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May 11, 2022

Consolidated Financial Results for the Three Months Ended March 31, 2022 (IFRS)

Company name: MODEC, INC.
 Listing: Tokyo Stock Exchange
 Securities code: 6269
 URL: <http://www.modec.com>
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 Scheduled date to file quarterly securities report: May 12, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|--------------------|-------------|--------|------------------|---|-------------------|---|-------------|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| Three months ended | | | | | | | | |
| March 31, 2022 | 81,310 | (34.8) | (1,557) | - | (2,488) | - | (2,042) | - |
| March 31, 2021 | 124,665 | - | 3,469 | - | 5,589 | - | 5,293 | - |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|--------------------|---|---|----------------------------|--------|--------------------------|----------------------------|
| | million yen | % | million yen | % | yen | yen |
| Three months ended | | | | | | |
| March 31, 2022 | (2,039) | - | 8,955 | (34.3) | (36.18) | (36.18) |
| March 31, 2021 | 5,221 | - | 13,637 | - | 92.65 | 92.61 |

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|-------------------|--------------|--------------|---|--|
| | million yen | million yen | million yen | % |
| As of | | | | |
| March 31, 2022 | 405,955 | 76,826 | 74,153 | 18.3 |
| December 31, 2021 | 393,971 | 63,802 | 61,247 | 15.5 |

Note: The original condensed consolidated financial statements of MODEC, INC. and its subsidiaries (hereinafter “the Company”) for the three months ended March 31, 2022 and 2021 and for the year ended December 31, 2021 are presented in US dollars on page 4 of this material. For reference, the amount presented for consolidated operating results and consolidated financial position are converted into Japanese yen respectively as follows.

March 31, 2022 1 US dollar = 122.41 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of March 31, 2022.

March 31, 2021 1 US dollar = 110.71 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of March 31, 2021.

December 31, 2021 1 US dollar = 115.01 Japanese yen at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2021.

The percentage indicating year-on-year changes is calculated on Japanese yen basis presented above.

2. Cash dividends

| | Annual dividends per share | | | | |
|--|----------------------------|--------------------|-------------------|----------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Year-end | Total |
| | yen | yen | yen | yen | yen |
| Year ended December 31, 2021 | — | 15.00 | — | 0.00 | 15.00 |
| Year ended December 31, 2022 | — | | | | |
| Year ending December 31, 2022 (Forecast) | | — | — | — | — |

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Earnings forecast for FY2022 (January 1, 2022 – December 31, 2022)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|--------|------------------|---|-------------------|---|-------------|---|---|---|--------------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full Year | 276,024 | (38.5) | - | - | 3,450 | - | 2,530 | - | 2,530 | - | 44.89 |

Note: Revisions to the forecast most recently announced: None

Note: The original consolidated earnings forecast of the Company is presented in US dollars on page 4 of this material. For reference, the amount presented for the consolidated earnings forecast for the year ending December 31, 2022 is converted into Japanese yen at 115.01 yen, which is at the TTM rate of Sumitomo Mitsui Banking Corporation as of December 30, 2021.

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- (i) Changes in accounting policies required by IFRS: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-------------------------|-------------------|
| As of March 31, 2022 | 56,408,000 shares |
| As of December 31, 2021 | 56,408,000 shares |

(ii) Number of treasury shares at the end of the period

| | |
|--------------------------|---------------|
| As of March 31, 2022 | 45,100 shares |
| As of December, 31, 2021 | 45,100 shares |

(iii) Average number of shares outstanding during the period

| | |
|-----------------------------------|-------------------|
| Three months ended March 31, 2022 | 56,362,900 shares |
| Three months ended March 31, 2021 | 56,353,768 shares |

* Quarterly financial results are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

- The Company adopted International Financial Reporting Standards (hereinafter “IFRS”) from the year ended December 31, 2021 for the consolidated financial statements. Therefore, the financial result for the three months ended March 31, 2021 are also presented in accordance with IFRS.
- Accompanying condensed quarterly consolidated financial statements and selected notes are presented in US dollars.
- Earnings forecast and other forward-looking statement included in this material are based on information currently available to the Company and using the assumptions deemed reasonable. Therefore, actual results may significantly differ due to various factors.

[Reference] Consolidated financial results for the three months ended 2022 and earnings forecast for the year ended December 2022 presented in functional currency of the Company, US dollar

(US dollar amounts are rounded down to thousand unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|--------------------|---------------|--------|------------------|---|-------------------|---|---------------|---|
| | US\$ thousand | % | US\$ thousand | % | US\$ thousand | % | US\$ thousand | % |
| Three months ended | | | | | | | | |
| March 31, 2022 | 664,247 | (41.0) | (12,725) | - | (20,328) | - | (16,688) | - |
| March 31, 2021 | 1,126,055 | - | 31,335 | - | 50,490 | - | 47,817 | - |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|--------------------|---|---|----------------------------|--------|--------------------------|----------------------------|
| | US\$ thousand | % | US\$ thousand | % | US\$ | US\$ |
| Three months ended | | | | | | |
| March 31, 2022 | (16,657) | - | (73,162) | (40.6) | (0.30) | (0.30) |
| March 31, 2021 | 47,161 | - | 123,184 | - | 0.84 | 0.84 |

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|-------------------|---------------|---------------|---|--|
| | US\$ thousand | US\$ thousand | US\$ thousand | % |
| As of | | | | |
| March 31, 2022 | 3,316,359 | 627,612 | 605,782 | 18.3 |
| December 31, 2021 | 3,425,542 | 554,759 | 532,541 | 15.5 |

2. Earnings forecast for FY2022 (January 1, 2022 – December 31, 2022)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|---------------|--------|------------------|---|-------------------|---|---------------|---|---|---|--------------------------|
| | US\$ thousand | % | US\$ thousand | % | US\$ thousand | % | US\$ thousand | % | US\$ thousand | % | US\$ |
| Full Year | 2,400,000 | (38.5) | - | - | 30,000 | - | 22,000 | - | 22,000 | - | 0.39 |

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1. Qualitative information on quarterly financial results

(1) Results of operations

During the first quarter of this year the Japanese economy made continued recovery. While COVID-19 epidemic influence was still widespread, the recovery of personal consumption was lacking some momentum and the profitability of certain part of non-manufacturing business sector was fairly low. The recovery of global economy continues while COVID-19 epidemic gradually subsides. However, the further recovery of global economy is uncertain due to the risk of global geopolitics caused by Russian invasion of Ukraine.

Oil prices rose to US\$120 a barrel when US and UK prohibited the import of Russian oil in early March, but toward the end of March the oil prices were lower at around US\$100 a barrel as the US President Biden decided to release at the historically largest amount of oil reserve. In this environment, the trend toward decarbonization is unavoidable. However, from the perspective of maintaining a stable energy supply, oil companies are expected to maintain certain level of deep-sea oil development projects. The business related to floating offshore oil and gas production facilities, which is the main business of the Company, is expected to grow steadily in the future in ultra-deep water large-scale projects, where the Company has strengths.

However, the business environment surrounding the Company is undergoing significant changes, which include the further promotion of renewable energy and the evolution of digital technologies among others. The Company will steadily take into account these changes in the business environment. While securing profits from existing businesses, it will steadily develop future sources of profits such as floating offshore wind turbines, underwater resource development and digital solution businesses.

Under these circumstances, for the first quarter of this year, the total orders on a consolidated basis resulted in US\$127,149 thousand (US\$473,759 thousand in 1Q 2021) due to the variation orders of FPSO construction projects. The consolidated revenue was US\$664,247 thousand (US\$1,126,055 thousand in 1Q 2021) due to progress in the construction of FPSOs.

In terms of profit, the operating loss was US\$12,725 thousand (operating profit of US\$31,335 thousand in 1Q 2021) due to the low profitability of FPSO construction project caused by COVID-19 pandemic from previous year continued to affect current period and the increased repair costs of FPSOs operating in Brazil.

In addition, increase in finance costs from foreign currency exchange loss due to the significant appreciation of Brazil Real against US dollars and the recognition of expected credit loss for the additional loan to the related company which owns an FPSO resulted in the loss before tax for the current quarter of US\$20,328 thousand (income before tax of US\$50,490 thousand in 1Q 2021). As a result, the loss attributable to owners of the parent for the current quarter was US\$16,657 thousand (profit of US\$47,161 thousand in 1Q 2021).

(2) Financial position

The total assets at the end of first quarter of this year decreased by US\$109,183 thousand to US\$3,316,359 thousand from the end of previous year primarily due to decrease in cash and cash equivalents, and trade and other receivables.

The total liabilities decreased by US\$182,035 thousand to US\$2,688,747 thousand from the end of previous year primarily due to decrease in trade and other payables.

The total equity increased by US\$72,852 thousand to US\$627,612 thousand from the end of previous year primarily due to increase in other components of equity.

(3) Significant event related to going concern status

The Company reported US\$363,975 thousand of loss attributable to owners of the parent in previous year. This led to decrease in retained earnings, which resulted in breach of the financial covenants of bonds and borrowings. The Company is aware that such event and situation cause a going concern issue. However, the Company addressed the current situation to the lenders to resolve going concern issue and obtained the agreement not to address acceleration clause with regard to bonds and borrowings in breach of the financial covenants both at the end of previous year and the first quarter of this year. Therefore, the Company has judged that there is no significant uncertainty exists in the Company's status as a going concern.

2. Condensed quarterly consolidated financial statements and selected notes to the condensed quarterly consolidated financial statements

(1) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

As of December 31, 2021 and March 31, 2022

(Unit : US\$ thousand)

| | <u>As of December 31, 2021</u> | <u>As of March 31, 2022</u> |
|---|------------------------------------|---------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 810,131 | 703,030 |
| Trade and other receivables | 379,394 | 333,173 |
| Contract assets | 704,730 | 674,351 |
| Loans receivable | 14,176 | — |
| Other financial assets | 14,171 | 14,904 |
| Other current assets | <u>138,134</u> | <u>161,234</u> |
| Total current assets | 2,060,740 | 1,886,693 |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment | 51,366 | 48,905 |
| Intangible assets | 80,845 | 78,070 |
| Investments accounted for using equity method | 739,046 | 800,793 |
| Loans receivable | 398,562 | 398,562 |
| Other financial assets | 13,278 | 14,223 |
| Deferred tax assets | 54,941 | 63,394 |
| Other non-current assets | <u>26,760</u> | <u>25,714</u> |
| Total non-current assets | 1,364,801 | 1,429,665 |
| Total assets | <u><u>3,425,542</u></u> | <u><u>3,316,359</u></u> |

* The figures are rounded down to the nearest thousand US dollar.

LIABILITIES AND EQUITY

As of December 31, 2021 and March 31, 2022

(Unit : US\$ thousand)

| | <u>As of December 31, 2021</u> | <u>As of March 31, 2022</u> |
|---|------------------------------------|---------------------------------|
| CURRENT LIABILITIES: | | |
| Trade and other payables | 1,356,472 | 1,267,915 |
| Contract liabilities | 405,807 | 368,965 |
| Bonds and borrowings | 426,867 | 406,690 |
| Income taxes payable | 40,564 | 44,822 |
| Provisions | 237,013 | 234,949 |
| Other financial liabilities | 94,549 | 96,981 |
| Other current liabilities | 103,483 | 101,564 |
| Total current liabilities | 2,664,758 | 2,521,888 |
| NON-CURRENT LIABILITIES: | | |
| Borrowings | 55 | — |
| Deferred tax liabilities | 8 | 84 |
| Defined benefit liability | 54,693 | 54,724 |
| Provisions | 80,597 | 67,560 |
| Other financial liabilities | 23,584 | 22,210 |
| Other non-current liabilities | 47,084 | 22,278 |
| Total non-current liabilities | 206,024 | 166,858 |
| Total liabilities | 2,870,782 | 2,688,747 |
| EQUITY: | | |
| Share capital | 282,292 | 282,292 |
| Capital surplus | 280,711 | 280,765 |
| Retained earnings | 85,957 | 69,301 |
| Treasury shares | (1,291) | (1,291) |
| Other components of equity | (115,129) | (25,286) |
| Equity attributable to owners of parent | 532,541 | 605,782 |
| Non-controlling interests | 22,218 | 21,829 |
| Total equity | 554,759 | 627,612 |
| Total liabilities and equity | 3,425,542 | 3,316,359 |

* The figures are rounded down to the nearest thousand US dollar.

(2) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended March 31, 2021 and 2022

(Unit : US\$ thousand)

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Revenue | 1,126,055 | 664,247 |
| Cost of sales | <u>(1,076,449)</u> | <u>(657,272)</u> |
| Gross profit (loss) | 49,605 | 6,975 |
| Selling, general and administrative expenses | (35,598) | (44,171) |
| Share of profit (loss) of investments accounted for using equity method | 14,642 | 24,750 |
| Other income | 2,692 | 114 |
| Other expenses | <u>(6)</u> | <u>(395)</u> |
| Operating profit (loss) | 31,335 | (12,725) |
| Finance income | 20,906 | 16,262 |
| Finance costs | <u>(1,751)</u> | <u>(23,865)</u> |
| PROFIT (LOSS) BEFORE TAX | 50,490 | (20,328) |
| INCOME TAX EXPENSE | <u>(2,673)</u> | <u>3,640</u> |
| PROFIT (LOSS) | 47,817 | (16,688) |
| OWNERS OF PARENT | 47,161 | (16,657) |
| NON-CONTROLLING INTERESTS | <u>655</u> | <u>(30)</u> |
| PROFIT (LOSS) | <u>47,817</u> | <u>(16,688)</u> |

* The figures are rounded down to the nearest thousand US dollar.

| | | (Unit : US\$) |
|-----------------------------------|--------|---------------|
| Earnings (loss) per share | \$0.84 | (\$0.30) |
| Diluted earnings (loss) per share | \$0.84 | (\$0.30) |

(2) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2021 and 2022

| | (Unit : US\$ thousand) | |
|--|------------------------|-----------------------|
| | Three months ended | Three months ended |
| | <u>March 31, 2021</u> | <u>March 31, 2022</u> |
| PROFIT (LOSS) | 47,817 | (16,688) |
| OTHER COMPREHENSIVE INCOME: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of defined benefit plans | 49 | 1 |
| Total of items that will not be reclassified to profit or loss | <u>49</u> | <u>1</u> |
| Items that may be reclassified to profit or loss | | |
| Effective portion of cash flow hedges | (21,522) | 825 |
| Exchange differences on translation of foreign operations | (2,928) | (3,276) |
| Share of other comprehensive income of investments accounted for using equity method | 99,767 | 92,300 |
| Total of items that may be reclassified to profit or loss | <u>75,316</u> | <u>89,849</u> |
| Total other comprehensive income | <u>75,366</u> | <u>89,851</u> |
| COMPREHENSIVE INCOME | <u>123,184</u> | <u>73,162</u> |
| | | |
| Owners of parent | 122,803 | 73,187 |
| Non-controlling interests | 380 | (24) |

* The figures are rounded down to the nearest thousand US dollar.

(3) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2021

(Unit : US\$ thousand)

| | Equity attributable to owners of parent | | | | | | | | | Non-controlling interests | Total equity |
|---|---|-----------------|-------------------|-----------------|---|---------------------------------------|---|----------------------------------|---|---------------------------|--------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | | | | Total equity attributable to owners of parent | | |
| | | | | | Remeasurements of defined benefit plans | Effective portion of cash flow hedges | Foreign currency translation adjustment | Total other components of equity | | | |
| Balance at January 1, 2021 | 282,292 | 280,742 | 463,852 | (1,553) | 0 | (161,648) | (14,745) | (176,394) | 848,940 | 18,908 | 867,849 |
| Profit (loss) | — | — | 47,161 | — | — | — | — | — | 47,161 | 655 | 47,817 |
| Other comprehensive income | — | — | — | — | 49 | 78,519 | (2,928) | 75,641 | 75,641 | (275) | 75,366 |
| Total comprehensive income (loss) | — | — | 47,161 | — | 49 | 78,519 | (2,928) | 75,641 | 122,803 | 380 | 123,184 |
| Dividends to owners of parent | — | — | (11,281) | — | — | — | — | — | (11,281) | — | (11,281) |
| Dividends to non-controlling interests | — | — | — | — | — | — | — | — | — | (620) | (620) |
| Share-based payment | — | 28 | — | — | — | — | — | — | 28 | — | 28 |
| Transfer from other components of equity to retained earnings | — | — | 49 | — | (49) | — | — | (49) | — | — | — |
| Total transactions with owners | — | 28 | (11,231) | — | (49) | — | — | (49) | (11,252) | (620) | (11,873) |
| Balance at March 31, 2021 | 282,292 | 280,770 | 499,783 | (1,553) | 0 | (83,128) | (17,673) | (100,802) | 960,491 | 18,668 | 979,160 |

* The figures are rounded down to the nearest thousand US dollar.

For the three months ended March 31, 2022

(Unit : US\$ thousand)

| | Equity attributable to owners of parent | | | | | | | | | Non-controlling interests | Total equity |
|---|---|-----------------|-------------------|-----------------|---|---------------------------------------|---|----------------------------------|---|---------------------------|--------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | | | | Total equity attributable to owners of parent | | |
| | | | | | Remeasurements of defined benefit plans | Effective portion of cash flow hedges | Foreign currency translation adjustment | Total other components of equity | | | |
| Balance at January 1, 2022 | 282,292 | 280,711 | 85,957 | (1,291) | — | (90,866) | (24,262) | (115,129) | 532,541 | 22,218 | 554,759 |
| Profit (loss) | — | — | (16,657) | — | — | — | — | — | (16,657) | (30) | (16,688) |
| Other comprehensive income | — | — | — | — | 1 | 92,848 | (3,005) | 89,844 | 89,844 | 6 | 89,851 |
| Total comprehensive income (loss) | — | — | (16,657) | — | 1 | 92,848 | (3,005) | 89,844 | 73,187 | (24) | 73,162 |
| Dividends to non-controlling interests | — | — | — | — | — | — | — | — | — | (364) | (364) |
| Share-based payment | — | 53 | — | — | — | — | — | — | 53 | — | 53 |
| Transfer from other components of equity to retained earnings | — | — | 1 | — | (1) | — | — | (1) | — | — | — |
| Total transactions with owners | — | 53 | 1 | — | (1) | — | — | (1) | 53 | (364) | (310) |
| Balance at March 31, 2022 | 282,292 | 280,765 | 69,301 | (1,291) | — | 1,982 | (27,268) | (25,286) | 605,782 | 21,829 | 627,612 |

* The figures are rounded down to the nearest thousand US dollar.

(4) CONDENSED QUARTERLY CONSOLIDATED STATEMENT OF CASH FLOW

For the three months ended March 31, 2021 and 2022

(Unit : US\$ thousand)

| | Three months ended March 31, 2021 | Three months ended March 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Profit (loss) before tax | 50,490 | (20,328) |
| Depreciation and amortization | 8,950 | 9,800 |
| Increase (decrease) in provisions | (6,641) | (18,011) |
| Increase (decrease) in retirement benefit liability | 1,342 | 30 |
| Finance income and finance costs | (19,154) | 7,603 |
| Share of loss (profit) of investments accounted for using equity method | (14,642) | (24,750) |
| Decrease (increase) in trade and other receivables | (12,763) | 40,150 |
| Decrease (increase) in contract assets | (222,811) | 30,420 |
| Increase (decrease) in trade and other payables | 92,012 | (93,037) |
| Increase (decrease) in contract liabilities | 107,248 | (47,693) |
| Decrease (increase) in other current assets | 175,522 | (342) |
| Other | (5,110) | (4,961) |
| Subtotal | 154,442 | (121,120) |
| Interest received | 8,397 | 8,944 |
| Dividends received | 15,424 | 33,349 |
| Interest paid | (1,898) | (3,789) |
| Income taxes paid | (11,602) | (11,951) |
| Net cash provided by (used in) operating activities | 164,763 | (94,568) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Net decrease (increase) in short-term loans receivable | (56,065) | 1,204 |
| Payments for long-term loans receivable | (13,000) | — |
| Purchase of property, plant and equipment, and intangible assets | (2,699) | (2,564) |
| Proceeds from return of capital from investments accounted for using equity method | — | 9,749 |
| Net cash provided by (used in) investing activities | (71,764) | 8,390 |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Repayments of long-term borrowings | (20,706) | (20,242) |
| Dividends paid | (11,147) | (3) |
| Dividends paid to non-controlling interests | (620) | (364) |
| Proceeds from derivatives contracts | 1,691 | 582 |
| Subsidy income | 931 | — |
| Repayments of lease liabilities | (5,714) | (5,161) |
| Net cash provided by (used in) financing activities | (35,565) | (25,189) |
| EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS | (4,756) | 4,265 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 52,676 | (107,101) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 617,149 | 810,131 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 669,826 | 703,030 |

* The figures are rounded down to the nearest thousand US dollar.

(5) Selected notes to the condensed quarterly consolidated financial statements

(Note to the ability to continue as a going concern)

There were no significant events applicable.

(Change in accounting policy)

The accounting policy of current quarter condensed consolidated financial statements is the same as the previous year annual consolidated financial statements.

Corporate income tax is calculated using the estimated annual effective tax rate in the current quarter condensed consolidated financial statements.

(Change in accounting estimate)

The significant judgements and estimates made by the Company's management including the financial impact of the COVID-19 epidemic in preparing these condensed quarterly consolidated financial statements were the same as the previous year annual consolidated financial statements.

The impact of Russian invasion of Ukraine is considered insignificant to the Company at the end of first quarter.

(Additional information)

Financial covenants

Borrowings and bonds are subject to the financial covenants, and the detail are as follows.

1. Term loan contract

Loan balance: US\$96,000 thousand

Total equity in the consolidated statement of financial position and the net assets of Company's stand-alone balance sheet must be equal to or more than 75% of previous year consolidated statement of financial position and balance sheet, respectively, and equal to or more than 75% of them at the end of December 2014, respectively.

2. Syndicated loan contract

Loan balance: US\$64,000 thousand

Total equity in the consolidated statement of financial position at December 31, 2021 and yearends thereafter must be equal to or more than 75% of consolidated statement of financial position at December 31, 2020.

3. US dollar bonds

Bond balance: US\$225,000 thousand

Total equity must be equal to or more than US\$688,514 thousand at the end of each quarter.

The borrowings and bonds listed above were in breach of the financial covenants both at the end of previous year and first quarter of this year. However, the Company obtained the agreement with the lenders not to address acceleration clause in February and April 2022, respectively.