors’ Report .	

I. Letter to the Shareholders

Dear Shareholders,

2022 was a year full of challenges and opportunities for KMC. Some issues such as geopolitical risks, rising inflation pressures and monetary tightening measures taken by central banks in various countries with unstable epidemic situations are gradually being addressed to move toward normalization of the world economy. In a year full of uncertainties, with joint efforts of all KMC colleagues, the 2022 consolidated revenue reached NT\$7.12 billion, the gross profit was NT\$3.4 billion; a gross profit margin of 47.8%; the net income after tax was NT\$1.92 billion, and EPS was NT\$15.26. As the world's largest chain supplier, KMC has factories or sales companies in bike production clusters around the world to serve customers locally and real-time, and is capable of meeting the market demand with a complete global production and sales layout and flexible production capacity allocation.

Business operations in different countries inevitably encountered a variety of challenges over the short-term. However, with its consistent commitment to the environment, society and its shareholders, KMC officially joined "Bicycling Alliance for Sustainability (BAS)" in 2022 to jointly respond to the sustainable vision of "Cycling for a better future". The members of the BAS are committed to complying with their responsibilities of reducing carbon emissions, and they have also proposed the target of carbon reduction by 40 kilograms or at least 25% per vehicle by 2030. In the face of global competition and a net-zero future, the only way for the bicycle industry to expand its influence on green developments is by striving to take sustainable actions in the aspects of ESG, as well as driving industry partners and stakeholders to jointly create a sustainable future to maintain its competitiveness.

I. Business results of 2022:

1. The implementation results of business plan:

In 2022, we are taking advantage of our manufacturing and service excellence, and engaging deeply into sustainable management. Also, we continued to improve our value chain risk control management so as to properly respond to the systematic risks brought about by market changes. The 2022 consolidated revenue amount was NT\$7.12 billion, budget achievement rate was 102%. Consolidated operating margin was NT\$3.4 billion, budget achievement rate was 103% and the profit margin was 47.8%. Consolidated net income after tax was NT\$19.2 billion. Budget achievement rate was 101%. Basic earnings per share was NT\$15.26.

The year of 2022 Budget Implementation Status:

Unit: NT\$ thousands			
Item	Actual amount	Budget amount	Achieved rate %
Operating revenue	7,116,283	7,000,000	102%
Gross profit	3,400,824	3,300,000	103%
Operating profit	2,339,988	2,300,000	102%
Net profit after tax	1,922,122	1,900,000	101%

Financial and Profitability analysis:

Unit: NT\$ thousands

Item	2022	2021	The percentage changed
Operating revenue	7,116,283	7,750,983	-8.2%
Gross profit	3,400,824	3,589,225	-5.2%
Operating profit	2,339,988	2,576,345	-9.2%
Net profit after tax	1,922,122	2,007,957	-4.2%
Gross profit margin	47.8%	46.3%	
Operating margin	32.9%	33.2%	
Net margin	27.0%	25.9%	
EPS in NT\$	15.26	15.94	

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 2022, the R&D efforts of KMC on bike components are summarized as follows:

- A. In response to significantly increases force on e-Cargo drivetrains as well as high-durability and long-lasting road conditions of e-Cargo Bikes, our innovative inner and outer plates are strengthened by 15% more surface area and are 20% thicker compared to other KMC e-Bike chains. Wider and thicker plates allow for increased strength, stability, and provide anti-chain drop assurance. Redesigned protective bushings cover pins to reduce abrasion and high-load wear allowing e-Cargo chains to last over twice as long.
- B. As the bike's derailleur gear system is moving towards high value, system manufacturers also begin to consider integrating the existing product designs, applying more advanced system technology to a wide range of sports and leisure bikes, and enhancing the riding experience and fun. In line with this trend, KMC has also begun to develop new products. The launch of the new Aurora Chain at the end of 2022 offers unique violet and blue aurora hues for each chain, given the advantages of smoothness in shifting speed and excellent durability in the X series, which also breaks the stereotype of industrial colors used for chains while showcasing extraordinary taste and style.
- C. KMC also launched a new tool, Wrap strap, the unique enclosed strap storage for maintenance essentials in 2022. The strong nylon material repels mud, sun(UV) and water to perfectly protect the tubes and tools. Tools and tubes are easily held with versatile inner strap. Adjustable mounting strap with anti-slip design for easy installation and release. Compatible on any bike, in any location, and in any position.
- D. 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 2023 Business Plan:

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

Faced with changes in the global market, KMC focuses more on the spirit of services provided by the Speed Supply Chain, and has jumpstarted the early deployment of dense production and marketing service networks around the world, with 6S (Speed, Stable, Synchronized, Service, Sustainability, Synergy) as the core concepts, reflecting changes of market demands in real time. In this case, KMC has demonstrated 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 2023, 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 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.

KMC has entered the top 35 of the “Best Global Brand” since 2018 and won the “Best Potential Brand of Taiwan”. The Company ranked at 23rd place in 2022 Best Taiwan Global Brands survey with brand value of USD83 million! Digital brand communication has also become another weapon of the time since 2020. KMC has effectively improved brand communication efficiency and presented multi-faceted brand values through new approaches such as VR and AR, reversing past models of product exchange at specific exhibition venues and building global online marketing channels with zero time zone difference. Digital transformation, big data and other new technologies bring in a lot of new energy, while intelligence also connects various product components, creating new services and needs. KMC also makes cross-industry alliances to enable the electrification and intellectualization of related components, and has gone from a single chain parts supplier to becoming a more diversified parts supplier. In the future, there will be more products that are developed or as an extension based on bicycles as the core idea.

KMC has also gradually moved towards the stage of industrial automation, introducing optical inspection technology, establishing new production standards and processes, as well as improving production accuracy and quality control operations. KMC has vigorously engaged in innovative research and development of products and production technologies through combining manufacturing technology with artificial intelligence technology, and has produced various patents over the years. KMC also has developed many unique key technologies, such as leading the way in industry collaboration with car assembly plants for intelligent production management and a real-time supply system. KMC also combined ecology of the physical environment with digital innovation to create diversified digital services and innovate customer sales service experiences.

In addition to refining its own technology, KMC also pays attention to the maintenance of green energy and environmental protection. KMC introduces the "Green Commuting X Green Manufacturing" concept, which is to produce green travel products through green manufacturing, thus becoming “exponentially green”. 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. Bicycle is not merely a product, but it also covers production, life, ecology and life in various aspects, with a variety of sustainable development possibilities. KMC connects the trends of the global bicycle industry with chains, and adheres to the idea that “Mutual altruism to advance the greater good”, and actively responds to sustainable development issues.

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 recent years, with frequent changes in international trends, accelerated health industry transformation and the use of digital marketing, KMC has focused on the execution and innovation of its brand strategy and put the craftsman's spirit on the international stage to expand the reach of diversified products and technology integration, and introduced multiple product compatibility. The service scope is no longer restricted within traditional chain manufacturing and has turned to focus on direct customer service in the hope of keeping the same pace with consumer's real demand with zero time difference and becoming the company with high quality and quality service in customers' mind.

In the future, 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.

In 2021, KMC has also officially set up a dedicated ESG promotion team to promote and respond to the Group's commitment to sustainable development issues. As early as 2012, KMC was the first global chain manufacturer to receive the carbon footprint certification for the chain product in the world. Being in a green transportation industry, this has demonstrated how much the Company values sustainability issues. With the establishment of the ESG Task Force, the Company started to carry out two major tasks. First, the Company reviews the risk and opportunities arising from climate change and carries out complete assessments in accordance with the TCFD framework announced by the Financial Stability Board. In 2022, we completed the latest climate risk evaluation and identified the 22 climate risks, and then arranged them into the following categories: disruption in the supply chain or rising cost for raw materials, shift in consumer preferences, partnership while assessing new markets, continuous development of automotive aftermarket as well as R&D and innovation of new products and services. Secondly, we will promote the science-based target (SBT). To stay updated with the overall GHG emissions, we formally introduced the ISO 14064-1:2018 inventory in 2022. Through comprehensive inventory process and stringent external verification mechanisms, the management for direct and indirect GHG emissions is strengthened. We have acquired external certification by the end of 2022 and will plan to set the science-based mid-term carbon reduction goal so as to meet the global goal of net zero emissions by 2050.

With more than 40 years of professional experience which translates to an insight into the market, KMC will work hard with partners inside and outside the industry in the future, while developing the production or design of customized brand chains, increasing production and sales services, increasing market share, and creating a scene of iconic brand identification on the road of moving towards the Unique One.

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

In response to climate change and the European Union's trial implementation of the Carbon Border Adjustment Mechanism (CBAM) on October 1, 2023, all companies will face two major risks and challenges in the future. One is the disaster risk caused by extreme weather, and the other is the operational risk under the strengthening of carbon regulations in various countries. As an important part of the global bicycle industry, Taiwan holds a pivotal position, as every move will affect the development of the global bicycle industry. In the future, companies must consider the sustainability of the product starting from raw materials, manufacturing, marketing to consumer use, as well as mastering sustainability to be competitive in the market. In the face of future challenges, KMC will work with the whole industry to promote the "CYCLE NOW" policy and strategy, and build a cooperation platform for the whole industry chain in the hope that the bicycle industry will achieve the goals in the "transforming into to a new future", "creating a new ecology", "exploring new business opportunities" and "co-creating new sustainability" stages.

The changes in lifestyle brought about by the pandemic have made bicycles and related products more integrated with life in terms of design, and thus bicycles started to cover a wider range of consumer groups. Many people have gone from commuting to sports to gain a deeper understanding of cycling culture. Under the trend of global net zero sustainability, bicycles are no longer just a means of transportation, but also an equipment in life used for environmental protection and green energy, health and sustainability, LOHAS fitness, sightseeing and leisure. Therefore, the innovative design of the bicycle industry can be more integrated with different industries under the impact of the pandemic, and through the integration of technology and interoperability, the bicycle industry has been driven towards digital and intelligent development, and has created a new application and business model of the bicycle industry.

From the regulatory point of view, the EU set the achievement time of carbon neutrality in 2050 at the beginning of 2020. The pressure to reduce carbon emissions due to climate change is also likely to result in the development of critical policies aimed at transitioning to low-carbon transportation in the next decade. 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. Located at the core of the global bicycle supply chain, KMC upholds and believes in the idea of "Mutual altruism to advance the greater good, and complementing each other with one's strengths to create a win-win collaboration" in order to be dedicated to facilitating a partnership of co-prosperity in the global bicycle industry and working together towards a better world.

Looking back in 2022, 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

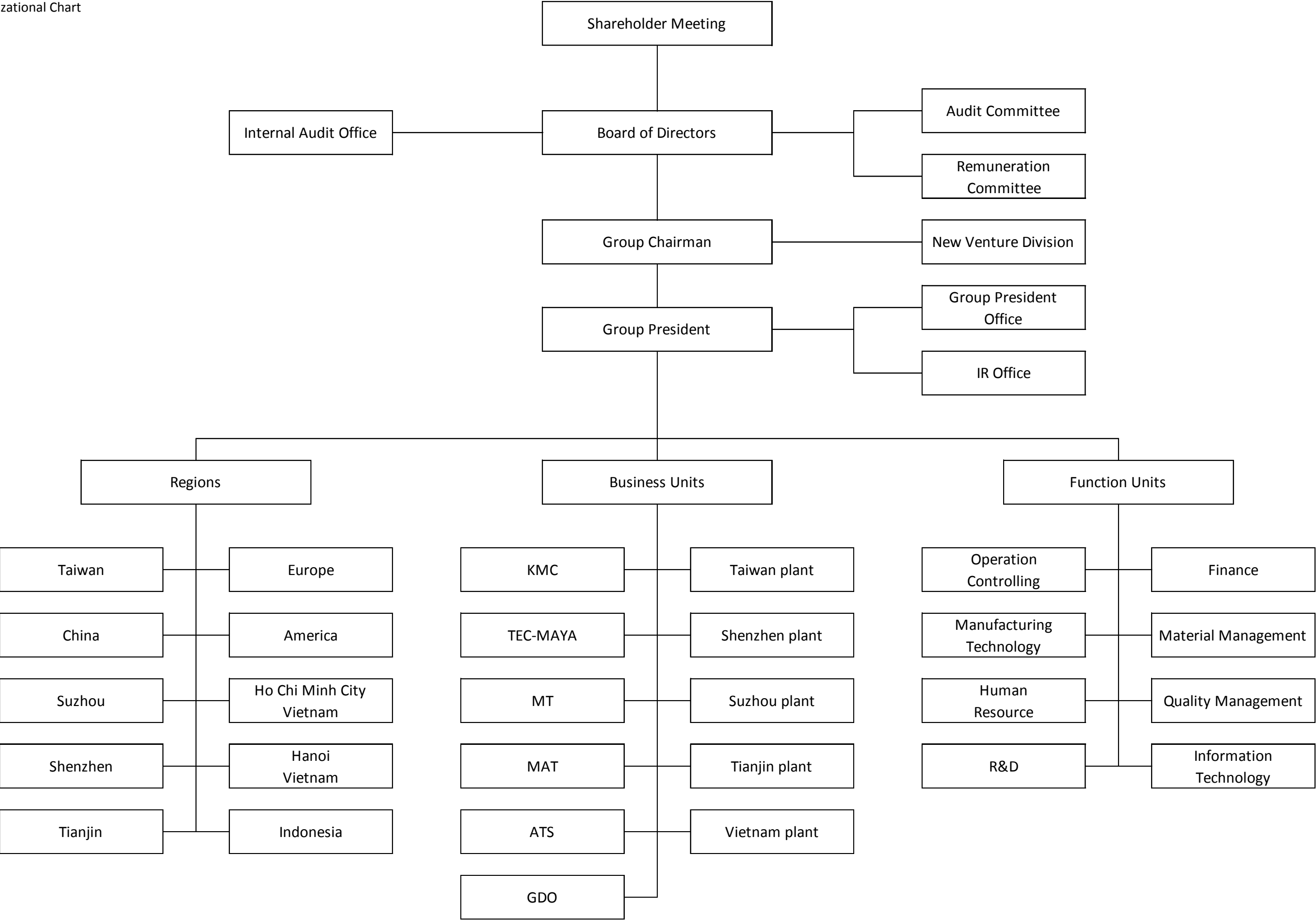
1. Date of incorporation: April 20th, 1989
2. Company milestone

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, invit 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' meeting 2. Elect new Chairperson of the Board of Directors 3. 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	<p>Win awarded 3rd "Taiwan Mittelstand Award."</p> <p>The Board of Directors resolved to acquire 100% of shareholdings of "KMC Chain (Shenzhen) Co., Ltd." and another company.</p>
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	<p>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.</p> <p>Established "KMC Industries (Vietnam) Co., Ltd" to sell various chains and components.</p>
January 2019	<p>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.</p> <p>Established "KMC International Trading (Taicang) Co., Ltd." to sell various chains and components.</p>
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.
May 2021	Established "Kynamic Inc." to design and sell various components of e-bike and also to provide e-bike after-sales service.

December 2021	KMC ranked at 24th place in 2021 Best Taiwan Global Brands survey with brand value of USD68 million.
June 2022	Established "KME B.V." to engage in self-owned real estate and factory leasing
July 2022	Established "KMC Global GmbH" to sell various components of bicycle.
November 2022	KMC ranked at 23rd place in 2022 Best Taiwan Global Brands survey with brand value of USD83 million.
March 2023	Established "Kynamic Europe B.V." to sell various components of e-bike and also to provide e-bike after-sales service.

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/MAT/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 Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Spouse& Minor Shareholding		Shareholding by Nominee Arrangement		Education and important experience	Selected Current Positions at KMC and Other Companies	Executives, directors, or supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Common Shares	%	Common Shares	%			Title	Name	Relation
Chairman	Republic of China	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	Male 51-60	June 24th, 2020	3	October 4th, 2011	47,412,256 0	37.63% 0%	47,412,256 437,041	37.63% 0.35%	0 437,041	0 0.35%	0 3,000,000 (Note 3)	0 2.38%	President of KMC CHAIN INDUSTRIAL CO., LTD MBA, National Sun Yat-sen University	The Authorized Representative of the Juristic Person acts as the Chairman of Kynamic Inc. The Authorized Representative of the Juristic Person acts as the Director of PRO (TAIWAN) PROCUREMENT CO., LTD Chairman of KMC(BVI) Holding Co., Ltd. Director of KMC CHAIN EUROPE N.V. Director of KMC Chain American Corporation Chairman of KMC Chain (Shenzhen) Co., Ltd. The Authorized Representative of the Juristic Person acts as the Chairman of KMC TRANSTON INDUSTRIES LIMITED The Authorized Representative of the Juristic Person acts as the Chairman of LO,CHI-NI Investment Co., Ltd Director of PEI-JUI Investment Co., Ltd Director of CHENG-YUAN Investment Co., Ltd The Authorized Representative of the Juristic Person acts as the Supervisor of HSUN-LI Investment Co., Ltd Chairman of K.M.C. Global Co., Ltd The Authorized Representative of the Juristic Person acts as the Supervisor of Supreme Profit International Co., Ltd Director of Nan-hua Universal Investment Co., Ltd Director of President Industry Development (Shenzhen) Co.,Ltd. Director of Surmount Technological (Shenzhen) Co., Ltd Director of K.M.C. Transmission (Tianjin) Co., Ltd. Chairman of K.M.C. Transmission (Chengdu) Co., Ltd. Director of KMC Investment (China) Co., Ltd Director of KMC Transmission (Tianjin) Co., Ltd. Director of KMC Chain (Suzhou) Co., Ltd. Vice chairman of Shenzhen KMC Industrial Co., Ltd Director of Cycling Life-Style Foundation Chairman of Taiwan Bicycle Association	Directior Vice President	Wu, Jui-Chang Wu,Hsing-Chuan	Brothers Brother and Sister
Director	Republic of China	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	Male 51-60	June 24th, 2020	3	October 4th, 2011	47,412,256 0	37.63% 0%	47,412,256 0	37.63% 0%	0 7,902,040	0 6.27%	0 0	0 0	CEO of KMC CHAIN INDUSTRIAL CO., LTD MBA, NANYANG TECHNOLOGICAL UNIVERSITY	The Authorized Representative of the Juristic Person acts as the Chairman of KMC CHAIN INDUSTRIAL CO., LTD The Authorized Representative of the Juristic Person acts as the Chairman of KMC Automobile Transmission CO., LTD The Authorized Representative of the Juristic Person acts as the Director of Kynamic Inc. Chairman of KMC Investment (China) Co., Ltd Chairman of KMC Transmission (Tianjin) Co., Ltd. Chairman of KMC Chain (Suzhou) Co., Ltd. Vice chairman of KMC Chain (Shenzhen) 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 of Shenzhen KMC Industrial Co., Ltd Chairman of KMC Chain (Vietnam) Co., Ltd. Chairman of PT. Kuei Meng Chain Indonesia The Authorized Representative of the Juristic Person acts as the Director of KMC TRANSTON INDUSTRIES LIMITED Director of President Industry Development (Shenzhen) Co.,Ltd. Director of Surmount Technological (Shenzhen) Co., Ltd Chairman of K.M.C. Transmission (Tianjin) Co., Ltd. Director of K.M.C. Transmission (Chengdu) Co., Ltd.	Chairman Vice President	Wu, Ying-Chin Wu,Hsing-Chuan	Brothers Brother and Sister
Director	Republic of China	Kao, Ting-Nan	Male 61-70	June 24th, 2020	3	June 21st, 2012 (Note 1)	1,285,084	1.02%	935,084	0.74%	3,000	0.00%	350,000 (Note 4)	0.28%	Chairman of WHOLE MAN ENTERPRISE CO., LTD.	Chairman of Chang Hsing Investment Co., Ltd	No	No	No

Title	Nationality or place of incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shares Held When Elected		Shares Currently Held		Spouse& Minor Shareholding		Shareholding by Nominee Arrangement		Education and important experience	Selected Current Positions at KMC and Other Companies	Executives, directors, or supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Common Shares	%	Common Shares	%			Title	Name	Relation
Director	Republic of China	Hsu, Yang-Kang	Male 41-50	June 24th, 2020	3	October 4th, 2011 (Note 2)	0	0	0	0	0	0	0	0	EMBA, National Taipei University of Technology	The Authorized Representative of the Juristic Person acts as the Supervisor of KMC TRANSTON INDUSTRIES LIMITED Chairman of Nan-hua Universal Investment Co., Ltd The Authorized Representative of the Juristic Person acts as the Chairman of Formosan Black Bear Investment Co., Ltd Chairman of KF Refrigeration Technology Co., Ltd. Supervisor of PEI-JUI Investment Co., Ltd Supervisor of CHENG-YUAN Investment Co., Ltd The Authorized Representative of the Juristic Person acts as the Director of WEI HAU ACCESSORIES CO., LTD. Supervisor of Surmount Technological (Shenzhen) Co., Ltd Supervisor of K.M.C. Transmission (Tianjin) Co., Ltd. Supervisor of K.M.C. Transmission (Chengdu) Co., Ltd. Supervisor of KMC Investment (China) Co., Ltd	No	No	No
Independent Director	Republic of China	Wang, Ming-Lung	Male 61-70	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 Doctor of Finance, Baruch College, New York City University, U.S.A. Master of Business Administration, Oregon State University, U.S.A. Bachelor of International Business, National Chengchi University	The Authorized Representative of the Juristic Person acts as the Director of Tang Eng Iron Works Co., Ltd. Director of Chinesegamer International Corp. Independent Director of Hanpin Electron Co., Ltd	No	No	No
Independent Director	Republic of China	Tseng, Wen-Che	Male 61-70	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 Bachelor of Accounting, Soochow 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 Director of Cheng-Kung Research Foundation of Financial Strategy Supervisor of The Motion Picture Foundation, R.O.C.	No	No	No
Independent Director	Republic of China	Tsai, Hsueh-Ling	Female 51-60	June 24th, 2020	3	June 24th, 2020	0	0	0	0	0	0	0	0	Managing attorney of Hsueh-Ling Tsai law office Chairman, Tainan Bar Association Director, Taiwan Bar Association Attorney-at-law, Republic of China School of law, Wisconsin State University Bachelor of Law, National Taiwan University	Chairman of Shanghua Eastern Management Consulting Co., Ltd. Independent Director of TEKOM Technology Co., LTD. Independent Director of Argo Yacht Group Independent Director of Dr. Chip Biotech The Authorized Representative of the Juristic Person acts as the Director of DaBomb Protein Corp. Supervisor of Chang-Hui Investment Co., Ltd Supervisor of Kingsway Biotechnology Co., Ltd	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.

Note 3: Mr. Wu, Ying-Chin appointed K.M.C. Global Co., Ltd to act as the nominee shareholder.

Note 4: Mr. Kao, Ting-Nan appointed Chang Hsing Investment Co., Ltd to act as the nominee shareholder.

Note 5: Chairman and President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) are not (1) the same person, (2) in a marital relationship with each other, or (3) within one degree of consanguinity.

B. Profiles of dominant shareholders of institutional shareholders

December 31, 2022

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

December 31, 2022

Name of Institutional Shareholders	Main shareholders of institutional shareholders (Proportion of shareholding, %)
LO,CHI-NI Investment Co., Ltd	Ernie Wu(74.25%) 、Frankie Wu(24.75%) 、Lai, Wan-I (1%)
HSUN-LI Investment Co., Ltd	Frankie Wu (74.25%) 、Ernie Wu(24.75%) 、Lai, Wan-I (1%)
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. Directors' Professional Qualifications and Independence Analysis

- a. The appointment of directors should consider the overall composition of the Board of Directors, such as having different professional backgrounds, knowledge, skills and attainment in order to exert the strategic guidance function. The table below summarizes the industry knowledge and professional competency that each member of the Board possesses:

Criteria Name/Title	Professional Competency							Industry Knowledge				
	Business developing and strategic planning	Business and production management	Marketing	Finance	Accounting	Tax management	Corporate legal affairs	Business and production	Brand and sales channel	Finance	Accounting and tax	Regulatory practice
Wu, Ying-Chin Chairman	V								V			
Wu, Jui-Chang Director		V						V				
Kao, Ting-Nan Director		V						V				
Hsu, Yang-Kang Director			V						V			
Wang, Ming-Lung Independent Director				V	V					V		
Tseng, Wen-Che Independent Director					V	V					V	
Tsai, Hsueh-Ling Independent Director							V					V

Note: All the directors have not been a person of any conditions defined in Article 30 of the Company Law.

A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. If she/he does not have any or limited legal capacity; or
7. If she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

b. Independent Directors' Independence Status :

Criteria Name	Professional Qualification and Experience (Note 1)	Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Wang, Ming-Lung Independent Director	Deputy provost and Emba CEO, college of management, National Cheng Kung University Doctor of Finance, Baruch College, New York City University, U.S.A. Master of Business Administration, Oregon State University, U.S.A. Bachelor of International Business, National Chengchi University	All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note) issued by Taiwan's Securities and Futures Bureau. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	1
Tseng, Wen-Che Independent Director	Director and executive vice president, Deloitte & Touche Emba, National Cheng Kung University		3
Tsai, Hsueh-Ling Independent Director	Managing attorney of Hsueh-Ling Tsai law office Chairman, Tainan Bar Association Director, Taiwan Bar Association Attorney-at-law, Republic of China School of law, Wisconsin State University Department of law, National Taiwan University		3

Note 1: For detailed members professional qualification and experience, please refer to "Profiles of Directors" on page 12-13 of this Annual Report.

Note 2:

1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. Not serving concurrently as an independent director on more than three other public companies in total.
3. During the two years before being elected and during the term of office, meet any of the following situations:
 - i. Not an employee of the company or any of its affiliates;
 - ii. Not a director or supervisor of the company or any of its affiliates;
 - iii. 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;
 - iv. 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 i. subparagraph, or of any of the above persons in the preceding subparagraphs ii. and iii.;
 - v. 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;
 - vi. 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;
 - vii. 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);
 - viii. 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; and
 - ix. 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 NT\$500,000".

E. Diversity and Independeance of the BOD

a. Diversity of the BOD:

KMC advocates and respects the director's diversity policy, and is convinced that diversity can improve the overall performance of the Company. Members of the Board of Directors shall be based on personal capabilities and diversification from different aspects is also taken into consideration, including basic characteristics (e.g., age, gender and nationality, etc.), experience and skills (e.g., manufacturing, brand amd channel, finance, accounting and tax, and legal/IP, etc.), operation and management, leadership and decision-making, and crisis management ability. In order to strengthen the Board's functions to achieve the ideal goals of corporate governance, KMC has formulated the Corporate Governance Principles, Article 20 of which specifies the overall abilities the Board of Directors is to be equipped with, which are as follows:

1. The ability to make operational judgment
2. The ability to perform accounting and financial analysis.
3. The ability to conduct management administration.
4. The ability to manage crisis situations.
5. Industrial knowledge.
6. Perspective of the international market.
7. The ability to lead.
8. The ability to make decisions.

The diversification policies of the current executives of the Company and their progress are as follows:

Name of Directors	Diversity items									Professional Ability							
	Title	Gender	Nationality	Also acting as an employee of KMC	Age			Years acting as an independenet director		Operational Judgment	Accounting & Finance	Operational Management	Crisis Management	Industry Experiences	Global Market Perspective	Leadership	DecisionMaking
					41-50	51-60	61-70	Below 3 years	3-9 years								
Wu, Ying-Chin	Chairman	Male	Republic of China			V				V	V	V	V	V	V	V	V
Wu, Jui-Chang	Director	Male	Republic of China	V		V				V	V	V	V	V	V	V	V
Kao, Ting-Nan	Director	Male	Republic of China				V			V		V		V	V	V	V
Hsu, Yang-Kang	Director	Male	Republic of China		V					V		V		V	V	V	V
Wang, Ming-Lung	Independent Director	Male	Republic of China				V		V	V	V	V		V	V		
Tseng, Wen-Che	Independent Director	Male	Republic of China				V	V		V	V	V		V	V		
Tsai, Hsueh-Ling	Independent Director	Female	Republic of China			V		V		V		V	V	V	V		

- i. The 7 directors (including 3 independent directors) of the 12th Board of Directors of the Company have business judgment, accounting & finance, operational management, crisis management, leadership, decision-making, international market outlook, and other capabilities, as well as industrial experience, and professional ability. 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.
- ii. Diversity, complementarity, and implementation of directors comply with the standards specified in Article 20 of the Corporate Governance Principles of KMC. In the future, the board of directors will continue to update its diversified policies according to board operations, operation style, and development needs, including but not limited to the standards of basic conditions and values, professional knowledge and skills, so as to ensure that board members generally have the necessary knowledge, skills, and literacy to perform their duties.

b. Independence of the BOD:

The Board of Directors of the Company is made up of 7 directors including 3 independent directors and the proportion of the independent directors constitutes 43% of the Board. One independent director has served for 7 years, and the other two have served for 1 year. As required under the competent authority, the Company received written confirmations from all of the Independent Directors regarding the independence of each of them and their immediate family.

The Company maintains the view that a Director's independence is a question of fact. The Board is also committed to assessing this on an ongoing basis with regard to all relevant factors concerned. Some of these factors include: the ability to continually provide constructive challenge for management and other Directors and to express one's own views independent of management or other fellow Directors and the gravitas inside and outside the boardroom context. These attributes and desired behaviour have been demonstrated by our Independent Directors as circumstances require.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Directors to be independent. For details of all Directors including, if any, relationship between the members, please refer to "III. Corporate Governance" on page 10-11 of this Annual Report

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

April 2nd, 2023

Title	Nationality	Name	Gender	On-board Date	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
					Shares	%	Shares	%	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	The Authorized Representative of the Juristic Person acts as the Chairman of KMC CHAIN INDUSTRIAL CO., LTD The Authorized Representative of the Juristic Person acts as the Chairman of KMC Automobile Transmission CO., LTD The Authorized Representative of the Juristic Person acts as the Director of Kynamic Inc. Chairman of KMC Investment (China) Co., Ltd Chairman of KMC Transmission (Tianjin) Co., Ltd. Chairman of KMC Chain (Suzhou) Co., Ltd. Vice chairman of KMC Chain (Shenzhen) 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 of Shenzhen KMC Industrial Co., Ltd Chairman of KMC Chain (Vietnam) Co., Ltd. Chairman of PT. Kuei Meng Chain Indonesia The Authorized Representative of the Juristic Person acts as the Director of KMC TRANSTON INDUSTRIES LIMITED Director of President Industry Development (Shenzhen) Co.,Ltd. Director of Surmount Technological (Shenzhen) Co., Ltd Chairman of K.M.C. Transmission (Tianjin) Co., Ltd. Director of K.M.C. Transmission (Chengdu) Co., Ltd.	Vice President	Wu,Hsing-Chuan	Brother and Sister
Vice President	Republic of China	Wu, Hsing-Chuan	Female	July 1 st 2012	0	0	0	0	7,902,042 (Note 1)	6.27%	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	Vice President of KMC (Kuei Meng) International Inc. B.A.,Providence University, Department of English Language, Literature and Linguistics	The Authorized Representative of the Juristic Person acts as the Director of Kynamic Inc.	None	None	None
Head of TEC-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 MAT 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

Note: Chairman and President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) are not (1) the same person, (2) in a marital relationship with each other, or (3) within one degree of consanguinity.

Note 1: Mrs. Wu, Hsing-Chuan appointed Li Ze Investment Co., Ltd. to act as the nominee shareholder.

3. Remuneration paid during the most recent fiscal year to directors, the general managers and vice general managers
(1) Remuneration paid to directors and independent directors

December 31st, 2022; in NT\$ thousands

Title	Name	Directors Remuneration								Amount and Ratio of total A, B, C, and D to Net Income		Remuneration Received as Employee								Amount and Ratio of total A, B, C, D, E, F and G to Net Income		Remuneration from Invested Companies Other Than Subsidiaries or Parent Company
		Remuneration (A)		Pension (B)		Remuneration to Directors (C)		Allowances (D)				Salaries, bonus, and special allowance (E)		Pension (F)		Employee Bonus (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		KMC	All Consolidated entities	
Chairman	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	2,400	3,000	0	0	8,400	8,400	0	0	10,800 0.56%	11,400 0.59%	3,452	6,966	0	195	0	0	0	0	14,252 0.74%	18,561 0.97%	None
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang																					
Director	Kao, Ting-Nan																					
Director	Hsu, Yang-Kang																					
Independent Director	Wang, Ming-Lung	1,800	1,800	0	0	0	0	108	108	1,908 0.10%	1,908 0.10%	0	0	0	0	0	0	0	0	1,908 0.10%	1,908 0.10%	None
Independent Director	Tseng, Wen-Che																					
Independent Director	Tsai,Hsueh-Ling																					

1. Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:

- Pursuant to the Article 21 of the Article of Incorporation of the Company, if the Company makes profits for the current year, the Board of Directors shall resolve on the allocation of 0.5%~5% as the employee compensation and no more than 3% as the compensation for directors. Remuneration for directors of the Company shall be evaluated by the Remuneration Committee according to their respective participation in the operation of the Company and value of contribution, the practice of the Company's core values, familiarity with the goals and missions of the Company, awareness of the duties of a director, management and communication of internal relationship, director's professional and continuing education as well as internal control. The Board of Directors is authorized to determine their remuneration according to the evaluation made by the Remuneration Committee and general standard in the same industries. For example, the Chairman should be responsible for the board operations and corporate governance assessment results, the connection of shareholders' interests, the achievement rate of the Company's long-term strategic goals, the accomplishment of ESG indicators.
- The remuneration to independent Directors adopts regular amount and takes into account the standards of the industry within the R.O.C. and overseas.

2. Except as disclosed in the above table, remuneration to directors received due to the service provided to all companies listed in the consolidated financial statement (such as being independent consultants, etc.) in the most recent year: None.

Table of Remuneration Ranges

December 31st, 2022

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	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director:Tseng, Wen-Che Independent Director:Tasi, Hsueh-Ling	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director:Tseng, Wen-Che Independent Director:Tasi, Hsueh-Ling	Director: Kao, Ting-Nan Director: Hsu, Yang-Kang Independent Director: Wang, Ming-Lung Independent Director:Tseng, Wen-Che Independent Director:Tasi, Hsueh-Ling
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)	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin Representative Wu, Jui-Chang	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	None
NT\$5,000,000～NT\$10,000,000 (exclusive)	None	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	KMC TRANSTON INDUSTRIES LIMITED 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	7	7	7	7

(2) Remuneration paid to supervisors and remuneration range: Not applicable.

(3) Remuneration to the general manager and Vice President

A. Remuneration to the general manager and Vice President

December 31st, 2022; in NT\$ thousands

Title	Name	Remuneration (A)		Pension(B)		Bonus and special allowances (C)		Employee Bonus (D)				Amount and Ratio of total (A), (B), (C) and (D) to Net Income		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	3,452	4,692	0	0	0	0	0	0	0	0	3,452 0.18%	4,692 0.24%	0
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.	Names of general manager and vice president	
	KMC	All Consolidated entities (Include Parent Company and Non-consolidated Affiliates)
Less than NT\$1,000,000	None	None
NT\$1,000,000～NT\$2,000,000 (exclusive)	None	Wu,Hsing-Chuan
NT\$2,000,000～NT\$3,500,000 (exclusive)	Wu, Jui-Chang	Wu, Jui-Chang
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	1	2

(4) Earnings distribution as employees' remuneration to management team

December 31st, 2022; Unit : NT\$ thousands

Title	Name	Stock	Cash	Total	Percentage of the Total to Net Income (%)
Group President	Wu, Jui-Chang	0	0	0	0
Vice President	Wu,Hsing-Chuan				

(5) Analysis of total remunerations (as a percentage of net income) given to the directors, 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

1. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial statements or individual financial statements, as paid by the Company and by each other company included in the consolidated financial statements in the most recent two years to directors, general managers, and vice general managers of the Company:

Title	2022		2021	
	KMC	All Consolidated entities	KMC	All Consolidated entities
Directors	16,160 (0.84%)	20,469 (1.07%)	16,029 (0.80%)	20,739 (1.03%)
General Manager and Vice President	3,452 (0.18%)	4,692 (0.24%)	3,231 (0.16%)	3,231 (0.16%)

2. Analysis and description of remuneration policies, standards, packages and procedure for determining remuneration, and their linkage to operating performance and future risk exposure:
 - i. Pursuant to the Article 21 of the Article of Incorporation of the Company, if the Company makes profits for the current year, the Board of Directors shall resolve on the allocation of 0.5%~5% as the employee compensation and no more than 3% as the compensation for directors. Remuneration for directors of the Company shall be evaluated by the Remuneration Committee according to their respective participation in the operation of the Company and value of contribution, the practice of the Company's core values, familiarity with the goals and missions of the Company, awareness of the duties of a director, management and communication of internal relationship, director's professional and continuing education as well as internal control. The Board of Directors is authorized to determine their remuneration according to the evaluation made by the Remuneration Committee and general standard in the same industries. For example, the Chairman should be responsible for the board operations and corporate governance assessment results, the connection of shareholders' interests, the achievement rate of the Company's long-term strategic goals and the accomplishment of ESG indicators.
 - ii. The compensation of the Company's managers is determined according to their duties, ranks, professional abilities, and with reference to the salary standard in the same industries. Bonuses are highly related to the Company's operation results and performance. The proposals of managers' compensation are evaluated by the executives' salary performance indicators that are scored annually (indicators include revenue, achievement rate of target net profit, return on shareholder equity, etc.) and through benchmark a group of selected peer companies. After evaluation by the Remuneration Committee, it is submitted their recommendation to the Board of Directors for approval.

- iii. 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 2022. According to the Article of Incorporation, the proposed attributed remuneration for Directors is NT\$8,400 thousand dollars. 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. Implementation of Corporate governance

(1) Board of Directors

- A. A total of 4 (A) meetings of the Board of Directors were held in 2022. The attendance of directors were as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Ying-Chin	4	0	100%	None
Director	KMC TRANSTON INDUSTRIES LIMITED Representative Wu, Jui-Chang	4	0	100%	None
Director	Kao, Ting-Nan	4	0	100%	None
Director	Hsu, Yang-Kang	4	0	100%	None
Independent Director	Wang, Ming-Lung	4	0	100%	None
Independent Director	Tseng, Wen-Che	4	0	100%	None
Independent Director	Tsai, Hsueh-Ling	4	0	100%	None

- B. Other mentionable items:

- (A) If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (a) Matters listed in the Securities and Exchange Act §14-3:

The Securities and Exchange Act §14-3 is not be applicable because the Company has established the Audit Committee. For relevant information, please refer to the "Audit Committee Meeting Status" in this Annual Report.

- (b) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing for avoidance and voting should be specified: None.

- (B) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: Director Tsai, Hsueh-Ling recused herself from the voting of reviewing the candidates for the 13th Board of Directors due to conflicts of interests on April 10, 2023.

- (C) Evaluation cycles, evaluation periods, evaluation scopes, evaluation methods and evaluation procedures, etc. for evaluating the performance of the Company's board of directors and board members are disclosed as below:

Board evaluation status:

Cycle	Period	Scope	Method	Description
Conducted at least once a year	From January 1, 2022 to December 31, 2022	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 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. <p>Functional committee performance evaluation should cover 5 aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Awareness of the duties of the functional committees 3. Improvement of quality of decisions made by the functional committees 4. Makeup of the functional committee and election of its members 5. Internal control.

- (D) During this and the recent past fiscal year, measures taken to strengthen the functionality of the board (e.g., establishment of the Audit Committee and enhancing information transparency) and evaluate the implementation of such measures.
- (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" 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 Remuneration 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." Four Board meetings were held in 2022 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.
- (h) In line with international sustainable trends, the Board of Directors had approved the establishment of the ESG Committee on July 1, 2021. The ESG Committee is a designated unit responsible for promoting and intensifying KMC's sustainable development.
- (i) The Company adheres to its consistent attitude towards information transparency. Important resolutions made by the Board of Directors are posted on the Market Observation Post System immediately after the Board of Director's meetings to safeguard the interests of shareholders. In addition, irregular investor meetings are held to enhance investors' recognition of the Company.

(2) The operations of the Audit Committee

On June 24, 2020, the Company established the Audit Committee that is composed of the entire number of independent directors pursuant to the acts. The Audit Committee shall convene at least once a quarter. The annual tasks for the Audit Committee is responsible for supervising the fair presentation of the Company's financial statements, the selection and termination of the independent auditor and its independence and performance, the effectiveness of the Company's internal control, the Company's compliance with relevant laws and regulations and the Company's existing or potential risks. A total of 4(A) meetings of the Audit Committee were held in 2022. The attendance of independent directors was as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) 【B/A】	Notes
Independent director	Wang, Ming-Lung	4	100	None
Independent director	Tseng, Wen-Che	4	100	None
Independent director	Tsai, Hsueh-Ling	4	100	None

Other mentionable items :

- A. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, objections, reservations or major advice items, 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.

Meetings of Audit Committee	Matters referred to Article 14-5 of the Securities and Exchange Act	Resolution of the Audit Committee	The Company's response to the Audit Committee's Opinion
March 21, 2022 The 11th in the 1st term	<ol style="list-style-type: none"> 1. 2021 Internal Control System Statement. 2. 2021 parent company only financial statements and consolidated financial statements. 3. 2021 business report. 4. 2021 the fourth quarter earnings distribution. 5. 2021 earnings distribution. 6. The amendment to the Articles of Incorporation. 7. The amendment to the Operational procedures for Acquisition and Disposal of Assets. 8. The proposal of 2021 accumulated earnings distribution for all overseas subsidiaries. 	The members of the Audit Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Audit Committee.
May 11, 2022 The 12th in the 1st term	<ol style="list-style-type: none"> 1. 2022 the first quarter consolidated financial report. 2. 2022 the first quarter business report. 3. 2022 the first quarter earnings distribution. 	The members of the Audit Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Audit Committee.

August 12, 2022 The 13th in the 1st term	<ol style="list-style-type: none"> 1. To evaluate the independence of the appointed external auditors. 2. 2022 the second quarter consolidated financial report. 3. 2022 the second quarter business report. 4. 2022 the second quarter earnings distribution. 5. As per Article 15 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, reviewed the information regarding capital increase for material subsidiary, KMC Chain Industrial Co., Ltd. 	The members of the Audit Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Audit Committee.
November 10, 2022 The 14th in the 1st term	<ol style="list-style-type: none"> 1. The Company's 2023 internal audit plan. 2. 2022 the third quarter consolidated financial report. 3. 2022 the third quarter business report. 4. 2022 the third quarter earnings distribution. 	The members of the Audit Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Audit Committee.
March 14, 2023 The 15th in the 1st term	<ol style="list-style-type: none"> 1. 2022 Internal Control System Statement. 2. The proposal of 2022 accumulated earnings distribution for all overseas subsidiaries. 3. 2022 parent company only financial statements and consolidated financial statements. 4. 2022 business report. 5. 2022 the fourth quarter earnings distribution. 6. 2022 earnings distribution. 7. Assessing the quality of our audit firms and auditors based on the AQI information and approving the appointment of the external auditors. 8. To formulate the Company's "General Principles of Pre-Approved Non-Assurance Service Policy". 9. Cancel endorsements and guarantees limit for subsidiary. 	The members of the Audit Committee unanimously approved all the resolutions	The Board of Directors approved all such resolutions recommended by the Audit Committee.

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 :
Director Tsai, Hsueh-Ling recused herself from the voting of reviewing the candidates for the 13th Board of Directors due to conflicts of interests on April 10, 2023.
- 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
March 21, 2022 The 11th in the 1st term	Report and communication on audit report of 2021 Q4
May 11, 2022 The 12th in the 1st term	Report and communication on audit report of 2022 Q1
August 12, 2022 The 13th in the 1st term	Report and communication on audit report of 2022 Q2
November 10, 2022 The 14th in the 1st term	1. Report and communication on audit report of 2022 Q3 2. The Company's 2023 internal audit plan
March 14, 2023 The 15th in the 1st term	Report and communication on audit report of 2022 Q4

- 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
March 21, 2022 The 11th in the 1st term	1. Reviewing any audit problems or difficulties and communicating material matters with management in connection with 2021 annual financial statements 2. Reviewing regulatory developments
November 10, 2022 The 14th in the 1st term	1. Discussion and communication on 2022Q3 consolidated financial statements and review report of independent accountants 2. Reviewing regulatory developments
March 14, 2023 The 15th in the 1st term	1. Reviewing any audit problems or difficulties and communicating material matters with management in connection with 2022 annual financial statements 2. Reviewing regulatory developments

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

(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?	✓		1. The company has formulated “Corporate Governance Practice Principles” and implemented to ensure the interest of shareholders. Meanwhile, the company has assigned a spokesman and acting spokesman, investor relations unit and their contact information are disclosed on the company’s official website so that shareholders can express the opinions by phone or email. The company in turn handles the issues according to relevant procedures. Moreover, the company also had entrusted professional stock affairs agency to process the suggestions, doubts, and arguments from shareholders. 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	No Difference
(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?	✓			

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>shareholders is also disclosed in the annual report every year.</p> <p>3. The Company has established a risk management mechanism and firewalls based on internal guidelines on providing endorsement and guarantee, financing to others, acquisition and disposition of asset, as well as, other related internal regulations. All business activities with affiliates will be handled as with third-parties to avoid irregular transactions.</p> <p>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> <p>The Board of Directors of the Company approved the amendments to the "Corporate Governance Best Practice Principles" on March 21, 2022 that indicates when insiders of the Company have been informed the financial position and performance of the financial statements, the</p>	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>insiders shall not trade their own shares from 30 days before the announcement of the annual financial statements and 15 days before the announcement of the quarterly financial statements.</p> <p>The Company holds related training courses for current directors, officers and employees at least once a year, and new comers are required to receive orientation training during the pre-employment training. On November 10, 2022, the 3-hour courses were conducted for current directors, officers and employees. The course covering insider trading prevention and Procedures for Handling Material Inside Information, etc.</p>	
<p>3. Organization and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors of the Company establish a diversity policy, set a specific management goal and implement for the composition of its members?</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 Board of Directors of the Company has established its "Corporate Governance Practice Principles" and "Procedures for Election of Directors", and the specific management goal and implementation are as follows:</p> <p>Goal:</p> <p>According to Article 20 of the Company's Corporate Governance Practice Principles, 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., and shall have the knowledge, skills, and experience necessary to perform their duties. The Company actively</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>cooperate with Financial Supervisory Commission R.O.C. to promote Corporate Governance 3.0 – Sustainable Development Roadmap. 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. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:</p> <ol style="list-style-type: none"> 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 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>Achievement:</p> <p>KMC's 12th Board of Directors is made up of 7 directors (including 3 independent directors). The proportion of independent directors is accounted for 43%, the proportion of directors who are not employees of the Company is accounted for 86%, and the proportion of female directors is accounted for 14%. The BOD has diverse expertise, including strategic planning, business</p>	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>management, financial accounting and legislation. All directors have work experiences required for Company's business for exerting the strategic guidance function. 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>The implementation of diversity of the Board of Directors' members is showed in Note 1.</p> <p>2. The Company has already established Remuneration Committee and Audit Committee. In addition, we also set up the ESG Committee, please refer to the section of Promotion of Sustainable Development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/ TPEX Listed Companies" in the annual report for its function. We are now considering establishing other functional committees, such as Nomination Committee, Corporate Governance Committee and Risk Management Committee.</p> <p>3. On March 18, 2019, the company established "Rules of Performace Evaluation of the Board of Directors". KMC implemented Board performance evaluations in 2022 and has reported the result to the BOD Meeting on March 14, 2023. Through selfassessment surveys</p>	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>via questionnaire, performance evaluation will be annually completed by the Board as a whole, by individual directors and by the Audit Committee as well as by the Remuneration 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. <p>The assessing results above have been disclosed on the Company's website and it will be considered for reference in the individual directors' compensation and nomination for following terms.</p> <ol style="list-style-type: none"> 4. The Audit Committee of the Company evaluates the independence and competency of the certified public accountants on an annual basis, 	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			requiring the certified public accountants to provide a "Statement of Extraordinary Independence" and "Audit Quality Indicators (AQIs)", as well as evaluating the accountants' financial interests, business relationships, employment relationships and 13 AQI indicators to compile the results of the assessment of the independence and competency of accountants. It has been confirmed that the accountants and the Company have no other financial interests and business relationships other than audit, financial and tax case fees, and the accountants' family members have not violated the independence requirement, and with reference to AQI information, it has been confirmed that the accountants and the firm have better audit experience and training hours than the industry average. The results of the latest annual assessment have been discussed and approved by the Audit Committee on March 14, 2023, and submitted to the Board of Directors on March 14, 2023 to approve the assessment of the independence and competency of the accountants.	
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	✓		<p>1. The company designates "Investors Relationship Office" as a dedicated unit which is responsible for corporate governance related affairs.</p> <p>2. On August 12, 2020, the Board of Directors assigned the manager of accounting and financial</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	
meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?			<p>division to act concurrently as the Corporate Governance Officer.</p> <p>3. The Corporate Governance Officer and the Investors Relationship Office are responsible for dealing with the following matters :</p> <ul 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) Reporting to the board of directors the reviewing results on whether the qualifications of independent directors comply with relevant laws at the time of nomination, election and during their tenure (7) Handling matters relating to the change of directors (8) Other matters described or established in the articles of incorporation or contract. (9) Implement corporate governance, corporate social responsibility and corporate integrity management. (10) Build up the communication bridge between the company and investors, media and stakeholders. 	

Item	State of operation			Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed Companies and the reasons
	Yes	No	Description	
			<p>(11) Effectively communicate information about the company's business philosophy, the latest status, and corporate sustainable development 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 has performed the assigned tasks and participated 12 hours training sessions in 2022. The detail of training sessions are shown in Table 1.</p>	
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. KMC values communication with stakeholders. We regularly implement the process of materiality analysis, confirm and adjust key sustainable issues, take the necessary actions to demonstrate our ESG influence and respond to stakeholder expectations and suggestions. KMC defined 6 major stakeholders including employees, customers, suppliers, shareholders, banks, governments and communities.</p> <p>2. KMC adopts diverse channels (e.g. annual ESG report, investor conferences, official website information disclosed, etc.) and has built up the contact e-mail box (ir@kmc-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</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>stakeholders.</p> <p>3. The “Stakeholders Relationship” and “ESG” sections were set up on the company’s website to respond the corporate sustainable issues properly that the stakeholders care about and also enhanced the content of our information disclosures.</p> <p>4. “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>	
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
<p>7. Disclosure of information</p> <p>(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(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?</p> <p>(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?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>1. The company has built up the website (http://www.kmc-international.com/) to disclose the finance, business and corporate governance information.</p> <p>2. (1) The company implements spokesperson system and establishes a dedicated contact unit for shareholders’ affairs</p> <p>(2) There is a dedicated staff to update the Chinese and English information of the website.</p> <p>(3) Participate the institutional investors' conference held by the competent authority or securities firm to enable the investors to understand the finance and business</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>information of the company. Also, the information is disclosed on the company's website.</p> <p>(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</p> <p>(5) Regularly discloses operational and financial results in Chinese and English so as to enhance the transparency of the Company.</p> <p>3. KMC follows relevant laws and regulations to announce and report the annual financial statements. KMC announces and reports the first, second, and third quarter financial statements and the operating status of each month before the prescribed deadline.</p>	
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 sustainable issues that the stakeholders care about properly.</p> <p>2. The situation of further study of the Directors and</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>Managers: the situation of further study of the Directors and Managers for 2022 are listed in the Table 1 below.</p> <p>3. The responsibility insurance for the Directors purchased by the company: The company purchased responsibility insurance for the Directors from Tokio Marine Nawa Insurance Co., Ltd. The insurance amount is USD 1 million and the insurance period covered from August 27, 2022, to August 27, 2023.</p> <p>4. Implementation of risk management and risk evaluation: Internal regulations were established in line with regulatory laws, along with the performance of risk management and assessment.</p> <p>5. The implementation status of consumer protection or customer policy: Per a policy of Customer First, it is implemented according to Consumer Protection Act and internal rules.</p> <p>6. Regarding information on employee rights and interests, employee wellness, investor relations and rights of the stakeholders, please refer to our ESG Report.</p>	
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> <p>1. Enhance the preparation of English version of the</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>company's website and related English documents to improve information transparency.</p> <p>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)</p> <p>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.</p> <p>4. After the re-election of the shareholders' meeting on June 24, 2020, there is a female director in the Board and the female to male ratio is up to 14%.</p> <p>5. 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.</p> <p>6. In line with international sustainable trends, the Board of Directors had approved the establishment of the ESG Committee on July 1, 2021. The ESG Committee is a designated unit responsible for promoting and intensifying KMC's sustainable development.</p>	

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 empolyee of KMC	Age			Years acting as an independenet director		Business developing and strategic planning	Business and production managemant	Markwtng	Finance	Accouting	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 Doctor of Finance, Baruch College, New York City University, U.S.A. Master of Business Administration, Oregon State University, U.S.A. Bachelor of International Business, National Chengchi University				V		V				V	V		
Tseng, Wen-Che	Independent Director	Male	Director and executive vice president, , Deloitte & Touche Emba, National Cheng Kung University Bachelor of Accounting, Soochow 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 Bachelor of Law, National Taiwan University			V		V								V

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

Title	Name	Date	Host by	Training	Duration	Compliant or not
Chairman	Wu, Ying-Chin	2022.02.25	Taiwan Investor Relations Institute	Credit Certification Courses for Directors and Supervisors - Corporate Governance Course Series	6	Yes
Director	Wu, Jui-Chang	2022.10.19	Taiwan Investor Relations Institute	Development and Practice Sharing of Sustainable Development Bonds in Taiwan	3	Yes
		2022.06.22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3	
Director	Kao, Ting-Nan	2022.11.11	Taiwan Institute of Directors	ESG Governance and the New Circular Economy	3	Yes
		2022.06.22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3	
Director	Hsu, Yang-Kang	2022.11.11	Taiwan Institute of Directors	ESG Governance and the New Circular Economy	3	Yes
		2022.06.22	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3	
Independent Director	Wang, Ming-Lung	2022.08.10	Securities and Futures Institute	External Innovation and Corporate Sustainability	3	Yes
		2022.08.05	Taiwan Corporate Governance Association	ESG Trend - Discussion on How the Listing Company are to Follow the Requirements of Competent Authorities	3	
Independent Director	Tseng, Wen-Che	2022.08.24	Taiwan Institute of Directors	Exploring the Core Competencies of the Next Generation in an Era of Dramatic Change	3	Yes
		2022.06.22	Taiwan Corporate Governance Association	Legal Issues Relating to ESG for Consideration by the Board of Directors	3	
Independent Director	Tsai, Hsueh-Ling	2022.02.25	Taiwan Investor Relations Institute	Credit Certification Courses for Directors and Supervisors - Corporate Governance Course Series	6	Yes
Manager of Accounting and Financial Division	Chen, Yung-Jen	2022.11.18	Accounting Research and Development Foundation	Corporate Inheritance and Corporate Governance	3	Yes
		2022.11.18		Q&A on the Analysis of the Latest IFRS	3	
		2022.11.17		Analysis of the Latest Corporate Governance Policies and Common Deficiencies	3	
		2022.11.17		Application and Legal Liability of the Business Judgment Rule to Economic Crime Cases	3	
Corporate Governance Officer	Chen, Yung-Jen	2022.11.11	Taiwan Institute of Directors	ESG Governance and the New Circular Economy	3	Yes
		2022.11.10	Corporate Operating and Sustainable Development Association	Analysis of Corporate Governance and Securities Regulations-Case Study of the Regulation of Insider Trading	3	
		2022.10.26	Securities and Futures Institute	Legal Compliance Seminar for Insider Stock Transactions	3	
		2022.10.19	Accounting Research and Development Foundation	Read the TCFD Report: Grasp the Key Points of the Information	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. The Remuneration Committee assists the Board in discharging its responsibilities related to KMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of KMC's directors of the Board and executives.

April 30, 2023

Criteria Name	Professional Qualification and Experience (Note 1)	Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member
Wang, Ming-Lung Independent Director	Deputy provost and Emba CEO, college of management, National Cheng Kung University Doctor of Finance, Baruch College, New York City University, U.S.A. Master of Business Administration, Oregon State University, U.S.A. Bachelor of International Business, National Chengchi University	All the Remuneration Committee members meet any of the following situations: 1. Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (Note 2) issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any KMC shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	1
Tseng, Wen-Che Independent Director	Director and executive vice president, Deloitte & Touche Emba, National Cheng Kung University		3
Tsai, Hsueh-Ling Independent Director	Managing attorney of Hsueh-Ling Tsai law office Director, Taiwan Bar Association Attorney-at-law, Republic of China School of law, Wisconsin State University		3

Note 1: For detailed members professional qualification and experience, please refer to "Profiles of Directors" on page 10-11 of this Annual Report.

Note 2: During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates;
- (3) 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;
- (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) 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; and
- (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 NT\$500,000".

B. Information of Remunerations Committee operations

(A) The Company's 4th term Remunerations Committee has 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 and executive officers periodically.
- (2) Evaluate the compensation of directors and executive officers periodically. The Committee shall faithfully perform its duties with the attention of a kind manager and submit the recommendations to the Board for discussion.
- (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	Personally Attended (B)	Attended By Proxy	Attendance rate (%) (B/A)	Remarks
Convener	Tseng, Wen-Che	2	0	100%	None
Member	Wang, Ming-Lung	2	0	100%	None
Member	Tsai, Hsueh-Ling	2	0	100%	None

Other mentionable items:

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
March 21, 2022 The 4 th in the 4 th term	1. Review the distribution of remuneration for employees and directors of 2022. 2. Review the detail of remuneration for directors and employees' profit for managers of 2022.	Passed by all members unanimously.
November 10, 2022 The 5 th in the 4 th term	1. Review the component of remuneration for directors and managers of 2023. 2. Discuss the responsibilities and annual plan of Remunerations Committee for 2023.	Passed by all members unanimously.
March 14, 2023 The 6 th in the 4 th term	1. Review the distribution of remuneration for employees and directors of 2023. 2. Review the detail of remuneration for directors and employees' profit for managers of 2023.	Passed by all members unanimously.

(5) Promotion of Sustainable Development and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
1. Has the Company established a governance structure to promote sustainable development and set up an exclusively (or concurrently) designated unit to promote sustainable development, and has the Board of directors authorized senior management to deal with and supervised the promotion of sustainable development?			<p>In line with international sustainable trends, the Board of Directors had approved the establishment of the ESG Committee on July 1, 2021. The ESG Committee is a designated unit responsible for promoting and intensifying KMC’s sustainable development. The ESG Committee has Mr. Wu, Ying-Chin, the chairman of KMC, serving as the chairman of the committee. The committee is composed of group president and top executives from regional and functional management. The chairman also appointed a executive secretary for the promotion and in-depth sustainable development of the Company.</p> <p>The ESG Committee is an interdepartmental communication platform that serves to build a top-down operation model across the company and strives towards a culture of sustainability. By convening semiannual meetings and setting up specific project teams, the committee could define material sustainability issues based on the results of the survey on the level of concern to stakeholders and the analysis of the impact on operations so as to jointly plan application strategies and execution plans. They are also responsible for allocating ESG related budget, spearheading annual ESG objectives and strategies, and tracking the effectiveness of the execution to ensure that ESG strategies are fully integrated into our daily operations.</p> <p>The committee will report results of the execution and work plans to the Board of Directors at least twice a year. In the meeting of the Board of Directors held on August 12, 2022, the ESG Committee has already reported directly to the BOD on the GHG inventory and verification schedule, future work plans of promoting ESG and the operation of sustainable development.</p>	No Difference

Promoted Items	Implementation Status			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and the Reasons
	Yes	No	Abstract Illustration	
			The Board of Directors regularly listens to sustainable development reports presented by the ESG Committee every year. Also, the ESG Committee should propose the Company's sustainability strategies to the BOD and the BOD should measure the likelihood of success of these strategies. The BOD also should review the progress of the Company's sustainable development strategies and offering necessary guidance.	
2. 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>The period of the disclosed data of the Company's sustainable development performance is from January 2022 to December 2022. The scope of risk assessment is mainly focused on KMC's businesses in Taiwan. We plan to gradually include our overseas businesses into the scope of risk assessment in the future to present comprehensive information related to the Group's ESG.</p> <p>KMC realized that giving proper response to issues which stakeholders concerned is the key to corporate sustainability. We adopt diverse channels to communicate with stakeholders and evaluate their feedback and ESG trends. Moreover, we continue to conduct materiality analysis to identify material ESG topics and integrate ERM (enterprise risk management) to assess the trends and impact of risks posed by material ESG issues. We also explain to the public how KMC mitigates risks and builds a resilient organization capable of thriving under changing global landscapes.</p> <p>KMC's Board of Directors has clearly defined 4 major principles with the "Sustainable Development Best Practice Principles" that state our ESG responsibilities: Exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare, and promotion of economic development.</p> <p>Based on the assessed risks, the relevant risk management policies or strategies are summarized as follows:</p>	No Difference

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>1. Environmental issue:</p> <p>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 response to the increasing impact of global climate change, we have adopted the Recommendations of the Task Force on Climate-related Financial Disclosures, and gradually integrated them into the Company's business decisions while identifying climate change related risks and opportunities and developing mitigation strategies as well as an execution plan, which include reducing greenhouse gas emissions, saving energy, conserving water, and reducing waste with the help of all business units.</p> <p>To stay updated with the overall GHG emissions, we formally introduced the ISO 14064-1:2018 inventory in 2022. Through comprehensive inventory process and stringent external verification mechanisms, the management for direct and indirect GHG emissions is strengthened. We will continue to implement carbon reduction measures to effectively reduce our emissions.</p> <p>2. Social issue: KMC keeps strengthening its investment in human resources and commits to providing a safe and healthy work environment. We regularly hold fire evacuation exercises, CPR and AED practices, and occupational safety and health education and training to develop employees' ability to respond to emergencies, and safety management ability. Also, we identify</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>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>As for product safety, all our products are in compliance with government regulations and are made with world leading manufacturing practices that meet RoHs, REACH and CPSIA standards, and do not contain any hazardous substances. Earth friendly, non-toxic, anti-rust and high-performing, KMC chains bring environmentally conscious cycling to a whole new level. In addition, we apply for patents for the products developed by the Company to protect the Company's rights and interests.</p> <p>3. Corporate governance issue: KMC continues to optimize its organizational structure and implement an internal control mechanism 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 plan relevant training topics for directors and provide directors with the latest information on regulations, system development, and policies every year. In addition, the Company purchases liability insurance for directors and important employees to protect them from lawsuits or claims.</p> <p>In order to bolster the company's supervisory function, the company website contains business ethics contact that can also</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			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.	
3.Environmental Topic (1) Does the Company establish proper environment management systems based on its industrial features? (2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact? (3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics? (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?	✓ ✓ ✓ ✓		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. To be on par with global carbon management trends, inventories are made according to ISO 14064-1:2018 GHG inventory criteria in our headquarters, Xinhua plant and Shenzhen plant and has acquired external certification by the end of 2022. Besides, the company is planning to obtain ISO14001 certification or other environment management system verification regulations. 2. The Company continues to promote energy management and renewable energy applications as well as the recycling of heat and packaging materials. For example, choosing high energy-efficient facilities and recycling the heat from the manufacturing process to the boilers for the residential area so as to reduce energy consumption. Besides, we also built up solar power systems in Taiwan plant and European companies in order to extend the applications of renewable energy. As for product development, all our products are in compliance with government regulations and are made with world leading manufacturing practices that meet RoHs, REACH and CPSIA standards, and do not contain any hazardous substances. 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	No Difference

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>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 ESG Committee is KMC's top organization in climate change management and is chaired by the Chairman of KMC. It reviews KMC's climate change strategies and goals every year, takes action on climate change risk and opportunity, reviews implementation status, discusses future plans and reports to the Board of Directors. The Company reviews the risk and opportunities arising from climate change and carries out complete assessments in accordance with the TCFD framework announced by the Financial Stability Board. In 2022, we completed the latest climate risk evaluation and identified the 22 climate risks, and then arranged them into the following categories: disruption in the supply chain or rising cost for raw materials, shift in consumer preferences, partnership while assessing new markets, continuous development of automotive aftermarket as well as R&D and innovation of new products and services.</p> <p>To reduce said risks, we also identified feasible opportunities and formulated countermeasures. In regards to climate change</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>mitigation, we are paying close attention to the impact of climate change on operating activities from business operation aspects. We strengthened our internal resource management and reduced greenhouse gas 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 ESG Report.</p> <p>4. As for the KMC’s facilities in Taiwan, the greenhouse gas emissions in 2022 was 3,300 ton-CO₂e which was 3,260 ton-CO₂e in 2021. The total amount of water used in 2022 was 10.9 thousand tons which was 11.5 thousand tons in 2021.</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<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 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 set policies and procedures in compliance with regulations and internationally recognized human rights principles? ✓</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 ✓</p>			<p>1. KMC believes that respecting human rights and promoting a decent work environment are important for the Company. KMC abides by local laws and regulations in all countries and regions where we operate, and upholds the human rights of all workers.</p> <p>We pay attention to the issues of human rights by supporting and complying with the regulations and principles of human rights recognized internationally, including the "UN Universal Declaration of Human Rights (UDHR)", "The United Nations Global Compact (UNGC)", "The UN Guiding Principles on Business and Human Rights (UNGPs)" and "International Labor Office Tripartite Declaration of Principles".</p>	No Difference

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
<p>development career training program for employees?</p> <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’ or customers’ 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>The company has formulated employee policies and relevant management regulations based on various labor laws and regulations to enable the employees to have an equal and fair working environment, and protect the working interests of employees. Policies have been released in the Company’s official website.</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 detailed employee welfare measures are disclosed in the annual ESG Report. Salary is determined mainly based on the salary levels in the market, the Company’s operations, overall economic conditions and the Company's competitiveness to appropriately reflect the Company's operating performance or results in our employees’ salaries. We pay out performance bonuses based on the Company's operating performance and employees' personal performance to reward their contribution and motivate them to keep up their good work. In addition, the Company also evaluates 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 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 to reward their contribution and motivate them to keep up their good work.</p> <p>3. The Company aims to provide a safe, healthy, and comfortable work environment, conducts health and safety management, and enables employees to develop correct concepts to maintain a healthy mind and body. With accident prevention as the core concept, we adopt appropriate management tools and provide</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>relevant resources to compile the occupational safety and health issues at our plants and put forth effective countermeasures to continuously improve our occupational safety culture, strengthen the protection management for operators, and invest resources to strengthen occupational accident prevention thereby creating a zero-accident work environment.</p> <p>We conduct workplace safety inspections, labor safety education training every six (6) months, regular employee health 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</p>	

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
			<p>internal cultivation of professional and leadership personnel, and strive to combine the personal career development with corporate development.</p> <p>5. With a core value of integrity and being customer oriented, the Company considers customers as partners and aims to create mutual benefits for both parties. 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> <p>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 sustainable development 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.</p>	
5. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	✓		<p>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 ESG 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. 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 ESG Report in the future.</p>	No Difference

Promoted Items	Implementation Status			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the Reasons
	Yes	No	Abstract Illustration	
6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences. No difference				
7. Other important information that helps understand the operation situation in terms of sustainable development: (1) The Company has disclosed the operation for sustainable development on the official websites: http://www.kmc-international.com/index.php?option=module&lang=en&task=showlist&id=549&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 ESG Report in 2022 and has disclosed this ESG report on its official website. In the future, we aim to publish our ESG 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. B. 【Kids】KMC Partnered with the Cycling Lifestyle Foundation to Donate Recycled Bikes to Elementary Schools Ride on a chain of miracles for the love of sustainability! The Cycling Lifestyle Foundation has long been enthusiastic about public welfare. This year, together with KMC’s Bicycle Education Program For Kids, the old bicycles that are to be eliminated in the rental stations every year will be disassembled and replaced with new parts, and turned into environmentally-friendly recycled bicycles, which were donated on November 14, 2022 to Zhenhai Primary School in Annan District, Tainan City as an act of public welfare. These recycled bicycles are to inject traffic safety resources into the primary schools and give the old bicycle new vitality. In recent years, Zhenhai Primary School has planned "bicycle safety education" courses, which has gradually become a characteristic education course of the school, and has cooperated with KMC’s Bicycle Education Program For Kids to improve the course content. A total of NTD280,000 was invested into the series of activities of 2022 KMC’s Bicycle Education Program For Kids, and the total number of participants was around 1,550 people. C. 【Kids】Kids Cycling Training Class Entering Elementary School Campus KMC has been promoting children's cycling safety education since a few years ago, so that the concept of riding safety can take root and start from an early age. On September 8, 2022, it came to Sinmin Elementary School for the first time to start the "kids cycling training class". First, cycling knowledge and safety lectures were held for 300 students in the fifth and sixth grades who were divided into batches, and then a simulated mini training ground was used to plan time-limited straight riding areas, traffic signal area, S-shaped curve areas, uphill and downhill areas and acceleration/braking areas, etc., so that students could feel as if they were training in a "cycling training class". After completing the "Cycling Class" training, students will also be awarded the "KMC Little Rider License", which is very interesting, and they also keep cycling skills and road safety in their minds.				

(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. In order to improve its sound development, KMC has established an "Ethical Corporate Management Principles" which combines the business philosophy of honesty, transparency and responsibility rooted in integrity 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 ethical corporate management policy into internal management and business activities.</p> <p>2. The Company's "Procedures for Handling Material Insider Information" sets forth restrictions on revealing any material insider information by directors, management, and employees to others, along with restrictions on inquiring about or collecting any material insider information that is not related to his/her scope of responsibility, with any material insider information arising from non-implementation of business not being revealed to others. In addition, the company has established an "Ethical Corporate Management Principles" and "Procedures for Ethical Management and Guidelines for Conduct" 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, policies mentioned above can be found in the "Corporate Governance" section under "Investors" of our official website.</p>	No Difference

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
			<p>3. The Company formulated "Procedures for Ethical Management and Guidelines for Conduct" which governs the important matters when conducting business and covers the reporting of improper conducts both internally and externally, including whistleblower protection and their associated handling. Also, 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, 2022, the Investor Relations Office has already reported directly to the BOD on the operation of "Promoting Sustainable Development" and "Performing Ethical Corporate Management".</p>	
<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>✓</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. The Investor Relations Office will promote and report the supervision and implementation status of the ethical management policy and unethical behavior prevention plan to the Board of Directors regularly (at least once a year).</p> <p>In the meeting of the Board of Directors held on August 12, 2022, the Investor Relations Office has already reported directly to the BOD on the operation of "Promoting Sustainable Development" 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	
(5) Does the Company organize internal or external trainings in the integrity of business management regularly?	✓		<p>3. In order to prevent conflicts of interest, the Company has formulated the " Procedures for Ethical Management and Guidelines for Conduct " to identify, monitor and manage the risks of dishonest behaviors that may result from conflicts of interest. The measures stipulate that KMC members should avoid conflicts of interest related to their positions, and shall not engage in any business, investment or activities that may conflict with the interests of KMC Group. In addition, the "Ethical Corporate Management Principles" formulated by the company also includes the "Avoidance of Conflicts of Interests" to further implement the policy of avoidance of conflicts of interests.</p> <p>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 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>	

Item	Implementation Status			Difference from the Integrity Operation Practice Principles for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Descriptions	
			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.	
3. Report System operating status (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? (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? (3) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	✓ ✓ ✓		1. The "Procedures for Ethical Management and Guidelines for Conduct" 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. Prosecutors may report to the following units: (1) Spokesman: Accept the report from external personnel such as shareholders, investors. Reporting channel: ir@kmc-international.com (2) The Management, HR supervisor, Finance Accounting supervisor: Accept the report from internal personnel. 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. The whistle-blower and related personnel responsible for handling the case shall be responsible for confidentiality and preventing the whistle-blower from being treated unfairly, retaliated against or threatened. 3. The unit which handling the case was enjoined to keep the informer confidential and to only disclose the information to certain personnel. A reasonable preventive and protective measure will be applied to protect the informer from revenge or mistreatment.	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 ESG Report.</p> <p>The official website of the company is : http://www.kmc-international.com/index.php?option=module&lang=cht&task=showlist&id=24&index=1</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”, “Rules Governing the Scope of Powers of Independent Directors”, “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Remuneration Committee Charter” and “Sustainable Development Best Practice Principles”. 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 ESG section on its corporate website to address its ESG 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) Major Resolutions of Shareholders' Meeting and Board Meetings for the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

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

Meeting	Date	Resolution	Implementation status
Annual Shareholder's Meeting	June 30, 2022	Approve the company's annual business reports and financial statements for 2021.	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 30, 2022.
		Acknowledgement of the company's profit distribution of the year 2021.	KMC's Articles of Incorporation authorize the Board of Directors to approve quarterly cash dividends. The amounts and payment dates of 2021 quarterly cash dividends are demonstrated in the table below.
		Approve the revisions to the Articles of Incorporation	All the revisions have been approved by the authority on July 13, 2022.
		Approve the amendment to the Rules of Procedure for Shareholders' Meetings	The implementation of the resolution of the shareholders' meeting was completed.
		Approve the amendment to the Procedures for Election of Directors	The implementation of the resolution of the shareholders' meeting was completed.
		Approve the amendment to the Operating procedures for Acquisition and Disposal of Assets	The implementation of the resolution of the shareholders' meeting was completed.
		Approve the amendment to the Procedures for Lending Funds to Other Parties	The implementation of the resolution of the shareholders' meeting was completed.
		Approve the amendment to the Procedures for Endorsement and Guarantee	The implementation of the resolution of the shareholders' meeting was completed.

2021	Approval Date (month/day/year)	Payment Date (month/day/year)	Cash Dividends Per Share (NT\$)	Total Amount (NT\$)
First quarter	08/31/2021	01/04/2022	2.25	283,500,000
Second quarter	08/31/2021	01/04/2022	2.25	283,500,000
Third quarter	11/10/2021	04/15/2022	2.25	283,500,000
Fourth quarter	03/21/2022	07/29/2022	2.25	283,500,000
Total			9	1,134,000,000

B. During 2022 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	March 21, 2022	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. Internal control system statement for the year 2021 3. The unconsolidated financial statements and consolidated financial statements for the year 2021. 4. Business report for the year 2021. 5. The distribution of the earnings of 21Q4. 6. The distribution of the earnings of 2021. 7. The motion to amend the company's "Article of Incorporation" 8. The amendment to the Operational procedures for Acquisition and Disposal of Assets. 9. The amendment to the Rules of Procedure for Shareholders' Meetings. 10. The amendment to the Rules of Procedure for Board of Directors Meetings 11. The amendment to the Corporate Governance Best Practice Principles 12. The amendment to the Sustainable Development Best Practice Principles 13. The affairs to hold the annual shareholders' meeting of 2022.
The Board of Directors	May 11, 2022	<ol style="list-style-type: none"> 1. 2022 the first quarter consolidated financial report. 2. 2022 the first quarter business report 3. 2022 the first quarter earnings distribution 4. KMC sets the Ex-Dividend Record Date and dividend payout schedule for the First Quarter of 2022. 5. To increase the cash capital of subsidiary KMC Chain Industrial Co., Ltd 6. The subsidiary, KMC Investment (China) Co., Ltd., decided to increase the cash capital of its subsidiary KMC (Suzhou) Automotive Transmission Co., Ltd 7. The amendment to the affairs of holding 2022 annual shareholders' meeting. 8. New and extension of banking facility.
The Board of Directors	August 12, 2022	<ol style="list-style-type: none"> 1. To evaluate the independence of the appointed external auditors 2. 2022 the second quarter consolidated financial report. 3. 2022 the second quarter business report 4. 2022 the second quarter earnings distribution 5. KMC sets the Ex-Dividend Record Date and dividend payout schedule for the Second Quarter of 2022. 6. The liability insurance for the Directors for 2022 7. New and extension of banking facility.
The Board of Directors	November 10, 2022	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. The Company's 2023 internal audit plan 3. 2022 the third quarter consolidated financial report. 4. 2022 the third quarter business report 5. 2022 the third quarter earnings distribution 6. The amendment to the Internal Control-Other Operational Management Measures 7. KMC sets the Ex-Dividend Record Date and dividend payout schedule for the Third Quarter of 2022. 8. The Company's 2023 business plan 9. The amendment to the Rules of Procedure for Board Meetings 10. The amendment to the Procedures for Handling Material Inside Information 11. The amendment to the Procedures for halt and resumption applications 12. The amendment to the Procedures for the Prevention of Insider Trading 13. New and extension of banking facility.
The Board of Directors	March 14, 2023	<ol style="list-style-type: none"> 1. Review of the resolution of remuneration committee. 2. Internal control system statement for the year 2022 3. The proposal of 2022 accumulated earnings distribution for all overseas subsidiaries 4. The unconsolidated financial statements and consolidated financial statements for

Meeting	Resolution date	Meeting resolutions
		<p>the year 2022.</p> <p>5. Business report for the year 2022.</p> <p>6. The distribution of the earnings of 22Q4.</p> <p>7. The distribution of the earnings of 2022.</p> <p>8. Assessing the quality of our audit firms and auditors based on the AQI information and approving the appointment of the external auditors.</p> <p>9. To formulate the Company's "General Principles of Pre-Approved Non-Assurance Service Policy".</p> <p>10. Cancel endorsements and guarantees limit for subsidiary</p> <p>11. The amendment to the Sustainable Development Best Practice Principles</p> <p>12. Re-election of directors, including independent directors</p> <p>13. To release the new board of directors and representatives from the non-competition restrictions</p> <p>14. The affairs to convene the Year 2023 General Shareholders' Meeting</p> <p>15. Accept the proposal from the shareholders with more than 1% of shareholdings.</p> <p>16. Accept the candidate nomination for election as a Board member</p> <p>17. The amendment to the Rules Governing Financial and Business Matters Between this Corporation and its Related Party</p> <p>18. The amendment to the Corporate Governance Best Practice Principles</p> <p>19. KMC sets the Ex-Dividend Record Date and dividend payout schedule for the Fourth Quarter of 2022.</p> <p>20. Appoint directors and supervisors of subsidiaries</p>
The Board of Directors	April 10, 2023	Review the candidates of the 13th Board of Directors

(12) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:
None.

(13) Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2021 and as of the Date of this Annual Report:

April 30th, 2023

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

5. Information on the fees for certified public accountants

Unit: NT\$ thousands

Name of CPA firm	Name of CPA	CPA's Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte & Touche	Li, Chi-Chen and Yang, Chao Chin	January 1 st , 2022 to December 31 st , 2022	5,060	1,214	6,274	The non-audit fee was mainly related to transfer price report.

- (1) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None
- (2) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed: None

6. Information on replacement of certified public accountants:

None.

7. KMC's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions within KMC's independent audit firm or its affiliates in the most recent year.

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, managers or the shareholders with more than 10% of the Company's shares:

(1) Transfer of shares held by the directors, managers and the major shareholders:

Title	Name	2022		Current Year to April 2 nd	
		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)	(350,000)	0	0	0
Director	Hsu, Yang-Kang	0	0	0	0
Independent Director	Wang, Ming-Lung	0	0	0	0
Independent Director	Tseng, Wen-Che	0	0	0	0
Independent Director	Tsai, Hsueh-Ling	0	0	0	0
President	Wu, Jui-Chang	0	0	0	0
Vice President	Wu, Hsing-Chuan (Note 2)	(7,902,042)	0	0	0
Head of TEC-MAYA Division	Chang, Tsung-Hao	0	0	0	0
Head of MAT Division	Fang, Hsiang	0	0	0	0
Head of GDO Division	Hsu, Yi-Chih	0	0	0	0
Head of KMC-BC Division	Chen, Yi-Ming	0	0	0	0
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 appointed Chang Hsing Investment Co., Ltd to act as the nominee shareholder.

Note 2 : Mrs. Wu, Hsing-Chuan appointed Li Ze Investment Co., Ltd. to act as the nominee shareholder.

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

Name	Reason for Transfer	Date	The counterparties	Relationship	Shares	Transfer price
Wu, Hsing-Chuan	Capital contributions by stock	2022.04.28	Li Ze Investment Co., Ltd.		4,140,042	196.00
Wu, Hsing-Chuan	Capital contributions by stock	2022.04.29	Li Ze Investment Co., Ltd.		3,762,000	196.00
Kao, Ting-Nan	Capital contributions by stock	2022.12.01	Chang Hsing Investment Co., Ltd		350,000	140.00

(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 2, 2023

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	37.63%	0	0	0	0	Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu,Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. 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. Chairman for KMC TRANSTON INDUSTRIES LIMITED	None
Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin)	7,902,042	6.27%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Yu,Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu, Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree Familial relationship within the 2nd degree with the representative of Corp. 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. 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) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	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 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.	None
Fubon Life Assurance Co., Ltd. (Representative Tsai, Ming-Hsing)	3,020,000	2.40%	0	0	0	0	None	None	None
KMC Global Co., Ltd. (Representative Wu, Ying-Chin)	3,000,000	2.38%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu,Wen-Ying Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd	Chairman for KMC Global 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. Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp.	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	
							(Representative Wu, Ying-Chin)	Chairman for KMC Global Co., Ltd.	
Wu, Hui-Lan	2,822,549	2.24%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu, Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	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 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
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) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu, Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu, Hui-Lan HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	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. Familial relationship within the 2nd degree with the representative of Corp.	None
HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	2,032,072	1.61%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu, Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu, Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	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. Familial relationship within the 2nd degree with the representative of Corp.	None
LO,CHI-NI Investment Co., Ltd (Representative Wu, Ying-Chin)	2,032,072	1.61%	0	0	0	0	KMC TRANSTON INDUSTRIES LIMITED (Representative Wu, Ying-Chin) Li Ze Investment Co., Ltd. (Representative Hsu, Jui-Lin) Yu,Wen-Ying KMC Global Co., Ltd. (Representative Wu, Ying-Chin) Wu,Hui-Lan Supreme Profit International Co., Ltd (Representative Yu, Wen-Ying) HSUN-LI Investment Co., Ltd (Representative Wu, Hui-Lan)	Chairman for LO,CHI-NI Investment Co., Ltd Familial relationship within the 2nd degree with the representative of Corp. Familial relationship within the 2nd degree with the representative of Corp. Chairman for LO,CHI-NI Investment 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
SHIMANO (TAIWAN) CO., LTD. (Representative Muto Koji)	1,699,484	1.35%	0	0	0	0	None	None	None

10. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, managers and any investment business directly or indirectly controlled by the Company, and the consolidated percentage of combined shareholdings

Affiliated Company (Note 1)	Shareholding by the Company		Shareholding of directors, managers or enterprises under their direct or indirect control		Total Shareholding	
	Shares	%	Shares	%	Shares	%
KMC CHAIN Industrial Co., Ltd.	90,000,000	100%	0	0	90,000,000	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%
Kynamic Inc	1,500,000	100%	0	0	1,500,000	100%
KMC Industries (Vietnam) Co., Ltd	-	100%	0	0	-	100%
KMC Global GmbH	-	100%	0	0	-	100%

Note 1: Long-term investment accounted based on equity-method.

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 2, 2023

Type	Authorized share capital			Remark
	Outstanding	unissued	Total	
Common shares	126,000,000 shares	74,000,000 shares	200,000,000 shares	Listed company's shares

(2) Structure of shareholders

April 2, 2023

Type of Shareholders	Governments	Financial institutions	Other juridical persons	Foreign institutions & natural persons	Natural persons	Treasury stock	Total
Number	0	6	75	154	13,997	0	14,232
Shareholding	0	3,513,168	71,196,887	22,819,463	28,470,482	0	126,000,000
Holding Percentage	0.00%	2.79%	56.50%	18.11%	22.60%	0.00%	100.00%

(3) Distribution of shares

A. Distribution of common shares

April 2, 2023

Rank	Number of shareholders (in persons)	Total Shares Held	Holding Percentage
1-999	7,837	1,461,333	1.16%
1,000-5,000	5,557	9,924,011	7.88%
5,001-10,000	429	3,198,111	2.54%
10,001-15,000	132	1,672,844	1.33%
15,001-20,000	69	1,210,944	0.96%
20,001-30,000	56	1,436,401	1.14%
30,001-40,000	29	1,033,352	0.82%
40,001-50,000	20	896,690	0.71%
50,001-100,000	33	2,149,719	1.71%
100,001-200,000	27	3,809,622	3.02%
200,001-400,000	13	3,940,839	3.13%
400,001-600,000	9	4,194,743	3.33%
600,001-800,000	4	2,943,000	2.34%
800,001-1,000,000	5	4,509,096	3.58%
More than 1,000,001	12	83,619,295	66.35%
Total	14,232	126,000,000	100.00%

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

(4) List of major shareholders

April 2, 2023

Name	Total Shares Held	Ownership Percentage
KMC TRANSTON INDUSTRIES LIMITED	47,412,256	37.63%
Li Ze Investment Co., Ltd.	7,902,042	6.27%
Yu, Wen-Ying	7,902,040	6.27%
Fubon Life Assurance Co., LTD	3,020,000	2.40%
KMC Global Co., Ltd.	3,000,000	2.38%
Wu, Hui-Lan	2,822,549	2.24%
Supreme Profit International Co., Ltd	2,758,780	2.19%
HSUN-LI Investment Co., Ltd	2,032,072	1.61%
LO, CHI-NI Investment Co., Ltd	2,032,072	1.61%
SHIMANO (TAIWAN) CO., LTD.	1,699,484	1.35%

(5) Market Price for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share and related information

in thousand shares and NT\$ thousand

Item		Year	2021	2022	Current year up to March 31 st , 2023
Market price per share	Highest		252.5	206.5	158.0
	Lowest		174.0	135.5	140.0
	Average		215.4	166.1	151.4
Net worth per share	Before distribution		51.9	59.7	NA
	After distribution		49.7	57.5(note1)	NA
Earnings per share	Weighted average quantity of shares(1,000 shares)		126,000	126,000	NA
	EPS	Before adjustment	15.94	15.26	NA
		After adjustment	15.94	15.26	NA
Dividend per share	Cash Dividends		9.00	9.00(note1)	NA
	Stock Dividend	From Retained Earnings	0	0	NA
		From Capital Surplus	0	0	NA
	Accumulated Unpaid dividends		0	0	NA
ROI analysis	Price/Earnings ratio(note2)		13.51	10.88	NA
	Price/Dividend ratio(note3)		23.93	18.46	NA
	Cash dividend yield(note4)		4.18%	5.42%	NA

Note

1. Including the dividends amount for fourth quarter of 2022, which were approved by Board of Directors on March 14, 2023.
2. Price/Earnings ratio = average price per share at closing in the current year/earnings per share.
3. Price/Dividend 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 provided in the articles of incorporation:

- 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.

B. Execution Status

Pursuant to KMC's Articles of Incorporation, the Company's Board of Directors is authorized to approve quarterly cash dividends after the close of each quarter. After the Company's Board of Directors approves quarterly cash dividends, KMC will distribute the dividend within six months. The respective amounts and payment dates of 2022 quarterly cash dividends are demonstrated in the table below.

2022 Quarterly Earnings Distribution

Unit: NT\$

Period	Approved Date	Payment Date	Cash Dividends Per Share	Total Earnings Distribution Amount
First quarter of 2022	05/11/2022	10/14/2022	NT\$2.25	283,500,000
Second quarter of 2022	08/12/2022	01/13/2023	NT\$2.25	283,500,000
Third quarter of 2022	11/10/2022	04/14/2023	NT\$2.25	283,500,000
Fourth quarter of 2022	03/14/2023	07/26/2023	NT\$2.25	283,500,000

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

(7) Impact to 2023 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 basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

- i. The estimated amount of compensation for employees and directors for the current period is based on the profitability for the current year. The relative estimate shall be made in accordance within the rate range specified in the articles of association.
- ii. Basis of calculating the number of shares allotted for stock dividends: N/A
- iii. When there is a difference between the actual allotment amount and the estimated amount, it is classified as the profit and loss of the following year.

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

- i. The remunerations to employees and directors in FY2022 were passed by Board of Directors on March 14, 2023.
- ii. The amount of remunerations to employees in FY2022 is NT\$30,825,000 in cash.
- iii. The amount of remunerations to the directors in FY2022 is NT\$8,400,000 in cash.
- iv. The actual amount of payment is congruent with the recognized amount for FY 2022.
- v. The proposed amount of employee bonus in stock: None

D. If there is discrepancy between the distribution of remunerations to employees and directors 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 compensation to directors and profit sharing to employees from the earnings of 2021 had already been distributed in 2022. If the actual amounts paid differ from the estimated amounts, the differences will be recorded in the year paid as a change in accounting estimate.

(9) Status of the Company repurchasing its own 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		
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 March 31, 2023, the total outstanding amount of convertible bond is NTD 1 billion. If all bonds are converted into common shares at NT\$181.9 per share, the total outstanding shares of KMC will increase 5,497,526 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 4.18%. 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	
Item	Year	2022	As of March 31, 2023
Market price of the convertible bond	Highest	119.30	103.50
	Lowest	100.60	100.60
	Average	109.29	102.13
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 The convertible prices had been adjusted on 08/04/2021, 12/16/2021, 03/23/2022, 07/09/2022, 09/25/2022, 12/25/2022 and 03/21/2023 and the convertible prices would be NT\$199.1, NT\$194.8, NT\$192.5, NT\$189.9, NT\$187.3, NT\$184.6 and NT\$181.9 respectively.	
Conversion methods		Issuing of new stocks	

- C. Exchangeable Bond: None.
- D. Shelf Registration Bond: None.
- E. Bond with Warrants: None.

3. Preferred shares:
None.

4. The issuance of overseas depository receipts:
None.

5. The status of employee stock option plan:
None.

6. The status of new restricted employee shares:
None.

7. The status of issuance of new shares in connection with mergers or acquisitions:
None.

8. Implementation of the capital allocation plans:
For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement:
None

V. Operating Highlights

1. Business Activities

(1) Business scope:

A. Major business items:

- i. F401010 International Trade
- ii. F114030 Wholesale of Automotive and Motorcycle Parts and Supplies
- iii. F214030 Retails of Automotive and Motorcycle Parts and Supplies
- iv. CD01040 Motor Vehicles and Parts Manufacturing
- v. CD01050 Bicycle and Parts Manufacturing
- vi. CD01990 Other Transportation and Parts Manufacturing
- vii. F114040 Wholesale of Bicycle Parts and Supplies
- viii. F114990 Wholesale of Other Transportation Equipment and Parts.
- ix. F214040 Retails of Bicycles and Parts
- x. F214990 Retails of Other Transport Equipment and Parts
- xi. ZZ99999 Other business items that are not prohibited or restricted by law.

B. Business breakdown

In NT\$ thousand					
Products	Year	2021		2022	
		Amount	%	Amount	%
Bike Chain and component		6,137,632	79.2%	5,451,214	76.6%
Motorbike Chain and component		584,671	7.5%	584,758	8.2%
Automobile Timing System		500,511	6.5%	526,905	7.4%
Garage Door Opener		528,169	6.8%	553,406	7.8%
Total		7,750,983	100.0%	7,116,283	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 64.6 billion in 2022. It is expected that the global bicycle market will grow to USD 135 billion by 2030, with a compound annual growth rate (CAGR) of 9.7%. 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. In addition, 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.

In recent years, the development trend and emphasis of the bicycle industry have gradually shifted from the traditional means of transportation to exercising, mountaineering and recreation. Especially in some regions, such as Europe, America and Japan, bicycles have become a vehicle for sports competition, fitness and entertainment. 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. According to the estimates of CONEBI and UCI, the sales volume of bikes and e-bikes in Europe is expected to grow to 30 million. On December 14, 2021, the European Commission released the new EU Urban Mobility Framework. This is the largest commitment to boost cycling since EU would allocate funds to construct related infrastructure to protect bicycle riders in various cities. In addition, the United Nations General Assembly has unanimously adopted a resolution calling on the mainstream use of bicycles and for cycling to be integrated into public transportation systems for sustainable development on March 15, 2022. On the regulation, the UN said: "The General Assembly, among other things, invited all Member States to integrate the bicycle into public transportation in urban and rural settings in developing and developed countries, improve road safety and promote the use of bicycles by people and businesses to increase bicycle trips which, in turn, contributes to the achievement of sustainable development, including the reduction of greenhouse gas emissions." The characteristics of low carbon emission and environmentally friendly also make the bicycle industry to have high potential to become the most sustainable industry. Since Europe is now facing the pressure of energy shortage and rising energy cost, some governments have launched subsidies for the purchase of bicycles, e-bikes and e-cargo bikes, hoping to reduce the dependence on energy from the user side. The policy encouragement and the continuing development of the e-bike application market both will improve the long-term stability and growth of the overall European bicycle market.

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. E-bikes have officially become a key role in future transportation. According to the latest data and market research, the sales volume and revenue are both surging. The sales volume of e-bikes in the USA in 2021 is greater than the total amount of electric and hybrid vehicles, and it's still growing fast. It is estimated that the US e-bike market will grow to USD 1.62 billion by 2027, with a compound annual growth rate (CAGR) of 12.51%. Since more and more express and logistics companies are using e-cargo bikes for the last mile delivery, the e-cargo bikes are getting more and more popular in the cities of United States. It is not only more cost-effective but also low carbon emission. As e-cargo bikes become the best means of transport for delivery services, it will increase US sales of e-bike.

Mainland China has been the world's largest bicycle production base for a very long time, and 75-80% of its production is exported to North America, Japan and emerging markets. In 2022, Chinese bicycle industry was affected by the sluggish global demand so that the export momentum is gradually weakening. The exporting number of bikes in 2022 was 41.7 million, a year-on-year decrease of 39.6%. However, the average exporting price was up to USD 89, with an annual growth rate of 20.9%. It reflects that facing the new challenges of supply chain and the new pattern of international division of labour in the post-pandemic era, China's bicycle industry is speeding up towards high value-added production.

Based on the statistics from the Taiwan Bicycle Association, the total bicycles exported from Taiwan in 2022 is about 1.94 million units, a year-on-year decrease of 2.5%, and the average unit price of exports is US\$836 with an export value of nearly USD 1.62 billion, a year-on-year increase of 23.2%. The North America and the EU remained the top two trading partners of Taiwan in the bicycle industry. In addition, the total export volume of E-bike has reached 1.04 million units, a year-on-year increase of 4.9%, with an export value of nearly USD 1.55 billion, a year-on-year increase of 18%. It shows that Taiwan's bicycles are keeping on the track of increasing to the higher value. In the future, it will pay more attention to the needs of users, including the latest development of digital technology and renewable energy. 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 reached 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 61.8 million units in 2022, a year-on-year increase of 5.5%. 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.

According to Asosiasi Industri Sepedamotor Indonesia (AISI), the sales of motorcycles in Indonesia increased by 3.2% in 2022 to 5.22 million units. According to the Vietnam Association of Motorcycle Manufacturers (VAMM), the sales of motorcycles in Vietnam was 3 million units in 2022, a year-on-year increase of 20.5%. 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 300 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), 81.63 million vehicles (excluding heavy vehicles) were sold worldwide in 2022 which is similar to 2021. The top three sales areas were Mainland China (26.86 million units), America (14.23 million units) and the EU (13.3 million units). As for production, 85.02 million vehicles were produced worldwide in 2022, a year-on-year increase of 6%. The top three production bases were Mainland China (27.02 million units), the EU (13.8 million units) and America (10.06 million units).

As for China, although the car sales declined sharply from March to May of 2022 due to the impact of the COVID-19, the demand from the consumer market began to recover from June. In addition, as slashing the purchase tax by half 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, this market remained the largest in the world for 14 consecutive years with an annual growth rate of 3.4%. 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 USD1.18 billion in 2022, and it is estimated to reach USD1.45 billion by 2029, with a compound annual growth rate of 3%.

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.

When the cross-speed transmission system comes out, KMC synchronously provides new eGlide chain, a non-directional E-bike specific chain which is compatible with 9 to 11 speeds. Double X bridge design is adopted for wider cog teeth that cradles the chain rollers in place for maximum effective gear and chain interaction. Through perfectly-tuned heat treatment technology, the eGlide chain offering both rigidity and tenacity that is optimally hardened so as to provide super high tensile strength of over 1,350kgf.

As e-bikes are applied to city logistics more commonly, the demand for e-cargo bike is also changing. KMC sees the development direction of the e-bike market and has developed the advanced e-cargo bike chains, targeting the core needs for heavy loading and long-distance riding. The e-cargo bike's electronic drive system has increased the output horsepower and fulfilled the special need for heavy loading. In addition, KMC has adopted an innovative chain design to improve its transmission strength and endurance. The chain plates' coverage is increased by 15% compared to traditional 8-shaped plates. With its inner plate widened on both sides, it enhances the tightness of the chain and the gear plate, allows a perfect grip on the gear plate, and avoids the risks of a loosened chain. Integrated with the weight resistance design, the inner plate is 13% wider and the outer plate is 20% thicker, offering strengthened stability for the cargo market.

B. R&D expenses invested: The amount invested by the company and its subsidiaries in the fiscal year 2022 was NT\$63,094 thousand.

(4) 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 response to the new form of supply chain and sales channels, we will also utilize digital technology to integrate online and offline seamlessly so as to create a new business model.

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

A. Sales of the major products by region:

In NT\$ thousand

Region \ Year	2021		2022	
	Revenue	%	Revenue	%
Asia	6,116,971	78.9%	5,405,221	76.0%
Europe	1,400,386	18.1%	1,426,204	20.0%
America	233,626	3.0%	284,858	4.0%
Total	7,750,983	100.0%	7,116,283	100.0%

B. 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.

C. 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 40 million units, accounting for about 30% 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:

Statistics indicate that the global motorcycle market recorded sales of 61.8 million units in 2022, a year-on-year increase of 5.5%. The primary motorcycle 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 primary garage door opener market is in North America and Europe. The market size of global garage door opener is about USD1.18 billion in 2022, and it is estimated to reach USD1.45 billion by 2029, with a compound annual growth rate of 3%.

D. 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.

(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 aurora 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.

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

The favorable factors:

- (A) Since traffic congestion and air pollution have become a nightmare that threatens the quality of urban life, promoting cycling seems to be one of the efficient policy to achieve low-carbon and eco-friendly in terms of a daily commute. 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. In addition, unbalanced diet and lack of exercise have led to obesity and health issues. In recent years, the trend of exercise is emerging and cycling is perceived as the best outdoor exercise as well as an ideal means to commute. As it greatly benefits the physical and mental health of body and mind, it has become a fashionable health product, which is favorable to the industry development.
- (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) Due to the fluctuations of global political and economic environment, such as inflation risk and geopolitical instability, they all affect 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.
- (D) The automotive industry has fully become electric.

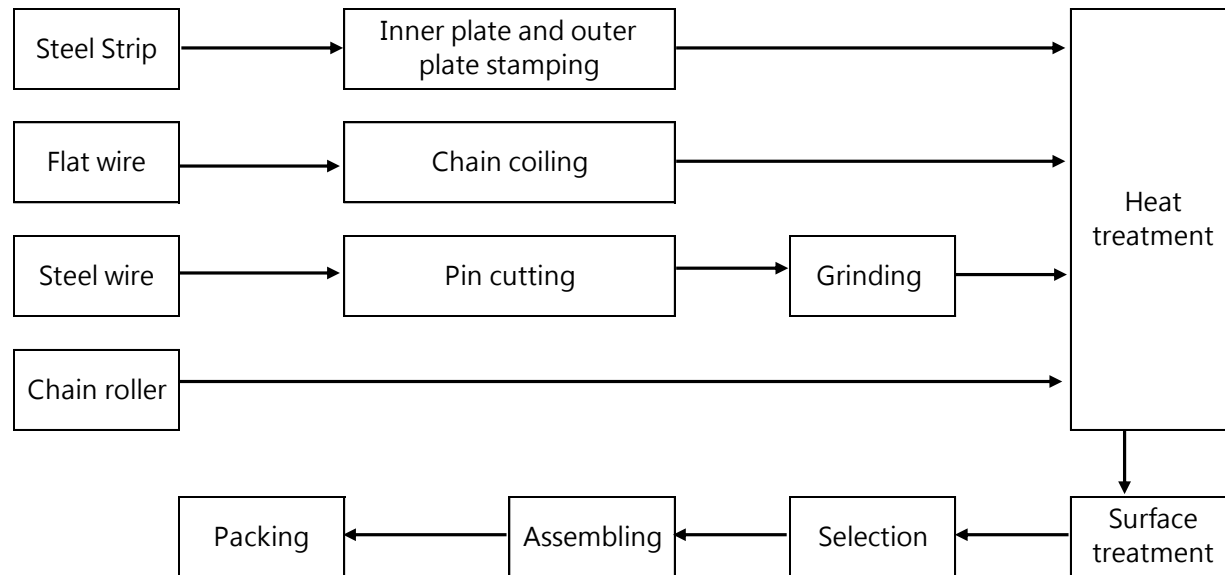
Countermeasures:

- (A) Self-operate our channels in developed countries and regions and coordinate our sales promotional activities with subsidies provided by government. 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
- (B) Introduce dedicated chains for higher performance and expand market share with differentiated strategies.
- (C) Launched “high-quality but fair price” entry-level products to expand the market share of repairs in emerging countries including mainland China.
- (D) Utilize the group's factories deployment sale locations to provide local services.
- (E) 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.
- (F) Through the cooperation with the car manufacturers, we could develop the parts for the new energy cars.

(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

December 31, 2022; In NT\$ thousand

item	2021				2022			
	Vendor	Amount	Percentage of total net purchases	Relationship	Vendor	Amount	Percentage of total net purchases	Relationship
1	ANSTEEL	670,266	20.1%	none	ANSTEEL	384,417	15.7%	none
2	Others	2,667,412	79.9%		Others	2,062,304	84.3%	
	Total Net Purchase	3,337,678	100.0%		Total Net Purchase	2,446,721	100.0%	

B. Main customers

December 31, 2022; In NT\$ thousand

Item	2021				2022			
	Customer	Amount	Percentage of total net sales	Relationship	Customer	Amount	Percentage of total net sales	Relationship
1	Note				Note			
2	Others	7,750,983	100%		Others	7,116,283	100%	
	Total Net Sales	7,750,983	100%		Total Net Sales	7,116,283	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		2021			2022		
		Capacity	Output	Amount	Capacity	Output	Amount		
Transmission components		N/A	N/A	4,161,758	N/A	N/A	3,715,459		

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

Unit : NT\$ thousands

Shipment & Net Revenue Main Products		2021				2022			
		Domestic		Export		Domestic		Export	
		Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue
Transmission components		N/A	781,977	N/A	6,969,006	N/A	822,386	N/A	6,293,897

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		2021	2022	Current year to March 31th
Number of employees	Direct Labor	1,033	854	783
	Indirect Labor	742	693	672
	Total	1,775	1,547	1,455
Average age		42.0	41.8	43.5
Average working period		7.0	8.5	10.0
Education	PhD	0.1%	0.1%	0.1%
	Masters	1.0%	1.2%	1.4%
	Bachelors	16.8%	18.5%	18.5%
	Senior high school	30.2%	30.7%	30.9%
	Below senior high school	51.9%	49.5%	49.1%

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, birthday, maternity allowance, hospitalization allowance and funeral and travel 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 service/Health protection: Health examination, on-site service (special medical consultation)
- (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:

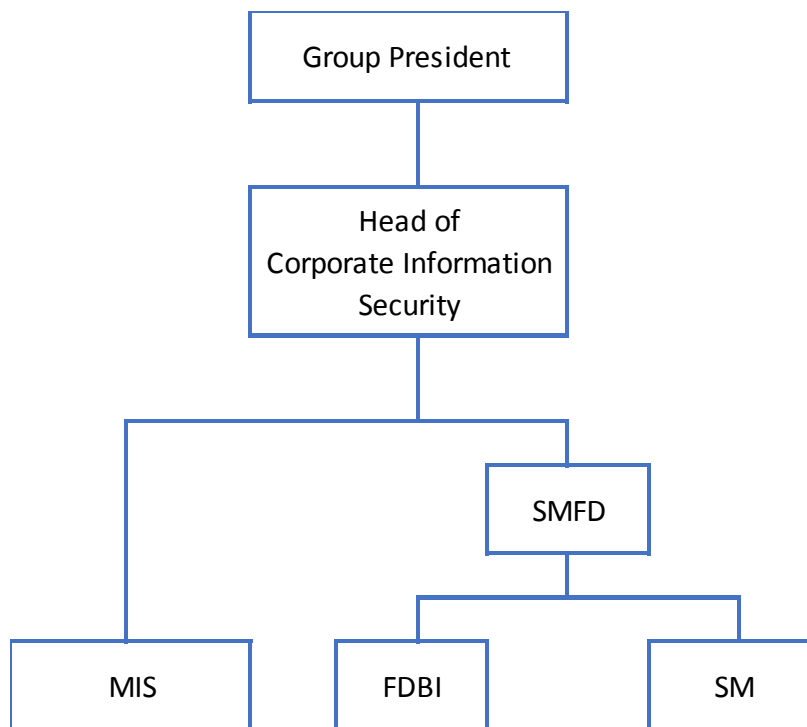
For the employees who applied the old pension system, the company has formulated labor pension regulation according to the relevant regulations of Labor Standards Act. The company entrusts actuaries to make actuarial calculations, accrue labor pension provisions monthly and deposits the pension funds 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 and sets up AED equipment, 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, HR supervisor or the Personnel Appraisal and Appeal Committee. When the administrative center received the complaint and submitted it to the Personnel Appraisal and Appeal Committee, they should launch an investigation. The opinions of the employees can be given full attention. Also, the company doesn't discriminate against same-sex marriage and support gender equality as well as 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. Information Security Management

(1) Organizational Chart of KMC Information Security

To strengthen information security management and to ensure data, system, and cyber security, the Company has established the “Computer Information Internal Control Cycle” as well as “Information Integration Division” so that the Group President and the Head of Corporate Information Security could supervise its operation. The team is in charge of establishing an information security system, including cyber security management and system management and working with the Company's audit unit to conduct internal and external information security auditing.



(2) Information Security Policy

- a. The Company periodically conducts information security educational training and promotion, including information security policy, information security laws and regulations, information security operation procedure, and IT equipment know-how, aiming to make the employees understand the importance of information security and potential risks, to raise their awareness towards information security, and to encourage them to comply with related regulations.
- b. To prevent the information system and files from the danger of computer viruses, the Company adopts detection and preventive measures and establishes a proactive intrusion detection system for intrusion and malware attacks, ensuring to fulfill the requirements of computer information security.
- c. To prevent outages of critical assets, key business or communication systems caused by natural disasters or man-made material events, the Company has established the Information System Sustainable Operation policy.

(3) Practical Management Measures and Resources Invested in Information Security Management

Item	Practical Management Measures
Firewall Protection	<ul style="list-style-type: none"> ● Setting connection regulations for firewall settings. ● Opening additional access application for special connection needs.
Web User Control and Management Mechanism	<ul style="list-style-type: none"> ● Adopting automatic webpage protection system to control and manage users' online behavior. ● Automatically filtering webpages that might contain Trojan horses, ransom viruses, or malware programs for users.
Antivirus Software	<ul style="list-style-type: none"> ● Using enterprise-level antivirus software and automatically upgrading virus patterns to reduce the possibility of virus infection.
Operating System Upgrade	<ul style="list-style-type: none"> ● Automatically upgrading the operating system. The Information Department will help upgrade for those who do not do so in time.
Mail Security Control	<ul style="list-style-type: none"> ● Automatic email scanning protection for threats is aimed to prevent unsafe attachments, phishing emails, and spam and to expand the protection range of malware links before the users receive the emails. ● The antivirus software scans for unsafe attachments even after personal computer receives the email.
Data Back-up Mechanism	<ul style="list-style-type: none"> ● The critical information system database conducts daily back-ups. ● Conducting offsite backup mechanism at several sites.
Credential Data Authority Control	<ul style="list-style-type: none"> ● Critical files of different departments are saved at internal network storage equipment and folder authority control is conducted according to department staff authority to avoid sharing folders and credential data breaches.
System Restoration Plan Procedure	<ul style="list-style-type: none"> ● System restoration from critical events: The IT Management Department and computer suppliers can sign the system restoration from critical events agreement, which shall include the effective period, applicable maintenance time period, and clauses specifying that the suppliers shall provide spare equipment when the maintenance fails to be completed within an acceptable time period. ● Identifying the system failure is due to hardware or software issues. If it's due to hardware issues, responsible personnel shall contact the supplier for the inspection and repair as well as the test and acceptance after system restoration. If it's due to the software, relevant units shall be contacted to identify the causes and it shall be investigated whether the issue was due to human error. Responsible personnel shall contact the supplier or IT Management Department for the reinstallation. ● Testing the availability of the redundant devices from time to time

(4) The impact of historically severe information security events and countermeasures

In 2022 and as of the date of this Annual Report, KMC has not suffered any losses due to material information security incidents.

7. Important Contracts

None

VI. Financial Information

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

Unit: NT\$ thousand

<div>Year</div> <div>Item</div>		Most Recent 5-Year Financial Information(Audited)				
		FY18	FY19	FY20	FY21	FY22
Current Assets		1,084,001	869,835	861,033	1,037,240	1,305,365
Property, Plant and Equipment		13,050	10,640	8,041	5,347	2,118
Other Assets		8,299,715	8,339,069	8,974,542	9,143,938	9,963,603
Total Assets		9,396,766	9,219,544	9,843,616	10,186,525	11,271,086
Current Liability	Before Distribution	2,323,411	2,856,249	1,710,440	2,555,032	2,971,215
	After Distribution (note)	2,890,411	3,423,249	2,617,640	2,838,532	3,254,715
Noncurrent Liabilities		2,002,505	1,085,066	1,730,407	1,089,591	777,125
Total Liabilities	Before Distribution	4,325,916	3,941,315	3,440,847	3,644,623	3,748,340
	After Distribution (note)	4,892,916	4,508,315	4,348,047	3,928,123	4,031,840
Equity Attributable to Shareholders of the Parent		5,070,850	5,278,229	6,402,769	6,541,902	7,522,746
Capital Stock		1,260,000	1,260,000	1,260,000	1,260,000	1,260,000
Capital Surplus		1,541,021	1,541,021	1,633,538	1,633,538	1,633,538
Retained Earnings	Before Distribution	2,840,982	3,288,101	4,225,696	4,476,661	5,269,317
	After Distribution (note)	2,273,982	2,721,101	3,318,496	4,193,161	4,985,817
Others		(571,153)	(810,893)	(716,465)	(828,297)	(640,109)
Total Equity	Before Distribution	5,070,850	5,278,229	6,402,769	6,541,902	7,522,746
	After Distribution (note)	4,503,850	4,711,229	5,495,569	6,258,402	7,239,246

Note: The amount approved by Board of Directors on March 14, 2023.

(2) Condensed Balance Sheet (Consolidated)-IFRS

NT\$ thousand

<div>Year</div> <div>Item</div>		Most Recent 5-Year Financial Information(Audited)				
		FY18	FY19	FY20	FY21	FY22
Current Assets		4,440,157	4,073,075	4,800,671	5,353,047	6,193,736
Property, Plant and Equipment		3,174,144	3,072,048	3,114,632	3,374,006	3,577,059
Intangible assets		1,371,323	1,613,065	1,563,190	1,518,216	1,496,252
Other Assets		1,200,290	1,202,984	1,181,788	1,190,870	1,176,539
Total Assets		10,185,914	9,961,172	10,660,281	11,436,139	12,443,586
Current Liability	Before Distribution	2,535,478	3,081,254	1,897,193	3,005,045	3,225,943
	After Distribution	3,102,478	3,648,254	2,804,393	3,288,545	3,509,443 (Note 1)
Noncurrent Liabilities		2,579,342	1,601,435	2,360,090	1,888,974	1,694,723
Total Liabilities	Before Distribution	5,114,820	4,682,689	4,257,283	4,894,019	4,894,019
	After Distribution	5,681,820	5,249,689	5,164,483	5,177,519	5,204,166 (Note 1)
Equity Attributable to Shareholders of the Parent		5,070,850	5,278,229	6,402,769	6,541,902	7,522,746
Capital Stock		1,260,000	1,260,000	1,260,000	1,260,000	1,260,000
Capital Surplus		1,541,021	1,541,021	1,633,538	1,633,538	1,633,538
Retained Earnings	Before Distribution	2,840,982	3,288,101	4,225,696	4,476,661	5,269,317
	After Distribution	2,273,982	2,721,101	3,318,496	4,193,161	4,985,817 (Note 1)
Others		(571,153)	(810,893)	(716,465)	(828,297)	(640,109)
Noncontrolling Interests		244	254	229	218	174
Total Equity	Before Distribution	5,071,094	5,278,483	6,402,998	6,542,120	7,522,920
	After Distribution	4,504,094	4,711,483	5,495,798	6,258,620	7,239,420 (Note 1)

Note 1: The amount approved by Board of Directors on March 14, 2023.

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

NT\$ thousand

<div> <div></div> <div>Year</div> <div>Item</div> </div>	Most Recent 5-Year Financial Information(Audited)				
	FY18	FY19	FY20	FY21	FY22
Net Revenue	2,054,112	2,185,137	2,462,114	3,510,031	3,519,536
Gross Profit	982,299	1,093,310	1,081,360	1,555,796	1,649,741
Income from Operations	816,736	984,879	991,961	1,313,224	1,363,181
Non-operating Income and Expenses	313,144	220,519	721,162	982,520	862,221
Income before Income Tax	1,129,880	1,205,398	1,713,123	2,295,744	2,225,402
Net Income	947,655	1,007,486	1,514,654	2,007,962	1,922,166
Other Comprehensive Income for the Year, Net of Income Tax	(125,321)	(233,107)	84,369	(111,129)	192,678
Total Comprehensive Income for the Year	822,334	774,379	1,599,023	1,896,833	2,114,844
Basic Earnings Per Share (NT\$ Dollar)	7.52	8.00	12.02	15.94	15.26

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

NT\$ thousand

Item \ Year	Most Recent 5-Year Financial Information(Audited)				
	FY18	FY19	FY20	FY21	FY22
Net Revenue	5,056,832	5,239,635	6,130,483	7,750,983	7,116,283
Gross Profit	2,138,990	2,143,280	2,819,482	3,589,225	3,400,824
Income from Operations	1,225,582	1,253,552	1,974,277	2,576,345	2,339,988
Non-operating Income and Expenses	33,035	39,400	5,128	24,547	132,489
Income before Income Tax	1,258,617	1,292,952	1,979,405	2,600,892	2,472,477
Net Income	947,666	1,007,490	1,514,646	2,007,957	1,922,122
Other Comprehensive Income for the Year, Net of Income Tax	(125,333)	(233,101)	84,352	(111,135)	192,678
Total Comprehensive Income for the Year	822,333	774,389	1,598,998	1,896,822	2,114,800
Net Income (Loss) Attributable to: Shareholders of the Parent	947,655	1,007,486	1,514,654	2,007,962	1,922,166
Net Income (Loss) Attributable to: Noncontrolling Interests	11	4	(8)	(5)	(44)
Total Comprehensive Income (Loss) Attributable to: Shareholders of the Parent	822,334	774,379	1,599,023	1,896,833	2,114,844
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	(1)	10	(25)	(11)	(44)
Basic Earnings Per Share (NT\$ Dollar)	7.52	8.00	12.02	15.94	15.26

(5) Auditors' Opinions from 2018 to 2022

Year	CPA Firm	CPA	Audit 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
2021	Deloitte & Touche	Li, Chi-Chen & Yang, Chao-Chin	An Unmodified Opinion
2022	Deloitte & Touche	Li, Chi-Chen & Yang, Chao-Chin	An Unmodified Opinion

2. Most Recent 5-Year Financial Analysis

(1) Financial Analysis from 2018 to 2022 (Unconsolidated)–IFRS

Item \ Year		Most Recent 5-Year Financial Analysis				
		FY18	FY19	FY20	FY21	FY22
Financial structure (%)	Liabilities to assets ratio	46	42.8	35.0	35.8	33.3
	Long-term capital to real estate, plants, and equipment ratio	54,202.0	59,805.4	101,146.3	142,724.8	391,873.0
Ability to repay debts (%)	Current ratio	46.7	30.5	50.3	40.6	43.9
	Quick ratio	46.3	30.2	49.4	39.3	43.3
	Times interest earned (times)	3,036.2	3,540.8	6,326.1	15,132.4	10,590.3
Utility	Receivables turnover	6.3	6.2	6.7	8.1	6.8
	Average days for cash receipt	58.0	59.4	54.4	45.1	54.0
	Inventory turnover	225.6	126.5	118.2	81.8	71.3
	Payables turnover	2.9	2.6	2.7	2.9	2.8
	Average days of sales	1.6	2.9	3.1	4.5	5.1
	Real estate, plants, and equipment turnover	313.9	184.5	263.6	524.4	942.9
	Total assets turnover	0.2	0.2	0.3	0.4	0.3
Profitability(%)	ROA	11.0	11.1	16.1	20.2	18.1
	ROE	19.2	19.5	25.9	31.0	27.3
	Pre-tax Income to Paid-in Capital Ratio (%)	89.7	95.7	136.0	182.2	176.6
	Net margin	46.1	46.1	61.5	57.2	54.6
	EPS(NT\$ Dollar)	7.64	8.00	12.02	15.94	15.26
Cash flow	Cash flow ratio	31.7	28.7	63.1	46.1	32.6
	Net cash flow adequacy ratio	144.0	142.7	156.8	147.1	118.5
	Cash reinvestment ratio	2.8	4.0	6.3	3.6	-5.4
Leverage	Operation leverage	2.5	1.0	1.0	1.1	1.1
	Financial leverage	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 2022

- (1) Long-term capital to real estate, plants, and equipment ratio: The equity of 2022 increased which resulted in the increase of the ratios.
- (2) Times Interest Earned: Since the central bank had raised the interest rate, our interest expense increased and times interest earned decreased.
- (3) Real estate, plants, and equipment turnover (times): The sales revenue of 2022 increased which resulted in the increase of the ratio.
- (4) Cash flow ratio: Since the convertible corporate bond will mature in 2023, it was adjusted to current liabilities which resulted in the decrease of the ratio.

- (5) Cash reinvestment ratio: The cash dividend distributed in 2022 was higher than 2021. In this case, the ratio was lower than 2021.

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)

(2) Financial Analysis from 2018 to 2022 (Consolidated)

financial ratios \ Year		Financial information (note1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Liabilities to assets ratio	50.2	47.0	39.9	42.8	39.5
	Long-term capital to real estate, plants, and equipment ratio	241.0	224.0	281.4	249.9	257.7
Ability to repay debts (%)	Current ratio	175.1	132.2	253.0	178.1	192.0
	Quick ratio	125.6	94.4	191.4	123.2	144.5
	Times interest earned(times)	3,317.5	3,757.2	7,144.9	14,044.3	10,131.1
Utility	Receivables turnover	5.2	4.9	5.0	5.5	5.8
	Average days for cash receipt	69.7	74.0	73.2	65.9	63.4
	Inventory turnover	2.9	2.9	3.6	3.8	2.7
	Payables turnover	8.5	8.8	8.1	8.9	10.0
	Average days of sales	128.1	124.6	100.8	97.2	133.2
	Real estate, plants, and equipment turnover	1.6	1.7	2.0	2.4	2.0
	Total assets turnover	0.5	0.5	0.6	0.7	0.6
Profitability	ROA	9.7	10.3	14.9	18.3	16.3
	ROE	19.2	19.5	25.9	31.0	27.3
	Pre-tax Income to Paid-in Capital Ratio (%)	99.9	102.6	157.1	206.4	196.2
	Net margin	18.7	19.2	24.7	25.9	27.0
	EPS(NT\$ Dollar)	7.52	8.00	12.02	15.94	15.26
Cash flow	Cash flow ratio	46.5	47.6	105.5	63.8	81.3
	Cash flow adequacy ratio	56.2	65.2	88.2	106.4	124.5
	Cash reinvestment ratio	9.4	15.8	18.3	13.0	13.7
Leverage	Operation leverage	2.3	2.2	1.8	1.2	1.2
	Financial leverage	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 2022

- (1) Times Interest Earned: Since the central bank had raised the interest rate, our interest expense increased and times interest earned decreased.
- (2) Inventory turnover and average days of sales: Mainly due to the impact of the pandemic in the past two years, industrial inventories remained at a high level.
- (3) Cash flow ratio: The Company's operating performance has increased year by year, and the cash inflow has also increased. Therefore, our cash flow ratio was higher than 2021.

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 = $\text{operating income} / (\text{operation income} - \text{interest expenses})$

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. Parent Company Only Financial Statements and Independent Auditors' Report
Please refer to Attachment section (IV), Parent Company Only Financial Statements and Independent Auditors' Report
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 2021 and as of the date of this Annual Report.
None.

VII. Review and Analysis of Financial Position and Financial Performance, and Risk Assessment

1. Financial Status

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	6,193,736	5,353,047	840,689	15.7%
Property, Plant and Equipment	3,557,059	3,374,006	183,053	5.4%
Goodwill	1,340,461	1,339,894	567	0.0%
Total Assets	12,443,586	11,436,139	1,007,447	8.8%
Current Liabilities	3,225,943	3,005,045	220,898	7.4%
Non-current Liabilities	1,694,723	1,888,974	(194,251)	-10.3%
Total Liabilities	4,920,666	4,894,019	26,647	0.5%
Share Capital	1,260,000	1,260,000	0	0.0%
Retained Earnings	5,269,317	4,476,661	792,656	17.7%
Total Equity	7,522,920	6,542,120	980,800	15.0%
Analysis of deviation over 20% and the indicated amount exceeds NTD 10 million : None.				

2. Financial Performance

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	%
Net Revenue	7,116,283	7,750,983	(634,700)	-8.2%
Cost of good sold	3,715,459	4,161,758	(446,299)	-10.7%
Gross profit	3,400,824	3,589,225	(188,401)	-5.2%
Operating Expenses	1,064,779	1,011,634	53,145	5.3%
Income from Operations	2,339,988	2,576,345	(236,357)	-9.2%
Non-operating Income and Expenses	132,489	24,547	107,942	439.7%
Income before Income Tax	2,472,477	2,600,892	(128,415)	-4.9%
Income Tax Expenses	550,355	592,935	(42,580)	-7.2%
Net Income	1,922,122	2,007,957	(85,835)	-4.3%
Analysis of deviation over 20% and the indicated amount exceeds NTD 10 million :				
(1) 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.				

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 12/31/2021	Net Cash Provided by Operating Activities in 2022	Net Cash Used in Investing and Financing Activities in 2022	Effect of Exchange Rate Changes on Cash and Cash Equivalents in 2022	Cash Balance 12/31/2022	Remedy for Liquidity Shortfall	
					Investment Plan	Financing Plan
2,030,624	2,623,344	1,386,695	124,862	3,392,135	-	-

1. Operating activities: Net cash inflows NT\$ 2,623,344 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\$ 410,712 thousand, and it is primary for capital expenditures.
3. Financing activities: Net cash outflows NT\$ 975,983 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	2022	2021	Difference (%)
Cash flow ratio (%)	81.3	63.8	27.5%
Cash Flow Adequacy Ratio (%)	124.5	106.4	17.1%
Cash reinvestment ratio (%)	13.7	13.0	5.3%

A. Analysis of change in variance:

Cash flow ratio : The Company's operating performance has increased year by year, and the cash inflow has also increased. Therefore, our cash flow ratio was higher than 2021.

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 12/31/2022	Net Cash Provided by Operating Activities in 2023	Net Cash Used in Investing and Financing Activities in 2023	Cash Balance 12/31/2023	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
3,392,135	1,300,000	1,000,000	3,692,135	N/A	N/A

A. Estimated cash balance for the coming year: NT\$ 3,692,135 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	834,665	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
PRO (TAIWAN) PROCUREMENT CO., LTD	2,698	Selling various bicycle components	Operation of bicycle component grew steadily	N/A
K.M.C. Automobile Transmission Co., Ltd	46,017	Manufacturing and selling various chains and components of vehicle.	Operation of vehicle component grew steadily	N/A
Kynamic Inc	(9,785)	Selling various bicycle components	The Company is in the startup phase and does not yet have profit.	N/A
KMC Industries (Vietnam) Co., Ltd	(2,303)	Selling various chains and components of motorcycle	The indicated amount is not significant, so detailed analysis is not required.	N/A
KMC Global GmbH	(1,589)	Selling various components of bicycle other than bicycle chains	The Company is in the startup phase and does not yet have profit.	N/A
KMC(BVI) Holding Co., Ltd.	26,686	Investing activities	The subsidiaries make profits.	N/A
KMC Chain (Vietnam) Co., Ltd.	26,685	Manufacturing and selling various chains and components of motorcycle.	Operation of motorcycle component grew steadily	N/A
KMC CHAIN EUROPE N.V.	91,571	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
KME B.V.	530	Self-owned real estate and factory leasing	The indicated amount is not significant, so detailed analysis is not required.	N/A
KMC CHAIN AMERICAN CORPORATION	41,288	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
PT. Kuei Meng Chain Indonesia	(4,353)	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	402,457	Investing activities and selling various chains and components of bicycle.	The subsidiaries make profits.	N/A
KMC Transmission (Tianjin) Co., Ltd	18,031	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 Chain (Shenzhen) Co., Ltd.	53,053	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
KMC Chain (Suzhou) Co., Ltd.	13,882	Manufacturing and selling various chains and components of bicycle.	Operation of bicycle component grew steadily	N/A
KMC Automotive Transmission Co., Ltd.	17,671	Manufacturing and selling various chains and components of vehicle.	Operation of vehicle component grew steadily	N/A
KMC Transton Company Limited.	59,275	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.	39,946	Manufacturing, selling various chains and components of door opener.	Operation of door opener component grew steadily	N/A
Taichang Tec Industry and Trade Co., Ltd.	7,990	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
Suzhou Kmc Industry and Trade Co., Ltd.	208,871	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
Suzhou Maya Trading Co., Ltd.	3,154	Selling various bicycle chains and components	Operation of bicycle component grew steadily	N/A
KMC International Trading (Taicang) Co., Ltd.	5,747	Selling various chains and components	Operation of motorcycle component grew steadily	N/A
KMC (Suzhou) Automotive Transmission Co., Ltd.	(2,355)	Manufacturing and selling various chains and components of vehicle.	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

- A. 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

	2021		2022	
	Amount	Percentage for Net profit before tax	Amount	Percentage for Net profit before tax
Interest expense	18,652	0.7%	24,648	1.0%
Exchange gain (loss)	(16,888)	-0.6%	69,277	2.8%

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 1.0% of income before tax in 2022.
- (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 gain in the year 2022 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.

- B. 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 2022 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.

C. 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.

In response to the rapid growth of e-bikes and the expansion of the application scope, a specialized chain for e-cargo bikes has been developed, focusing on the high weight-bearing and long-haul routes required by e-cargo bike. The design put emphasis on the strength and the lifespan of the chains. Combined with patented anti-rust EcoProTe layer, the product can resist various severe logistic carrier environment.

As the bike's derailleur gear system is moving towards high value, system manufacturers also begin to consider integrating the existing product designs, applying more advanced system technology to a wide range of sports and leisure bikes so as to enhance the riding experience and fun. In line with this trend, KMC has also begun to develop new products and will integrate its own accumulated capabilities in materials, tooling and manufacturing processes to launch new generation chain product series.

In 2022, KMC launched “Racing Duo series” which was the first chain and chainring combination to be completely designed for competitive environments. The Racing Duo chainring has a unique “Jaws” patented tooth design that cradles the chain rollers in place for maximum effective gear and chain interaction. The Jaws teeth provide ultimate pairing with the chain via “Chain Mate” technology between KMC’s perfectly matched chainring teeth and chain rollers. Racing Duo's chain has been redesigned and upgraded for efficiency. An embossed double inner X-Bridge and optimal chamfering enable higher efficiency to allow for a 5.2 watt energy savings, and to more effectively maintain top speed. Friction is the enemy of drivetrains; KMC has focused on significantly reducing friction with exceptional component engagement. Ride 5% farther in the same time span with Racing Duo. Racing Duo is truly built for speed and efficiency.

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.

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

D. 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.

- E. 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.
- F. 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.
- G. Expected result and possible risks deriving from mergers and acquisitions, and the responses:
None.
- H. Expected result and possible risks deriving from plant expansion, and the responses:
None.
- I. The risk deriving from concentration of purchase or sales, and the responses:

a. Main Vendors

Unit: NT\$ in thousand

item	2021				2022			
	Vendor	Amount	Percentage of total net purchases	Relationship	Vendor	Amount	Percentage of total net purchases	Relationship
1	ANSTEEL	670,266	20.1%	None	ANSTEEL	384,417	15.7%	None
2	Others	2,667,412	79.9%		Others	2,062,304	84.3%	
	Total net purchase	3,337,678	100.0%		Total net purchase	2,446,721	100.0%	

Note: 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	2021				2022			
	Customer	Amount	Percentage of total net sales	Relationship	Customer	Amount	Percentage of total net sales	Relationship
1	Note				Note			
2	Others	7,750,983	100%		Others	7,116,283	100%	
	Total net sales	7,750,983	100%		Total net sales	7,116,283	100%	

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

- J. 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 2022 and as of the date of publication of the annual report, there was no major quantity of shares being transferred or changed hands.

- K. 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 2022 and as of the date of publication of the annual report

- L. Major law suits, non-contentious matters, or administrative actions involving the directors 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

- M. 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:

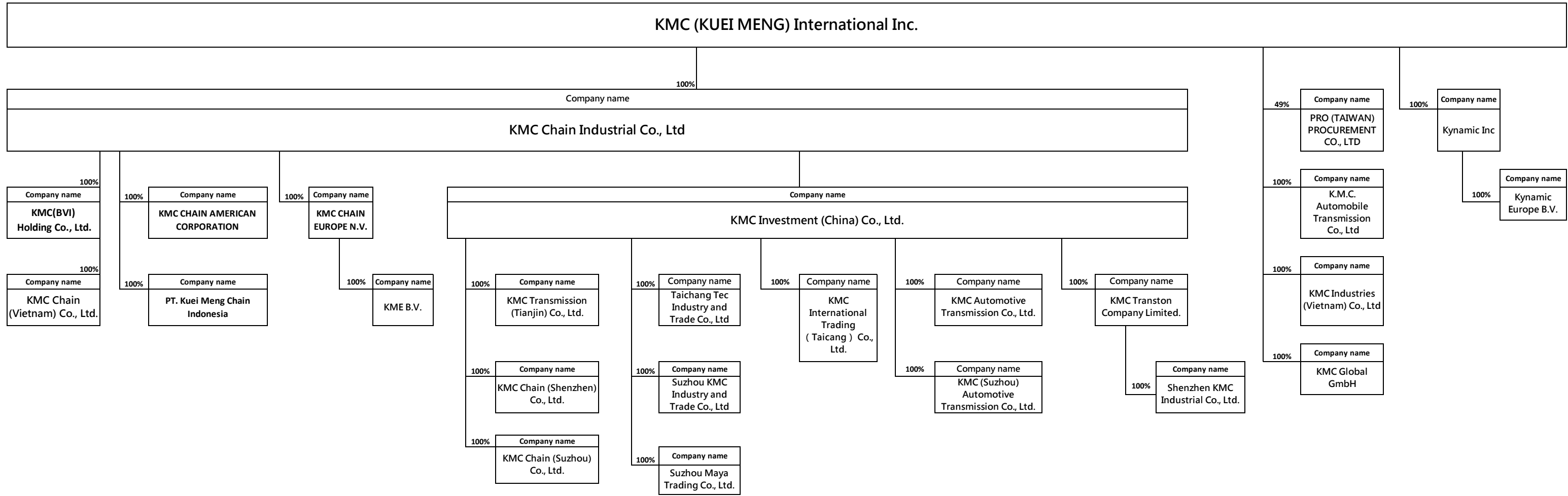
- (a) When network packets are transmitted or received through the Internet, email, and communication software, the company's firewall, corporate anti-virus software and anti-spam system will conduct a scan to prevent the attack of hackers or computer viruses.
- (b) Reinforcing information security-related 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	1977/11/01	NTD	900,000	Manufacturing, selling various chains and components of bicycle.
PRO (TAIWAN) PROCUREMENT CO., LTD	2016/2/2	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.	1997/12/23	EUR	45	Selling various bicycle chains and components
KMC CHAIN AMERICAN CORPORATION	1991/8/13	USD	2,805	Selling various bicycle chains and components
PT. Kuei Meng Chain Indonesia	2006/6/5	USD	100	Selling various motorcycle chains and components
KMC Investment (China) Co., Ltd	2014/6/25	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.	1990/8/16	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 of motorcycle
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
Kynamic Inc.	2021/5/5	NTD	15,000	Selling various chains and components of bicycle.
KMC (Suzhou) Automotive Transmission Co., Ltd.	2021/7/7	RMB	32,000	Manufacturing, selling various chains and components of vehicle.
KME B.V.	2022/6/30	EUR	4,146	Self-owned real estate and factory leasing
KMC Global GmbH	2022/7/5	EUR	1,000	Selling various components of bicycle
Kynamic Europe B.V.	2023/3/13	EUR	600	Selling various chains and components of bicycle.

(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
Kynamic Inc.	KMC (KUEI MENG) INTERNATIONAL INC. Representative Wu, Ying-Chin	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 Ning, Chien-Chun	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
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
KMC (Suzhou) Automotive Transmission Co., Ltd.	KMC Investment (China) Co., Ltd Representative Li, Chao-Hsin	100
KME B.V.	KMC CHAIN EUROPE N.V. Representative Christ Bakker	100
KMC Global GmbH	KMC (KUEI MENG) INTERNATIONAL INC. Representative Wu, Hsin-Chuan	100
Kynamic Europe B.V.	Kynamic Inc. Representative Christ Bakker	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	9,460,896	860,071	8,600,825	1,153,416	834,665
PRO (TAIWAN) PROCUREMENT CO., LTD	64,714	36,683	28,031	23,981	2,698
K.M.C. Automobile Transmission Co., Ltd	120,924	32,306	88,618	285,849	46,017
KMC(BVI) Holding Co., Ltd.	472,469	0	472,469	0	26,686
KMC Chain (Vietnam) Co., Ltd.	519,562	47,332	472,230	424,056	26,687
KMC CHAIN EUROPE N.V.	1,113,643	392,082	721,561	1,426,204	96,892
KMC CHAIN AMERICAN CORPORATION	304,661	49,060	255,601	284,858	41,288
PT. Kuei Meng Chain Indonesia	18,750	1,382	17,368	16,118	(4,397)
KMC Investment (China) Co., Ltd	7,061,927	77,269	6,984,658	149,072	402,457
KMC Transmission (Tianjin) Co., Ltd	628,239	92,937	535,302	731,087	18,031
KMC Chain (Shenzhen) Co., Ltd.	2,416,113	1,274,564	1,141,549	1,175,178	53,053
KMC Chain (Suzhou) Co., Ltd.	878,904	94,866	784,038	674,993	13,882
KMC Automotive Transmission Co., Ltd.	441,300	142,134	299,165	460,753	17,671
KMC Transton Company Limited.	200,335	39,553	160,782	206,831	59,275
Shenzhen Kmc Industrial Co., Ltd.	159,705	103,090	56,615	386,171	39,946
Taichang Tec Industry and Trade Co., Ltd.	64,312	43,035	21,276	251,812	7,990
Suzhou Kmc Industry and Trade Co., Ltd.	377,135	155,523	221,612	886,416	208,871
KMC Industries (Vietnam) Co., Ltd	97,026	72,130	24,896	294,754	2,303
Suzhou Maya Trading Co., Ltd.	152,798	114,640	38,158	476,469	3,154
KMC International Trading (Taicang) Co., Ltd.	23,596	11,865	11,731	122,608	5,747
Kynamic Inc.	69,809	4,072	65,737	5,914	(9,785)
KMC (Suzhou) Automotive Transmission Co., Ltd.	141,461	2,755	138,706	14,118	(2,355)
KME B.V.	136,825	631	136,195	0	1,618
KMC Global GmbH	31,310	249	31,061	0	(1,589)

2. Private placement securities in 2022 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:

None.

X. Attachment

1. Statement of Internal Control for 2022
2. Audit Committee's review report for 2022
3. Consolidated Financial Statements for the Years Ended December 31, 2022 and Independent Auditors' Report
4. Parent Company Only Financial Statements for the Years Ended December 31, 2022 and Independent Auditors' Report

Attachment 1 Statement of Internal Control for 2022

KMC (Kuei Meng) International Inc.

Statement of Internal Control

Date: March 14, 2023

The statement of the company's internal control system for the year of 2022, 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, 2022, 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 14, 2023. 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 2022 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 Chi Chen Li and Chao Chin Yang 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 2022 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 14, 2023

**Attachment 3 Consolidated Financial Statements for the Years Ended December 31, 2022 and
Independent Auditors' Report**

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

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

KMC (KUEI MENG) INTERNATIONAL INC.

By

YING-CHIN WU
Chairman
March 14, 2023.

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023.

Notice to Readers

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

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

e. Business combinations

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

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

f. Foreign currencies

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

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

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

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

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

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

g. Inventories

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

h. Investment in associates

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

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

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

k. Goodwill

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

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

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

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

1. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

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

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

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

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

n. Financial instruments

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

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Convertible bonds

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

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

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

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

4) Derivative financial instruments

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

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

o. Revenue recognition

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

Revenue from the sale of goods

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

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

p. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

q. Borrowing costs

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

r. Government grants

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

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

3) Current and deferred taxes for the year

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

December 31, 2021

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

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

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

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

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

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

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

a. Notes receivable

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

b. Accounts receivable (including related parties)

December 31, 2022

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

December 31, 2021

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

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

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

10. INVENTORIES

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

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

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

11. OTHER FINANCIAL ASSETS - NON-CURRENT

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

12. PREPAYMENTS AND OTHER ASSETS

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

Aggregate information of associates that are not individually material.

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Discount rate for lease liabilities was as follows:

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

c. Material leasing activities and terms

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

d. Other lease information

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

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

16. INVESTMENT PROPERTIES

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

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

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

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

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

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

17. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

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

(Continued)

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

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

18. GOODWILL

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

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

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

19. OTHER INTANGIBLE ASSETS

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

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

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

20. BONDS PAYABLE

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

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

a. Conversion rights of bondholders

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

b. The Company's right to redeem the bonds

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

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

a. Liability component

The movement of liability component as follows:

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

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

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

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

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

21. BORROWINGS

a. Short-term borrowings

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

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

b. Short-term bills payable

Outstanding short-term bills payable as follows:

December 31, 2021

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

c. Long-term borrowings

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

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

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

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

23. OTHER PAYABLES

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

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

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

b. Defined benefit plans

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

25. EQUITY

a. Share capital

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

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translation of the financial statements of foreign operations

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

f. Non-controlling interests

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

26. REVENUE

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

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

a. Contract information

Revenue from sale of goods

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

b. Contract balances

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

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

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

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

27. NET PROFIT

a. Other operating income and expenses

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

b. Interest income

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

c. Other income

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

d. Other gains and losses

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

e. Finance cost

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

f. Depreciation and amortization

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

g. Employee benefits expense

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

h. Compensation of employees and remuneration of directors and supervisors

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

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

Accrual rate

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

Amount

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

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

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

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

Taiwan Stock Exchange.

28. INCOME TAXES

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

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

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

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

- b. Income tax recognized in other comprehensive income

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

- c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

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

- f. Income tax assessments

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

29. EARNINGS PER SHARE

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

Net profit for the year

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

Number of ordinary shares outstanding (in thousand shares)

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

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

30. CAPITAL MANAGEMENT

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

31. FINANCIAL INSTRUMENTS

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

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

December 31, 2022

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

December 31, 2021

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

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

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

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

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

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

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

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

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

c. Categories of financial instruments

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

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

	RMB impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ (465)	\$ (370)

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

2) Credit risk

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

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

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

3) Liquidity risk

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

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

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

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

December 31, 2022

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

Additional information about the maturity analysis for lease liabilities:

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

December 31, 2021

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

Additional information about the maturity analysis for lease liabilities:

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

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

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

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

December 31, 2022

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

December 31, 2021

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

c) Financing facilities

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

32. TRANSACTIONS WITH RELATED PARTIES

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

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

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

a. Sales of goods

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

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

b. Receivables from related parties

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

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

c. Payables to related parties

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

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

d. Acquisitions of property, plant and equipment

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

e. Lease arrangements - Group as lessee

Acquisition of right-of-use assets

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

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

Related Party Category	For the Year Ended December 31	
	2022	2021

Interest expense

Parent company	\$ 25	\$ 46
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Depreciation Expenses

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

Lease arrangements - Group as lessor under operating leases

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

Future lease payment receivable are as follows:

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

Lease income was as follows:

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

g. Compensation of key management personnel

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

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

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

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

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

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

December 31, 2021

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

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

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

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

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

36. SEGMENT INFORMATION

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

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

a. Geographical information

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

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

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

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

b. Information about major customers

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

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

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

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

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

Note 2: Nature of financing:

1) For business transaction is 1.

2) For short-term financing is 2.

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 4

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

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

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

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

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

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

TABLE 7

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

Note 1 : The investing methods are categorized as follows:

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

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

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

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

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

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

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

TABLE 9

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

(Continued)

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

(Concluded)

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

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

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

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

No. 3: Represents transactions among subsidiaries.

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

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

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

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

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

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

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

**Attachment 4 Parent Company Only Financial Statements for the Years Ended December 31, 2022 and
Independent Auditors' Report**

KMC (KUEI MENG) INTERNATIONAL INC.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 28)	\$ 3,519,536	100	\$ 3,510,031	100
OPERATING COSTS (Notes 10 and 28)	<u>1,869,795</u>	<u>53</u>	<u>1,954,235</u>	<u>55</u>
GROSS PROFIT	<u>1,649,741</u>	<u>47</u>	<u>1,555,796</u>	<u>45</u>
Unrealized gain on transactions with subsidiaries (Note 4)	(2,445,416)	(69)	(1,217,260)	(35)
Realized gain on transactions with subsidiaries (Note 4)	<u>2,335,553</u>	<u>66</u>	<u>1,127,852</u>	<u>32</u>
REALIZED GROSS PROFIT	<u>1,539,878</u>	<u>44</u>	<u>1,466,388</u>	<u>42</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	78,187	2	71,619	2
General and administrative expenses	87,877	3	80,995	3
Research and development expenses	503	-	447	-
Expected credit loss	<u>10,130</u>	<u>-</u>	<u>103</u>	<u>-</u>
Total operating expenses	<u>176,697</u>	<u>5</u>	<u>153,164</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,363,181</u>	<u>39</u>	<u>1,313,224</u>	<u>37</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 23 and 28)				
Interest income	9,809	-	4,939	-
Other income	7,770	-	7,951	-
Other gains and losses	7,079	-	(13,166)	-
Share of profit of associates	858,777	25	998,068	28
Finance cost	<u>(21,214)</u>	<u>(1)</u>	<u>(15,272)</u>	<u>-</u>
Total non-operating income and expenses	<u>862,221</u>	<u>24</u>	<u>982,520</u>	<u>28</u>
PROFIT BEFORE INCOME TAX	2,225,402	63	2,295,744	65
INCOME TAX EXPENSE (Notes 4 and 24)	<u>303,236</u>	<u>8</u>	<u>287,782</u>	<u>8</u>
NET PROFIT	<u>1,922,166</u>	<u>55</u>	<u>2,007,962</u>	<u>57</u>

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC.

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries accounted for using the equity method	\$ 4,490	-	\$ 703	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	3,340	-	(562)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method (Note 21)	184,848	5	(111,270)	(3)
	<u>188,188</u>	<u>5</u>	<u>(111,832)</u>	<u>(3)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>192,678</u>	<u>5</u>	<u>(111,129)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,114,844</u>	<u>60</u>	<u>\$ 1,896,833</u>	<u>54</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 15.26</u>		<u>\$ 15.94</u>	
Diluted	<u>\$ 14.64</u>		<u>\$ 15.33</u>	

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

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

	Equity Attributable to Owners of the Company					Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2021	\$ 1,260,000	\$ 1,633,538	\$ 550,646	\$ 810,893	\$ 2,864,157	\$ (716,465)	\$ 6,402,769
Appropriation of earnings (Note 21)							
Legal reserve	-	-	299,410	-	(299,410)	-	-
Special reserve	-	-	-	52,687	(52,687)	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,757,700)	-	(1,757,700)
Net profit for the year ended December 31, 2021	-	-	-	-	2,007,962	-	2,007,962
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	703	(111,832)	(111,129)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	2,008,665	(111,832)	1,896,833
BALANCE, DECEMBER 31, 2021	1,260,000	1,633,538	850,056	863,580	2,763,025	(828,297)	6,541,902
Appropriation of earnings (Note 21)							
Legal reserve	-	-	214,492	-	(214,492)	-	-
Special reserve	-	-	-	(309,330)	309,330	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,134,000)	-	(1,134,000)
Net profit for the year ended December 31, 2022	-	-	-	-	1,922,166	-	1,922,166
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	4,490	188,188	192,678
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,926,656	188,188	2,114,844
BALANCE, DECEMBER 31, 2022	<u>\$ 1,260,000</u>	<u>\$ 1,633,538</u>	<u>\$ 1,064,548</u>	<u>\$ 554,250</u>	<u>\$ 3,650,519</u>	<u>\$ (640,109)</u>	<u>\$ 7,522,746</u>

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

KMC (KUEI MENG) INTERNATIONAL INC.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,225,402	\$ 2,295,744
Adjustments for:		
Depreciation expenses	5,292	4,207
Amortization expenses	6,983	6,695
Expected credit loss recognized on accounts receivable	10,130	103
Finance costs	21,214	15,272
Interest income	(9,809)	(4,939)
Share of profit of associates	(858,777)	(998,068)
Unrealized gain on the transactions with subsidiaries	109,863	89,408
Unrealized loss on foreign currency exchange	1,251	2,740
Gain on lease modification	-	(6)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	640	460
Notes receivable	9,103	(7,881)
Accounts receivable	34,456	60,581
Accounts receivable from related parties	(153,484)	(106,581)
Other receivables from related parties	970	2,545
Inventories	12,251	(16,964)
Other current assets	4,028	(5,673)
Financial liabilities at fair value through profit or loss	2,506	(58)
Accounts payable	5,319	453
Accounts payable to related parties	(128,621)	101,796
Other payables	6,980	14,646
Other payables to related parties	15	(6,519)
Other current liabilities	(31,399)	(83,525)
Cash generated from operations	1,274,313	1,364,436
Income tax paid	(305,983)	(185,841)
Net cash generated from operating activities	<u>968,330</u>	<u>1,178,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(35,072)	-
Disposal of financial assets at amortized cost	-	43,498
Acquisition of investments accounted for using equity method	(781,139)	(30,000)
Acquisition of property, plant and equipment	(300)	(677)
Increase in prepayments for equipment	(600)	(499)
Acquisition of other intangible assets	-	(183)
Interest received	9,599	4,659
Dividends received from subsidiaries and associates	917,993	672,749
Decrease in refundable deposits	(28)	-
Net cash generated in investing activities	<u>110,453</u>	<u>689,547</u>

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

(Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied

prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

Inventories consist of raw materials and supplies, finished goods, work-in-process and merchandise.

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

f. Investments accounted for using equity method

1) Investments in subsidiaries

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

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

2) Investments in associates

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

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

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are

initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt

instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

3) Convertible bonds

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

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

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

equity will be transferred to capital surplus - share premiums.

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

4) Derivative financial instruments

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

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

k. Revenue recognition

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

Revenue from the sale of goods

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

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

l. Leases

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

The Company as lessee

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

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

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

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

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

m. Borrowing costs

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

	December 31	
	2022	2021
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 140
Convertible options (Note 16)	-	500
	<u>\$ -</u>	<u>\$ 640</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 2,506</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Buy	EUR/RMB	2023.1.30	EUR 600/ RMB 4,253
	EUR/RMB	2023.2.24	EUR 600/ RMB 4,256
	EUR/RMB	2023.3.31	EUR 540/ RMB 3,831
<u>December 31, 2021</u>			
Buy	USD/RMB	2022.4.8	USD 1,000 / RMB 6,440

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and, therefore, were not accounted for using hedge accounting.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ <u>183,637</u>	\$ <u>148,565</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 1.7% ~ 2.75% and 1.35% ~ 2.7% per annum as of December 31, 2022 and December 31, 2021, respectively.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable - operating</u>		
At amortized cost		
Gross carrying amount	\$ <u>23,024</u>	\$ <u>32,127</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>183,637</u>	\$ <u>218,942</u>
Less: Allowance for impairment loss	<u>10,233</u>	<u>103</u>
	\$ <u>173,404</u>	\$ <u>218,839</u>
Accounts receivable from related parties	\$ <u>374,205</u>	\$ <u>208,879</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

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

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

a. Notes receivable

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

b. Accounts receivable (including related parties)

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0% ~ 2%	0% ~ 10%	0% ~ 25%	0% ~ 40%	100%	
Gross carrying amount	\$ 522,722	\$ 29,138	\$ -	\$ -	\$ 5,982	\$ 557,842
Loss allowance (Lifetime ECLs)	-	(4,251)	-	-	(5,982)	(10,233)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortized cost	<u>\$ 522,722</u>	<u>\$ 24,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,609</u>

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0% ~ 2%	0% ~ 10%	0% ~ 25%	0% ~ 40%	100%	
Gross carrying amount	\$ 401,608	\$ 21,900	\$ 4,310	\$ -	\$ 3	\$ 427,821
Loss allowance (Lifetime ECLs)	-	(100)	-	-	(3)	(103)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortized cost	<u>\$ 401,608</u>	<u>\$ 21,800</u>	<u>\$ 4,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,718</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 103	\$ -
Add: Net remeasurement of loss allowance	<u>10,130</u>	<u>103</u>
Balance at December 31	<u>\$ 10,233</u>	<u>\$ 103</u>

10. INVENTORIES

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

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

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

a. Investments in subsidiaries

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

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

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

b. Investments in associates

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

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

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

Aggregate information of associates that are not individually material.

For the Year Ended December 31

2022

2021

The Company's share of:

Profit from continuing operations and total comprehensive
income for the year

\$ 1,332

\$ 623

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the associates' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

**Office
Equipment**

Cost

Balance at January 1, 2021
Additions

\$ 15,581
677

Balance at December 31, 2021

\$ 16,258

Accumulated depreciation

Balance at January 1, 2021
Depreciation

\$ 7,540
3,371

Balance at December 31, 2021

\$ 10,911

Carrying amounts at December 31, 2021

\$ 5,347

Cost

Balance at January 1, 2022
Additions

\$ 16,258
300

Balance at December 31, 2022

\$ 16,558

Accumulated depreciation

Balance at January 1, 2022
Depreciation

\$ 10,911
3,529

Balance at December 31, 2022

\$ 14,440

Carry amounts at December 31, 2022

\$ 2,118

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Discount rate for lease liabilities was as follows:

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

c. Material leasing activities and terms

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

d. Other lease information

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

14. OTHER INTANGIBLE ASSETS

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

(Continued)

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

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

15. OTHER ASSETS

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

16. BONDS PAYABLE

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

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

a. Conversion rights of bondholders

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

b. The Company's right to redeem the bonds

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

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

a. Liability component

The movement of liability component as follows:

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

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

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

- b. Equity component (presented in equity under the heading of capital surplus, refer to Note 21)

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

17. BORROWINGS

- a. Short-term borrowings

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

The ranges of weighted average effective interest rates on bank loans were 1.22%-2.55% and 0.16%-0.91% per annum as of December 31, 2022 and 2021, respectively.

- b. Short-term bills payable

Outstanding short-term bills payable as follows:

December 31, 2021

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

- c. Long-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings		
Amount	<u>\$ 775,000</u>	<u>\$ 100,000</u>

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

18. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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

19. OTHER PAYABLES AND OTHER LIABILITIES

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

20. RETIREMENT BENEFIT PLANS

Defined contribution plans

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

21. EQUITY

a. Share capital

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

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividend policy

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

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

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 23(g).

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

capital or distributed in cash.

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

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (828,297)	\$ (716,465)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	3,340	(562)
Share from subsidiaries accounted for using the equity method	<u>184,848</u>	<u>(111,270)</u>
Balance at December 31	<u>\$ (640,109)</u>	<u>\$ (828,297)</u>

22. REVENUE

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

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 3,519,536</u>	<u>\$ 3,510,031</u>

a. Contract information

Revenue from sale of goods

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

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 9)	\$ <u>23,024</u>	\$ <u>32,127</u>	\$ <u>24,246</u>
Accounts receivable (Note 9)	\$ 173,404	\$ 218,839	\$ 279,811
Accounts receivable from related parties (Note 9)	<u>374,205</u>	<u>208,879</u>	<u>102,970</u>
	<u>\$ 547,609</u>	<u>\$ 427,718</u>	<u>\$ 382,781</u>
Contract liabilities (Note 19)			
Sale of goods	\$ <u>15,743</u>	\$ <u>47,231</u>	\$ <u>130,554</u>

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

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

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the start of the year		
Sale of goods	\$ <u>45,956</u>	\$ <u>130,554</u>

23. NET PROFIT

a. Interest income

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

b. Other income

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

c. Other gains and losses

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

d. Finance cost

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

e. Depreciation and amortization

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

f. Employee benefits expense

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

g. Compensation of employees and remuneration of directors and supervisors

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

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

Accrual rate

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

Amount

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

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

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

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

24. INCOME TAXES

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

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 296,856	\$ 278,376
Income tax on unappropriated earnings	28,098	27,068
Adjustment for prior periods	<u>51</u>	<u>1</u>
	325,005	305,445
Deferred tax		
In respect of the current year	<u>(21,769)</u>	<u>(17,663)</u>
Income tax expense recognized in profit	<u>\$ 303,236</u>	<u>\$ 287,782</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	\$ <u>2,225,402</u>	\$ <u>2,295,744</u>
Income tax expense calculated at the statutory rate	\$ 445,081	\$ 459,149
Permanent differences	(170,523)	(198,396)
Temporary differences	529	(40)
Additional income tax on unappropriated earnings	28,098	27,068
Adjustments for prior years' tax	<u>51</u>	<u>1</u>
Income tax expense recognized in profit	\$ <u>303,236</u>	\$ <u>287,782</u>

b. Current tax liabilities

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

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

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

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

e. Income tax assessments

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

25. EARNINGS PER SHARE

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

Net profit for the year

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

Number of ordinary shares outstanding (in thousand shares)

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

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

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

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

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

December 31, 2022

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

December 31, 2021

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

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

1) Fair value hierarchy

December 31, 2022

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

December 31, 2021

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

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

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

For the year ended December 31, 2022

Financial Assets at FVTPL	Convertible Bonds
Balance at January 1, 2022	\$ 500
Recognized in profit or loss (included in other gains and losses)	(500)
	<hr/>
Balance at December 31, 2022	<u><u>\$ -</u></u>

For the year ended December 31, 2021

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

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

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

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

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

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ -	\$ 640
Financial assets at amortized cost (1)	1,274,766	989,694
<u>Financial liabilities</u>		
Mandatorily classified as at FVTPL	2,506	-
Amortized cost (2)	2,834,536	2,436,970

1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents,

notes and accounts receivable (including related parties), other receivables (including related parties), financial assets at amortized cost-current, and refundable deposits (classified under other non-current assets).

- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion) and long-term borrowings.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

	USD impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	\$ 4,600	\$ (270)

	EUR impact	
	For the Year Ended December 31	
	2022	2021

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

Profit or loss	\$ (370)	\$ (292)
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The Company's sensitivity to the currency rate increased during the current period mainly due to the increase in net assets in the currency USD.

b) Interest rate risk

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

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 362,680	\$ 193,265
Financial liabilities	998,003	1,241,200
Cash flow interest rate risk		
Financial assets	340,275	334,577
Financial liabilities	1,174,102	418,614

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Company's profit before tax for the year ended December 31, 2022 and 2021 would decrease by \$8,338 thousand and \$840 thousand, respectively; the change was mainly attributable to the Company's exposure to cash flow interest rate risk on its variable-rate bank borrowings and deposits.

2) Credit risk

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

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

and

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

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

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

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

3) Liquidity risk

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

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

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

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

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

December 31, 2022

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,095,939	\$ 137,553	\$ -
Lease liabilities	490	490	3,119
Variable interest rate liabilities	886,046	247,249	53,117
Fixed interest rate liabilities	<u>1,401</u>	<u>1,417</u>	<u>995,841</u>
	<u>\$ 1,983,876</u>	<u>\$ 386,709</u>	<u>\$ 1,052,077</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>1,959</u>	\$ <u>2,140</u>

December 31, 2021

	Less than 3 Months	3 Months to 6 Months	More than 6 Months
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 1,389,703	\$ 242,637	\$ -
Lease liabilities	418	417	3,798
Variable interest rate liabilities	263,193	55,966	100,972
Fixed interest rate liabilities	<u>251,397</u>	<u>1,406</u>	<u>994,190</u>
	<u>\$ 1,904,711</u>	<u>\$ 300,426</u>	<u>\$ 1,098,960</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	\$ <u>1,639</u>	\$ <u>2,947</u>

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

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

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

December 31, 2022

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

December 31, 2021

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

c) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,174,102	\$ 668,466
Amount unused	<u>6,942,598</u>	<u>6,771,534</u>
	<u>\$ 8,116,700</u>	<u>\$ 7,440,000</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Sales of goods

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

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

c. Purchases of goods

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

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

d. Receivables from related parties

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

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

e. Payables to related parties

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

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

f. Lease arrangements - Company as lessee

Acquisition of right-of-use assets

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

Account Item	Related Party Category	December 31	
		2022	2021
Lease liabilities	Parent company	\$ 2,731	\$ 4,206

		For the Year Ended December 31	
Related Party Category		2022	2021

Interest expense

Parent company	\$ 25	\$ 17
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Depreciation expenses

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

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

h. Others

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

i. Compensation of key management personnel

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

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

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,992	30.71 (USD : NTD)	\$ 460,392
EUR	10,543	32.72 (EUR : NTD)	344,973
RMB	49,144	4.408 (RMB : NTD)	216,626

Non-monetary items

Investments accounted for using the equity method

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

Financial liabilities

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

December 31, 2021

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

(Continued)

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

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

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

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

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

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

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

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

Note 2: Nature of financing:

1) For business transaction is 1.

2) For short-term financing is 2.

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

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

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

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

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

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

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

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

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

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

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

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

TABLE 4

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

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

TABLE 6**KMC (KUEI MENG) INTERNATIONAL INC.****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

TABLE 7

KMC (KUEI MENG) INTERNATIONAL INC.

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

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

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

Note 1 : The investing methods are categorized as follows:

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

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

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

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

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

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

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

TABLE 9**KMC (KUEI MENG) INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS****December 31, 2022**

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

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	Note 7
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST	Note 8
STATEMENT OF NOTES RECEIVABLE	2
STATEMENT OF ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)	3
STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES	Note 28
STATEMENT OF INVENTORIES	4
STATEMENT OF OTHER CURRENT ASSETS	Note 15
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	5
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 12
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION FOR RIGHT-OF-USE ASSETS	Note 13
STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Note 14
STATEMENT OF DEFERRED TAX ASSETS	Note 24
STATEMENT OF SHORT-TERM BORROWINGS	6
STATEMENT OF SHORT-TERM BILLS PAYABLE	Note 17
STATEMENT OF ACCOUNTS PAYABLE FROM RELATED PARTIES	7
STATEMENT OF OTHER PAYABLES (INCLUDING RELATED PARTIES)	Notes 19 and 28
STATEMENT OF OTHER CURRENT LIABILITIES	Note 19
STATEMENT OF BONDS PAYABLE	Note 16
STATEMENT OF LONG-TERM BORROWINGS	8
STATEMENT OF LEASE LIABILITIES	Note 13
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF OPERATING REVENUES	9
STATEMENT OF OPERATING COSTS	10
STATEMENT OF OPERATING EXPENSES	11
STATEMENT OF OTHER GAINS AND LOSSES	Note 23
STATEMENT OF FINANCE COSTS	Note 23
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION	12

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

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

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

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

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

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

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

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

Customer Name	Amount
Non-related Parties	
Company E	\$ 18,122
Company F	14,877
Company G	13,805
Company H	13,747
Company I	13,138
Company J	12,281
Company K	10,288
Others (Note)	<u>77,146</u>
	<u>\$ 173,404</u>
Less: Allowance for impairment loss	
Related parties	
K.M.C Chain Europe N.V.	\$ 340,041
Wincorp Enterprises Limited	17,358
KMC Chain American Corporation	16,786
Kynamic Inc.	16
KMC Chain Industrial Co., LTD	<u>4</u>
	<u>\$ 374,205</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF INVENTORIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net Realizable Value
Merchandise	Mainly for chains	<u>\$ 20,118</u>	<u>\$ 37,805</u>

Note: The net realizable value of inventory is the latest selling price less the estimated costs of completion and disposal.

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Balance, January 1, 2022		Additions		Reductions		Gain (loss) on Investments	Allotted Cash Dividends	Exchange Differences on Translation of Financial Statements of Foreign Operations	Gain on defined benefit liabilities	Balance, December 31, 2022				
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral
Investment accounted for using the equity method															
KMC Chain Industrial Co., Ltd.	88,600,000	\$ 8,375,846	1,400,000	\$ 700,000	-	\$ (109,863)	\$ 820,509	\$ (899,183)	\$ 184,848	\$ 4,490	90,000,000	100	\$ 9,076,647	\$ 8,600,825	None
K.M.C Automobile Transmission Co., Ltd.	3,253,812	641,164	-	-	-	-	46,017	(18,249)	-	-	3,253,812	100	668,932	88,618	None
Kynamic Inc.	1,000,000	25,522	500,000	50,000	-	-	(9,785)	-	-	-	1,500,000	100	65,737	65,737	None
KMC Industries (Vietnam) Co., Ltd.	-	20,765	-	-	-	-	2,303	-	1,829	-	-	100	24,897	24,897	None
KMC Global GmbH	-	-	-	31,139	-	-	(1,589)	-	1,511	-	-	100	31,061	31,061	None
		9,063,297		781,139		(109,863)	857,455	(917,432)	188,188	4,490			9,867,274	8,811,138	
Investment accounted for associate															
Pro (Taiwan) Procurement Co., Ltd.	1,225,000	12,974		-	-	-	1,322	(561)	-	-	1,225,000	49	13,735	13,735	None
Total		<u>\$ 9,076,271</u>		<u>\$ 781,139</u>		<u>\$ (109,863)</u>	<u>\$ 858,777</u>	<u>\$ (917,993)</u>	<u>\$ 188,188</u>	<u>\$ 4,490</u>			<u>\$ 9,881,009</u>	<u>\$ 8,824,873</u>	

Note: The decrease was unrealized gain of NT\$109,863 thousand.

STATEMENT 6**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF SHORT-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Promissory Institution	Balance	Maturity Date	Interest Rates (%)	Credit Line	Collateral
Taipei Fubon Commercial Bank Co., Ltd.	\$ 235,782	2022.09 ~ 2023.09	1.27 ~ 2.55	\$ 500,000	None
Citibank Taiwan Limited	120,000	2022.07 ~ 2023.07	1.22	300,000	None
E. Sun Commercial Bank, Ltd.	<u>35,332</u>	2022.08 ~ 2023.08	2.14	200,000	None
	391,114				
Year - end evaluation	<u>7,988</u>				
	<u>\$ 399,102</u>				

STATEMENT 7**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF ACCOUNTS PAYABLE FROM RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
KMC Chain Industrial Co., Ltd.	\$ 343,001
KMC Chain (Shenzhen) Co., Ltd.	251,072
Suzhou KMC Industry and Trade Co., Ltd.	2,599
KMC Chain (Vietnam) Co., Ltd.	<u>344</u>
	<u>\$ 597,016</u>

KMC (KUEI MENG) INTERNATIONAL INC.**STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Bank Name (Note)	Description	Current portion	Non-current portion	Balance	Loan Period	Collateral	Repayment terms
Mizuho Bank, Ltd.	Medium-term borrowings	\$ -	\$ 725,000	\$ 725,000	2022.12.31-2024.12.31	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
E. Sun Commercial Bank. Ltd.	Medium-term borrowings	-	50,000	50,000	2022.08.02-2024.08.02	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
		<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ 775,000</u>			

STATEMENT 9**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (In Thousands, unit)	Amount
Transmission goods - BC	34,648	\$ 3,497,492
Transmission goods - MT	138	<u>22,512</u>
		3,520,004
Less : Sales discounts		<u>468</u>
Net operating revenue		<u>\$ 3,519,536</u>

STATEMENT 10**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Inventories, beginning of year	\$ 32,369
Add: Purchase	1,857,571
Others	(27)
Less: Inventories, end of year	<u>(20,118)</u>
Total operating costs	<u>\$ 1,869,795</u>

STATEMENT 11**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Payroll expense	\$ 36,086	\$ 51,050	\$ -	\$ -	\$ 87,136
Expected Credit loss	-	-	-	10,130	10,130
Professional service fee	-	8,312	-	-	8,312
Mould fee	5,844	-	-	-	5,844
Software expense	2,021	7,722	189	-	9,932
Amortization expense	1,100	5,746	137	-	6,983
Depreciation expense	629	4,595	68	-	5,292
Marketing expense	8,774	302	3	-	9,079
Others (Note)	<u>23,733</u>	<u>10,150</u>	<u>106</u>	<u>-</u>	<u>33,989</u>
Total	<u>\$ 78,187</u>	<u>\$ 87,877</u>	<u>\$ 503</u>	<u>\$ 10,130</u>	<u>\$ 176,697</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.

STATEMENT 12**KMC (KUEI MENG) INTERNATIONAL INC.**
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2022
	Classified as Operating Expenses	Classified as Operating Expenses
Employee benefits		
Salaries	\$ 75,284	\$ 75,521
Labor and health insurance	4,734	4,844
Pension	2,134	2,217
Remuneration of directors	11,852	11,631
Others	2,351	2,258
	<u>\$ 96,355</u>	<u>\$ 96,471</u>
Depreciation	<u>\$ 5,292</u>	<u>\$ 4,207</u>
Amortization	<u>\$ 6,983</u>	<u>\$ 6,695</u>

Note 1: As of December 31, 2022 and 2021, the Company had 59 and 61 employees, respectively, which included 3 non-employee directors in both 2022 and 2021.

Note 2: Additional disclosures are as follows:

1. Average employee benefits for the year ended December 31, 2022 was NT\$1,509 thousand (amounts of employee benefits for the year ended December 31, 2022 less amounts of remuneration of directors for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022).

Average employee benefits for the year ended December 31, 2021 was NT\$1,463 thousand (amounts of employee benefits for the year ended December 31, 2021 less amounts of remuneration of directors for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021).

2. Average salaries for the year ended December 31, 2022 was NT\$1,344 thousand (amounts of salaries for the year ended December 31, 2022/number of employees for the year ended December 31, 2022 less number of directors not serving concurrently as employees for the year ended December 31, 2022).

Average salaries for the year ended December 31, 2021 was NT\$1,302 thousand (Amounts of salaries for the year ended December 31, 2021/number of employees for the year ended December 31, 2021 less number of directors not serving concurrently as employees for the year ended December 31, 2021).

3. Changes of adjustments of average salaries was 3% (average salaries for the year ended December 31, 2022 less average salaries for the year ended December 31, 2021/average salaries for the year ended December 31, 2021).

4. The Company did not have supervisors for the years ended December 31, 2022 and 2021.

5. The Company's compensation policies:

- a. The company's directors' remuneration is negotiated based on their participation in the company's operations and the value of their contributions. And Independent directors receive fixed remuneration.
- b. The remuneration of managers is determined based on their job responsibilities, contribution to the Company as well as the Company's operating performance for the year.

KMC (Kuei Meng) International Inc.

Chairman: Wu, Ying-Chin

A man is riding a bicycle, shown in profile against a dark, blurred background. A stylized graphic of a bicycle chain and gears is overlaid on the image, with the chain appearing to connect the rear wheel to the front wheel. The text "ALL BIKES" is written in white, bold, sans-serif capital letters, with a diagonal line separating the two words.

ALL BIKES

LINK TO PERFECTION