

**JP Nelson Holdings (Cayman) and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
JP Nelson Holdings (Cayman)

Opinion

We have audited the accompanying consolidated financial statements of JP Nelson Holdings (Cayman) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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 (collectively referred to as the "consolidated financial statements").

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, 2021 and 2020, 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 of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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, 2021. 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 key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Revenue Recognition

The sales revenue of the Group in 2021 accounted for 50% of the total operating revenue, which has a significant influence on the financial statements. In addition, the amounts of transactions fluctuate greatly, which may be an indication of more risk characteristics. In our opinion, there were some risks in the occurrence of the sales revenue transactions, so we listed revenue recognition as a key audit matter for the year ended December 31, 2021. For relevant accounting policies, refer to Note 4 to the consolidated financial statements.

The main audit procedures we performed in respect of the above matter include the following:

1. We understood and evaluated the Group's workflow and internal control related to the sales revenue.
2. We tested the effectiveness of the related internal control of the occurrence of sales revenue.
3. We analyzed the ledger of sales revenue and sampled related shipping documents, invoices, and receipts to check if there is any material misstatement.
4. We examined significant sales returns and discounts after the reporting period to check the occurrence of the related sales transactions.

Impairment of Construction Machinery

The Group's construction machinery has a carrying amount of \$1,256,766 thousand as of December 31, 2021, which represented 45% of the total consolidated assets. The amount is considered material to the consolidated financial statements. Refer to Notes 4(i), 5 and 12 for more detailed information on the accounting policies, estimation uncertainty and other disclosures related to construction machinery.

The Group specializes in trading, leasing and maintaining of construction and civil engineering machines and equipment, as well as trading of the related machine parts. The management of the Group has determined that specific construction machinery has shown indication of impairment and had calculated that the recoverable amount of the asset was lower than the carrying amount. The calculation of the recoverable amount involves multiple assumptions and estimates. Therefore, the impairment of construction machinery is identified as a key audit matter for the year ended December 31, 2021.

Our main audit procedures performed in respect of above matter include the following:

1. We understood the internal control procedures for assessing the impairment of property, plant and equipment and the relevant approval process followed by the Group's management.
2. We consulted with our internal specialists to corroborate our assessment of the third party appraisers' experience, qualification and compliance with professional standards in the estimation of the fair value of the asset.
3. We worked with our internal specialists in the review of the valuation method of the third party appraisers and confirmed that all information used agreed with the original data or external evidence.
4. We sampled various documents related to impairment of assets and confirmed the reliability and validity of the data.

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 Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the 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 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, 2021 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 Li-Huang Lee and Nai-Hua Kuo. ⁴



Deloitte & Touche
Taipei, Taiwan
Republic of China

March 31, 2022

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 applied in the Republic of China.

For the convenience of readers, the independent 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.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS | 2021 | | 2020 | |
|-------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 92,331 | 3 | \$ 70,081 | 2 |
| Financial assets at fair value through profit or loss - current (Note 7) | 11 | - | 10 | - |
| Notes receivable (Note 8) | 3,420 | - | 3,857 | - |
| Trade receivables (Note 8) | 364,056 | 13 | 369,231 | 12 |
| Trade receivables from related parties (Notes 8 and 28) | 2,919 | - | 10,478 | 1 |
| Other receivables (Note 8) | 4,906 | - | 7,657 | - |
| Other receivables from related parties (Notes 8 and 28) | 2,986 | - | 2,101 | - |
| Current tax assets (Note 22) | 6,888 | - | 9,533 | - |
| Inventories (Note 9) | 502,798 | 18 | 593,652 | 18 |
| Prepayments (Note 14) | 40,712 | 2 | 38,276 | 1 |
| Other current assets | - | - | 12 | - |
| Total current assets | <u>1,021,027</u> | <u>36</u> | <u>1,104,888</u> | <u>34</u> |
| NON-CURRENT ASSETS | | | | |
| Investments accounted for using equity method (Note 11) | - | - | 5,115 | - |
| Property, plant and equipment (Notes 12 and 25) | 1,581,351 | 57 | 1,939,009 | 59 |
| Right-of-use assets (Note 13) | 139,892 | 5 | 154,330 | 5 |
| Deferred tax assets (Note 22) | 52,366 | 2 | 58,187 | 2 |
| Refundable deposits | 7,398 | - | 7,359 | - |
| Total non-current assets | <u>1,781,007</u> | <u>64</u> | <u>2,164,000</u> | <u>66</u> |
| TOTAL | <u>\$ 2,802,034</u> | <u>100</u> | <u>\$ 3,268,888</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term bills payable and borrowings (Note 15) | \$ 149,839 | 5 | \$ 197,009 | 6 |
| Financial liabilities at fair value through profit or loss - current (Note 7) | 291 | - | 392 | - |
| Contract liabilities - current (Notes 20 and 28) | 32,885 | 1 | 43,725 | 1 |
| Trade payables (Note 16) | 276,086 | 10 | 191,008 | 6 |
| Trade payables to related parties (Notes 16 and 28) | 36,905 | 1 | 15,096 | 1 |
| Lease liabilities - current (Note 13) | 33,280 | 1 | 46,041 | 1 |
| Other payables (Note 17) | 150,604 | 6 | 165,327 | 5 |
| Other payables to related parties (Notes 17 and 28) | 131,228 | 5 | 138,026 | 4 |
| Current tax liabilities (Note 22) | 7,713 | - | 7,825 | - |
| Current portion of long-term borrowings (Note 15) | 347,787 | 13 | 417,372 | 13 |
| Other current liabilities | 27 | - | 27 | - |
| Total current liabilities | <u>1,166,645</u> | <u>42</u> | <u>1,221,848</u> | <u>37</u> |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities - non-current (Note 13) | 54,925 | 2 | 66,366 | 2 |
| Long-term borrowings (Note 15) | 641,963 | 23 | 826,549 | 25 |
| Deferred tax liabilities (Note 22) | 67,870 | 2 | 86,170 | 3 |
| Guarantee deposits received | 1,102 | - | 2,708 | - |
| Total non-current liabilities | <u>765,860</u> | <u>27</u> | <u>981,793</u> | <u>30</u> |
| Total liabilities | <u>1,932,505</u> | <u>69</u> | <u>2,203,641</u> | <u>67</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19) | | | | |
| Share capital | 783,590 | 28 | 783,590 | 24 |
| Capital surplus | | | | |
| Additional paid-in capital in excess of par | 392,139 | 14 | 521,097 | 16 |
| Unappropriated earnings | (154,222) | (5) | (128,958) | (4) |
| Exchange differences on translating foreign operations | (184,425) | (7) | (153,724) | (5) |
| Total equity attributable to owners of the Company | 837,082 | 30 | 1,022,005 | 31 |
| NON-CONTROLLING INTERESTS | <u>32,447</u> | <u>1</u> | <u>43,242</u> | <u>2</u> |
| Total equity | <u>869,529</u> | <u>31</u> | <u>1,065,247</u> | <u>33</u> |
| TOTAL | <u>\$ 2,802,034</u> | <u>100</u> | <u>\$ 3,268,888</u> | <u>100</u> |

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

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2021 | | 2020 | |
|------------------------------------------------------------------|--------------------|-------------|--------------------|-------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 20 and 28) | \$ 1,545,760 | 100 | \$ 1,469,429 | 100 |
| OPERATING COSTS (Notes 9, 21 and 28) | <u>(1,426,084)</u> | <u>(92)</u> | <u>(1,405,916)</u> | <u>(95)</u> |
| GROSS PROFIT | 119,676 | 8 | 63,513 | 5 |
| REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES | <u>914</u> | <u>-</u> | <u>1,349</u> | <u>-</u> |
| REALIZED GROSS PROFIT | <u>120,590</u> | <u>8</u> | <u>64,862</u> | <u>5</u> |
| OPERATING EXPENSES (Notes 21 and 28) | | | | |
| Selling and marketing expenses | (37,139) | (3) | (41,095) | (3) |
| General and administrative expenses | (125,090) | (8) | (128,737) | (9) |
| Expected credit losses | <u>(45,651)</u> | <u>(3)</u> | <u>(20,824)</u> | <u>(1)</u> |
| Total operating expenses | <u>(207,880)</u> | <u>(14)</u> | <u>(190,656)</u> | <u>(13)</u> |
| LOSS FROM OPERATIONS | <u>(87,290)</u> | <u>(6)</u> | <u>(125,794)</u> | <u>(8)</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 21, 24 and 28) | | | | |
| Interest income | 16 | - | 132 | - |
| Other income | 5,817 | - | 42,671 | 3 |
| Other gains and losses | (40,108) | (3) | (14,786) | (1) |
| Finance costs | (53,205) | (3) | (66,464) | (5) |
| Share of loss of associates | <u>-</u> | <u>-</u> | <u>(671)</u> | <u>-</u> |
| Total non-operating expenses | <u>(87,480)</u> | <u>(6)</u> | <u>(39,118)</u> | <u>(3)</u> |
| LOSS BEFORE INCOME TAX | (174,770) | (12) | (164,912) | (11) |
| INCOME TAX BENEFIT (Note 22) | <u>11,659</u> | <u>1</u> | <u>21,399</u> | <u>1</u> |
| NET LOSS FOR THE YEAR | <u>(163,111)</u> | <u>(11)</u> | <u>(143,513)</u> | <u>(10)</u> |

(Continued)

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2021 | | 2020 | |
|----------------------------------------------------------------------------------------------------------|---------------------|-------------|---------------------|-------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE (LOSS) INCOME (Note 19) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Share of the other comprehensive income/(loss) of associates accounted for using the equity method | \$ - | - | \$ 2,622 | 1 |
| Exchange differences arising on translation to the presentation currency | (34,742) | (2) | (57,457) | (4) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | <u>2,135</u> | <u>-</u> | <u>967</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(32,607)</u> | <u>(2)</u> | <u>(53,868)</u> | <u>(3)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | <u>\$ (195,718)</u> | <u>(13)</u> | <u>\$ (197,381)</u> | <u>(13)</u> |
| NET LOSS ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (154,222) | (10) | \$ (131,580) | (9) |
| Non-controlling interests | <u>(8,889)</u> | <u>(1)</u> | <u>(11,933)</u> | <u>(1)</u> |
| | <u>\$ (163,111)</u> | <u>(11)</u> | <u>\$ (143,513)</u> | <u>(10)</u> |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (184,923) | (12) | \$ (182,704) | (12) |
| Non-controlling interests | <u>(10,795)</u> | <u>(1)</u> | <u>(14,677)</u> | <u>(1)</u> |
| | <u>\$ (195,718)</u> | <u>(13)</u> | <u>\$ (197,381)</u> | <u>(13)</u> |
| LOSS PER SHARE (Note 23) | | | | |
| Basic | <u>\$ (1.97)</u> | | <u>\$ (1.69)</u> | |
| Diluted | <u>\$ (1.97)</u> | | <u>\$ (1.69)</u> | |

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

(Concluded)

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to the Owners of the Company | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------|-----------------|----------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------|---------------------------|--------------|
| | Share Capital | | Capital Surplus | Retained Earnings Unappropriated Earnings | Other Equity | | Total | Non-controlling Interests | Total Equity |
| | Shares (In Thousands) | Amount | | | Exchange Differences on Translating Foreign Operations | Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | |
| BALANCE AT JANUARY 1, 2020 | 75,995 | \$ 759,950 | \$ 595,920 | \$ (84,634) | \$ (99,978) | \$ - | \$ 1,171,258 | \$ 57,919 | \$ 1,229,177 |
| Capital reduction for covering accumulated deficits | - | - | (84,634) | 84,634 | - | - | - | - | - |
| Net loss for the year ended December 31, 2020 | - | - | - | (131,580) | - | - | (131,580) | (11,933) | (143,513) |
| Other comprehensive income for the year ended December 31, 2020, net of income tax | - | - | - | - | (53,746) | 2,622 | (51,124) | (2,744) | (53,868) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | (131,580) | (53,746) | 2,622 | (182,704) | (14,677) | (197,381) |
| Issuance of ordinary shares for cash | 2,364 | 23,640 | 9,811 | - | - | - | 33,451 | - | 33,451 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | 2,622 | - | (2,622) | - | - | - |
| BALANCE AT DECEMBER 31, 2020 | 78,359 | 783,590 | 521,097 | (128,958) | (153,724) | - | 1,022,005 | 43,242 | 1,065,247 |
| Capital reduction for covering accumulated deficits | - | - | (128,958) | 128,958 | - | - | - | - | - |
| Net loss for the year ended December 31, 2021 | - | - | - | (154,222) | - | - | (154,222) | (8,889) | (163,111) |
| Other comprehensive loss for the year ended December 31, 2021, net of income tax | - | - | - | - | (30,701) | - | (30,701) | (1,906) | (32,607) |
| Total comprehensive loss for the year ended December 31, 2021 | - | - | - | (154,222) | (30,701) | - | (184,923) | (10,795) | (195,718) |
| BALANCE AT DECEMBER 31, 2021 | 78,359 | \$ 783,590 | \$ 392,139 | \$ (154,222) | \$ (184,425) | \$ - | \$ 837,082 | \$ 32,447 | \$ 869,529 |

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

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|--------------------------------------------------------------------------------------------------------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (174,770) | \$ (164,912) |
| Adjustments for: | | |
| Expected credit loss recognized on trade receivables | 45,651 | 20,824 |
| Depreciation expenses | 430,369 | 502,318 |
| Finance costs | 53,205 | 66,464 |
| Share of loss of associates | - | 671 |
| Disposal of Investments accounted for using equity method | (665) | - |
| Interest income | (16) | (132) |
| Impairment loss of inventories | 21,386 | 12,475 |
| Gain on disposal of property, plant and equipment | (1,227) | (17) |
| Impairment loss recognized on property, plant and equipment | 4,750 | - |
| Net loss on fair value change of financial assets and liabilities at fair value through profit or loss | 294 | 266 |
| Realized gain on the transactions with associates | (914) | (1,349) |
| Net (gain) loss on foreign currency exchange | (235) | 4,779 |
| Net gain on lease exemption | (571) | (8,769) |
| Changes in operating assets and liabilities | | |
| Notes receivable | 437 | (330) |
| Trade receivables | (36,877) | 37,864 |
| Trade receivables from related parties | 7,559 | (9,350) |
| Other receivables | 3,084 | (4,502) |
| Other receivables from related parties | (885) | (1,501) |
| Inventories | 25,790 | (59,861) |
| Prepayments | (2,436) | 13,540 |
| Other current assets | 12 | 33 |
| Financial liabilities held for trading | (395) | (159) |
| Contract liabilities | (10,840) | (23,580) |
| Trade payables | 85,504 | 66,697 |
| Trade payables to related parties | 21,809 | 1,392 |
| Other payables | (3,264) | (43,735) |
| Other payables to related parties | (6,798) | 9,974 |
| Unearned receipts | - | (4,815) |
| Other current liabilities | - | 27 |
| Cash generated from operations | 459,957 | 414,312 |
| Interest received | 16 | 132 |
| Interest paid | (53,205) | (67,697) |
| Income taxes paid | 1,713 | 9,954 |
| Net cash generated from operating activities | <u>408,481</u> | <u>356,701</u> |

(Continued)

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property, plant and equipment | \$ (70,915) | \$ (44,543) |
| Proceeds from disposal of property, plant and equipment | 3,476 | 41 |
| (Increase) decrease in refundable deposits | (39) | 2,265 |
| Repatriation of capital stock from liquidation of investee accounted for using equity method | <u>6,235</u> | <u>-</u> |
| Net cash used in investing activities | <u>(61,243)</u> | <u>(42,237)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of ordinary shares | - | 33,451 |
| Repayments of short-term bills payable and borrowings | (46,935) | (157,651) |
| Repayments of long-term borrowings | (254,171) | (145,975) |
| Repayment of the principal portion of lease liabilities | (59,826) | (53,525) |
| Refund of guarantee deposits received | <u>(1,606)</u> | <u>(1,694)</u> |
| Net cash used in financing activities | <u>(362,538)</u> | <u>(325,394)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>37,550</u> | <u>18,320</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 22,250 | 7,390 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>70,081</u> | <u>62,691</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 92,331</u> | <u>\$ 70,081</u> |

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

(Concluded)

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

JP Nelson Holdings (Cayman) (the “Company”) was incorporated in the Cayman Islands in February 2010.

On October 18, 2010, the Company completed an organizational restructuring of related companies according to their share exchange agreement and became the ultimate parent company that controls all related companies. The Company and its subsidiaries are collectively referred to as “the Group”.

The Company’s shares have been listed on the Taipei Exchange (“TPEX”) since December 2011.

The functional currency of the Company is the Singapore dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s shares are listed on the Taipei Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 28, 2022.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (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 material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs | Effective Date Announced by IASB |
|-------------------------------------------------------------------------------------|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 1) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 2) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 4) |

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to 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, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 2) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 3) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 4) |

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be 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 other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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 and issued into effect 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.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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 the 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 the 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 twelve 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 twelve 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 twelve 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 and 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 10 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. 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 in which they arise except for:

- 1) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 2) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on 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 case, 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.

For the purpose of presenting consolidated financial statements, the financial statements of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and 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). The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group from functional currencies to the presentation currency, are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of goods and 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 specific identification of cost on the balance sheet date.

g. Investments 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, investments in an associate are 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 the equity of associates and joint ventures attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their 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 methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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.

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset, 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 smallest group of 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 corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs 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 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 FVTPL) 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 FVTPL 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 categories

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 a financial asset is mandatorily classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

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 and interest income, respectively; 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, trade receivables at amortized cost, notes receivable, other receivables and deposits paid, 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, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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.

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. 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 considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is not realized more than 1 year unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of 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 unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

k. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of construction machineries and parts of construction machineries. Sales of construction machineries and parts of construction machineries are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance payment received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from the rental

The rental revenue mainly comes from rental of construction machinery. Revenue is recognized when the construction machinery is rented with the precondition that the related economic benefits is likely to flow into the Group, and the amount of income can be measured reliably.

3) Revenue from rendering of service

Revenue from rendering of service comes from construction machinery repair service. Revenue is recognized when the service is performed.

1. 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 (less any lease incentives payable) 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 by 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, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses 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, which comprise fixed payments and in-substance fixed 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 lessee's incremental borrowing rate will be used.

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, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the rent concessions. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching 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 that the grants intend 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.

Government grants that take the form of a transfer of a non-monetary asset for the use of the entity are recognized and measured at the fair value of the non-monetary asset.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. 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 service.

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.

The Group allocates funds to Central Provident Fund (CPF) that is a defined contribution retirement benefit plans, and the expense is recognized over the period of service execution.

p. 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 on unappropriated earnings is provided for in the year the shareholders approve to retain 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.

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 carryforward 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 and associates and interests in joint ventures, 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 recognized only 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 such temporary differences 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 assets 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 tax and deferred tax

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 JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions on 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 Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Impairment of construction machinery

Impairment of construction machinery is evaluated based on the recoverable amount of assets, which is the higher of its fair value less costs of disposal and its value in use. Any changes in the market prices, or in the depreciable years will affect the recoverable amount of the assets and may lead to the recognition of additional impairment losses or the reversal of impairment losses. Furthermore, the estimates of the cash flow projections, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of the Group’s operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|------------------|
| | 2021 | 2020 |
| Cash on hand | \$ 1,461 | \$ 1,678 |
| Checking accounts and demand deposits | <u>90,870</u> | <u>68,403</u> |
| | <u>\$ 92,331</u> | <u>\$ 70,081</u> |

The market rate intervals of cash in bank at the end of the reporting period were as follows:

| | <u>December 31</u> | |
|------|--------------------|-------------|
| | 2021 | 2020 |
| Bank | 0.001%-0.08% | 0.02%-0.25% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|---------------------------------------------------------------|--------------------|---------------|
| | 2021 | 2020 |
| <u>Financial assets at FVTPL - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Foreign quoted shares | \$ <u>11</u> | \$ <u>10</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>291</u> | \$ <u>392</u> |

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|----------|----------------------|--------------------------------|
| <u>December 31, 2021</u> | | | |
| Buy | SGD/USD | 2021.10.29-2022.2.28 | SGD406/USD300 |
| Buy | SGD/JPY | 2021.11.19-2022.2.22 | SGD81/JPY6,730 |
| Buy | SGD/JPY | 2021.11.30-2022.1.31 | SGD169/JPY14,000 |
| Buy | SGD/RMB | 2021.12.16-2022.2.15 | SGD418/CNY1,938 |
| Buy | SGD/RMB | 2021.12.30-2022.2.28 | SGD382/CNY1,800 |
| <u>December 31, 2020</u> | | | |
| Buy | SGD/USD | 2020.12.28-2021.2.4 | SGD928/USD698 |
| Buy | SGD/USD | 2020.12.15-2021.1.29 | SGD448/USD335 |
| Buy | SGD/JPY | 2020.12.22-2021.1.25 | SGD175/JPY13,490 |
| Buy | SGD/USD | 2020.12.30-2021.2.26 | SGD399/USD300 |
| Buy | SGD/RMB | 2020.12.24-2021.1.29 | SGD588/CNY2,860 |

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|---------------------------------------------|--------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 3,420 | \$ 3,857 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 3,420</u> | <u>\$ 3,857</u> |
| Notes receivable - operating | <u>\$ 3,420</u> | <u>\$ 3,857</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount - non related parties | \$ 419,273 | \$ 411,211 |
| Gross carrying amount - related parties | 3,321 | 10,478 |
| Less: Allowance for impairment loss | <u>(55,620)</u> | <u>(41,980)</u> |
| | <u>\$ 366,974</u> | <u>\$ 379,709</u> |
| <u>Overdue receivables</u> | | |
| Overdue receivables | \$ 166,595 | \$ 146,646 |
| Less: Allowance for impairment loss | <u>(166,595)</u> | <u>(146,646)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |
| <u>Other receivables</u> | | |
| Other receivables from related parties | \$ 2,986 | \$ 2,101 |
| GST receivables | 293 | 5,775 |
| Others | <u>5,406</u> | <u>1,882</u> |
| | <u>\$ 8,685</u> | <u>\$ 9,758</u> |

a. Trade receivables

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables.

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 trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

Due to the COVID-19, the loss patterns of major customers located in severely affected areas will be significantly different from those in other areas; therefore, the Group uses different provision matrixes based on customer segments by geographical region and determines the expected loss rate by reference to the past due days of accounts receivable and regional economic conditions.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables 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 trade receivables based on the Group's provision matrix.

December 31, 2021

| Singapore and Malaysia | 1 to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 365 Days | 366 to 547 Days | Over 547 Days | Total |
|-------------------------------|---------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|-------------------|
| Expected credit loss rate | 5.3%-41.6% | 5.3%-41.6% | 7.2%-43.6% | 7.2%-63.9% | 7.2%-100% | 100% | |
| Gross carrying amount | \$ 206,658 | \$ 58,829 | \$ 22,309 | \$ 15,969 | \$ 35,923 | \$ 125,752 | \$ 465,440 |
| Loss allowance (Lifetime ECL) | <u>(14,622)</u> | <u>(7,121)</u> | <u>(4,132)</u> | <u>(3,761)</u> | <u>(9,861)</u> | <u>(125,752)</u> | <u>(165,249)</u> |
| Amortized cost | <u>\$ 192,036</u> | <u>\$ 51,708</u> | <u>\$ 18,177</u> | <u>\$ 12,208</u> | <u>\$ 26,062</u> | <u>\$ -</u> | <u>\$ 300,191</u> |

| Other Area | 1 to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 365 Days | Over 366 Days | Total |
|-------------------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|------------------|
| Expected credit loss rate | 0.5%-17% | 2.3%-20.5% | 4.1%-20.5% | 4.7%-44.2% | 100% | |
| Gross carrying amount | \$ 61,668 | \$ 11,345 | \$ 7,266 | \$ 6,048 | \$ 40,843 | \$ 127,170 |
| Loss allowance (Lifetime ECL) | <u>(9,707)</u> | <u>(2,280)</u> | <u>(1,493)</u> | <u>(2,643)</u> | <u>(40,843)</u> | <u>(56,966)</u> |
| Amortized cost | <u>\$ 51,961</u> | <u>\$ 9,065</u> | <u>\$ 5,773</u> | <u>\$ 3,405</u> | <u>\$ -</u> | <u>\$ 70,204</u> |

December 31, 2020

| Singapore and Malaysia | 1 to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 365 Days | 366 to 547 Days | Over 547 Days | Total |
|-------------------------------|---------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|-------------------|
| Expected credit loss rate | 1.04%-38.83% | 1.88%-38.83% | 1.89%-46.67% | 1.89%-82.73% | 24.92%-82.73% | 100% | |
| Gross carrying amount | \$ 145,453 | \$ 119,152 | \$ 46,012 | \$ 21,669 | \$ 18,718 | \$ 109,566 | \$ 460,570 |
| Loss allowance (Lifetime ECL) | <u>(7,205)</u> | <u>(6,295)</u> | <u>(5,467)</u> | <u>(2,988)</u> | <u>(7,311)</u> | <u>(109,566)</u> | <u>(138,832)</u> |
| Amortized cost | <u>\$ 138,248</u> | <u>\$ 112,857</u> | <u>\$ 40,545</u> | <u>\$ 18,681</u> | <u>\$ 11,407</u> | <u>\$ -</u> | <u>\$ 321,738</u> |

| Other Area | 1 to 90 Days | 91 to 180 Days | 181 to 270 Days | 271 to 365 Days | Over 366 Days | Total |
|-------------------------------|---------------------|-----------------------|------------------------|------------------------|----------------------|------------------|
| Expected credit loss rate | 0.1%-10.4% | 0.1%-55.56% | 0.1%-55.56% | 0.1%-73.88% | 100% | |
| Gross carrying amount | \$ 28,177 | \$ 26,325 | \$ 11,959 | \$ 8,081 | \$ 37,080 | \$ 111,622 |
| Loss allowance (Lifetime ECL) | <u>(1,952)</u> | <u>(2,902)</u> | <u>(1,890)</u> | <u>(5,970)</u> | <u>(37,080)</u> | <u>(49,794)</u> |
| Amortized cost | <u>\$ 26,225</u> | <u>\$ 23,423</u> | <u>\$ 10,069</u> | <u>\$ 2,111</u> | <u>\$ -</u> | <u>\$ 61,828</u> |

The movements of the loss allowance of trade receivables were as follows:

| | 2021 | 2020 |
|----------------------------------------------|-------------------|-------------------|
| Balance at January 1 | \$ 188,626 | \$ 245,322 |
| Add: Net remeasurement of loss allowance (1) | 45,651 | 20,824 |
| Less: Amounts written off (2) | - | (64,721) |
| Foreign exchange gains and losses | <u>(12,062)</u> | <u>(12,799)</u> |
| Balance at December 31 | <u>\$ 222,215</u> | <u>\$ 188,626</u> |

- 1) Compared to 2020, the increase in loss allowance of \$24,827 thousand for the year ended December 31, 2021 resulted from the suspension of the operations of the Singapore branches and Malaysia branches in 2020 in cooperation with the governments' policies to prevent the spread of Covid-19, and due to the impact of coronavirus pandemic that delayed the payment of trade receivables in the Southeast Asia region.
- 2) During 2020, the Group wrote off trade receivables and the related loss allowance of \$64,721 thousand due to the liquidation of some customers.

9. INVENTORIES

| | December 31 | |
|--------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Merchandised inventories | <u>\$ 502,798</u> | <u>\$ 593,652</u> |

The nature of the cost of goods sold is as follows:

| | 2021 | 2020 |
|--------------------------|-------------------|-------------------|
| Cost of inventories sold | \$ 651,295 | \$ 556,500 |
| Inventory write-downs | <u>21,386</u> | <u>12,475</u> |
| | <u>\$ 672,681</u> | <u>\$ 568,975</u> |

The inventories pledged as collateral for bank borrowings are set out in Note 29.

10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | Functional Currency | Proportion of Ownership | |
|--------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------|-------------------------|------|
| | | | | 2021 | 2020 |
| JP Nelson Holdings (Cayman) | JP Nelson Equipment Pte. Ltd. (called "JPNE") | Trading, rental and maintenance of excavators, forklifts and generators. | SGD | 100 | 100 |
| | JP Nelson (Taiwan Corporation) (called "JPNTW") | Trading, rental and maintenance of excavators, forklifts and generators. | NTD | 100 | 100 |
| JP Nelson Equipment Pte. Ltd. | JP Nelson Trading Pte. Ltd. (called "JPNT") | Rental business of land and office building. | SGD | 100 | 100 |
| | JP Nelson (Hong Kong) Limited (called "JPNHK") | Trading, rental and maintenance of excavators, forklifts and generators. | HKD | 100 | 100 |
| | JP Nelson Equipment Vietnam Limited (called "JPNE (VN)") | Sales and leasing of machines and equipment for construction and civil engineering use. | VND | 100 | 100 |
| | JP Nelson Access Equipment Pte. Ltd. (called "JPNAE") | Sales and leasing of machines and equipment for construction and civil engineering use. | SGD | 100 | 100 |
| | JP Nelson (Thailand) Limited (called "JPNTH") | Trading, rental and maintenance of excavators, forklifts and generators. | THB | 100 | 100 |
| | Antar Cranes Services Pte. Ltd. (called "ANTAR") | Trading, rental and maintenance of cranes. | SGD | 100 | 100 |
| | JP Nelson (Malaysia) Sdn. Bhd. (called "JPNMY") | Sales and leasing of machines and equipment for construction and civil engineering use. | MYR | 100 | 100 |
| JP Nelson (Malaysia) Sdn. Bhd. | Kanamoto & JP Nelson Equipment (M) Sdn. Bhd. (called "KNM") | Sales and leasing of machines and equipment for construction and civil engineering use. | MYR | 51 | 51 |
| | JP Nelson Equipment (Johor) Sdn. Bhd. (called "JPNJ") | Sales and leasing of machines and equipment for construction and civil engineering use. | MYR | 100 | 100 |
| | JP Nelson Equipment (KL) Sdn. Bhd. (called "JPNKL") | Sales and leasing of machines and equipment for construction and civil engineering use. | MYR | 100 | 100 |

b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Nature of Activities | Functional Currency | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------|------|
| | | | 2021 | 2020 |
| Kanamoto & JP Nelson Equipment (M) Sdn. Bhd. (called "KNM") | Sales and leasing of machines and equipment for construction and civil engineering use. | MYR | 49 | 49 |

| Name of Subsidiary | Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 | | Accumulated Non-controlling Interests December 31 | |
|--------------------|-------------------------------------------------------------------------------------|-------------|---------------------------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| KNM | \$ (8,889) | \$ (11,933) | \$ 32,447 | \$ 43,242 |

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

KNM

| | December 31 | |
|-------------------------------------------|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Current assets | \$ 47,885 | \$ 57,329 |
| Non-current assets | 24,367 | 52,102 |
| Current liabilities | (5,100) | (19,958) |
| Non-current liabilities | <u>(933)</u> | <u>(1,224)</u> |
| Equity | <u>\$ 66,219</u> | <u>\$ 88,249</u> |
| Equity attributable to: | | |
| Owners of KNM | \$ 33,772 | \$ 45,007 |
| Non-controlling interests of KNM | <u>32,447</u> | <u>43,242</u> |
| | <u>\$ 66,219</u> | <u>\$ 88,249</u> |
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Revenue | <u>\$ 54,206</u> | <u>\$ 19,454</u> |
| Net loss for the year | \$ (18,141) | \$ (24,352) |
| Other comprehensive loss for the year | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the year | <u>\$ (18,141)</u> | <u>\$ (24,352)</u> |
| Loss attributable to: | | |
| Owners of KNM | \$ (9,252) | \$ (12,419) |
| Non-controlling interests of KNM | <u>(8,889)</u> | <u>(11,933)</u> |
| | <u>\$ (18,141)</u> | <u>\$ (24,352)</u> |
| Total comprehensive loss attributable to: | | |
| Owners of KNM | \$ (9,252) | \$ (12,419) |
| Non-controlling interests of KNM | <u>(8,889)</u> | <u>(11,933)</u> |
| | <u>\$ (18,141)</u> | <u>\$ (24,352)</u> |

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

| | <u>December 31</u> | |
|------------------------------------------------------|--------------------|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Non-material associates | | |
| Kanamoto & JP Nelson Equipment (S) Pte. Ltd. | \$ <u>-</u> | \$ <u>5,115</u> |
| Total comprehensive income attributable to the Group | | |
| Net loss from continuing operations | \$ - | \$ (671) |
| Other comprehensive income for the year | <u>-</u> | <u>2,622</u> |
| Total comprehensive income for the year | \$ <u>-</u> | \$ <u>1,951</u> |

Refer to Table 6 “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

The financial year of Kanamoto & JP Nelson Equipment (S) Pte. Ltd. ends on October 31. For the purpose of applying the equity method of accounting, the Group used the consolidated financial statements of the Kanamoto & JP Nelson Equipment (S) Pte. Ltd. as of and for the years ended October 31, 2021 and 2020 as the Group considered it impractical for Kanamoto & JP Nelson Equipment (S) Pte. Ltd. to prepare a separate set of financial statements as of and for the year ended December 31. Appropriate adjustments have been made accordingly for the effects of significant transactions between those dates and December 31, 2021 and 2020.

All the associates are accounted for using the equity method.

Kanamoto & JP Nelson Equipment (S) Pte. Ltd. have completed the liquidation procedures on April 30, 2021. As of December 31, 2021, Kanamoto & JP Nelson Equipment (S) Pte. Ltd. had remitted \$6,235 thousand, which included gain on disposal of \$665 thousand, and \$333 thousand was not yet remitted and recorded in other receivables.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the associates’ financial statements audited by auditors for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

| | <u>December 31</u> | |
|--------------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Assets used by the Group | \$ 324,585 | \$ 305,583 |
| Assets leased under operating leases | <u>1,256,766</u> | <u>1,633,426</u> |
| | \$ <u>1,581,351</u> | \$ <u>1,939,009</u> |

a. Assets used by the Group

| | Land | Buildings | Machinery | Transportation Equipment | Office Equipment | Other Equipment | Rental Improvement | Property under Construction | Total |
|-------------------------------------------------|------------------|-------------------|------------------|--------------------------|------------------|------------------|--------------------|-----------------------------|-------------------|
| Cost | | | | | | | | | |
| Balance at January 1, 2021 | \$ 84,470 | \$ 222,564 | \$ 47,568 | \$ 88,549 | \$ 67,303 | \$ 21,683 | \$ 959 | \$ 61,528 | \$ 594,624 |
| Additions | - | - | - | 1,852 | 1,066 | - | 376 | 56,162 | 59,456 |
| Disposal | - | - | (5,189) | (4,676) | (2,227) | (3,392) | - | - | (15,484) |
| Reclassification | - | 3,904 | (53) | - | - | 2,159 | - | (6,064) | (54) |
| Effect of foreign currency exchange differences | (9,685) | (7,940) | (1,589) | (3,441) | (2,623) | (1,231) | (45) | (3,050) | (29,604) |
| Balance at December 31, 2021 | <u>\$ 74,785</u> | <u>\$ 218,528</u> | <u>\$ 40,737</u> | <u>\$ 82,284</u> | <u>\$ 63,519</u> | <u>\$ 19,219</u> | <u>\$ 1,290</u> | <u>\$ 108,576</u> | <u>\$ 608,938</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ 112,959 | \$ 28,226 | \$ 72,757 | \$ 54,381 | \$ 20,667 | \$ 41 | \$ - | \$ 289,041 |
| Depreciation expense | - | 9,361 | 2,038 | 5,157 | 2,651 | 383 | 23 | - | 19,613 |
| Disposal | - | - | (2,941) | (4,676) | (2,226) | (3,392) | - | - | (13,235) |
| Reclassification | - | - | (20) | - | - | - | - | - | (20) |
| Effect of foreign currency exchange differences | - | (4,066) | (968) | (2,869) | (2,044) | (1,097) | (2) | - | (11,046) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 118,254</u> | <u>\$ 26,335</u> | <u>\$ 70,369</u> | <u>\$ 52,762</u> | <u>\$ 16,571</u> | <u>\$ 62</u> | <u>\$ -</u> | <u>\$ 284,353</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 74,785</u> | <u>\$ 100,274</u> | <u>\$ 14,402</u> | <u>\$ 11,915</u> | <u>\$ 10,757</u> | <u>\$ 2,648</u> | <u>\$ 1,228</u> | <u>\$ 108,576</u> | <u>\$ 324,585</u> |
| Cost | | | | | | | | | |
| Balance at January 1, 2020 | \$ 90,190 | \$ 259,770 | \$ 49,033 | \$ 83,775 | \$ 69,900 | \$ 22,848 | \$ 1,008 | \$ 3,943 | \$ 580,467 |
| Additions | - | 31,709 | 863 | 8,794 | 787 | - | - | 1,265 | 43,418 |
| Disposal | - | - | - | - | (27) | - | - | - | (27) |
| Reclassification | - | (56,570) | - | - | - | - | - | 56,570 | - |
| Effect of foreign currency exchange differences | (5,720) | (12,345) | (2,328) | (4,020) | (3,357) | (1,165) | (49) | (250) | (29,234) |
| Balance at December 31, 2020 | <u>\$ 84,470</u> | <u>\$ 222,564</u> | <u>\$ 47,568</u> | <u>\$ 88,549</u> | <u>\$ 67,303</u> | <u>\$ 21,683</u> | <u>\$ 959</u> | <u>\$ 61,528</u> | <u>\$ 594,624</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 110,210 | \$ 27,116 | \$ 70,025 | \$ 53,763 | \$ 21,371 | \$ 25 | \$ - | \$ 282,510 |
| Depreciation expense | - | 8,033 | 2,413 | 6,127 | 3,209 | 378 | 17 | - | 20,177 |
| Disposal | - | - | - | - | (3) | - | - | - | (3) |
| Effect of foreign currency exchange differences | - | (5,284) | (1,303) | (3,395) | (2,588) | (1,072) | (1) | - | (13,643) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 112,959</u> | <u>\$ 28,226</u> | <u>\$ 72,757</u> | <u>\$ 54,381</u> | <u>\$ 20,677</u> | <u>\$ 41</u> | <u>\$ -</u> | <u>\$ 289,041</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 84,470</u> | <u>\$ 109,605</u> | <u>\$ 19,342</u> | <u>\$ 15,792</u> | <u>\$ 12,922</u> | <u>\$ 1,006</u> | <u>\$ 918</u> | <u>\$ 61,528</u> | <u>\$ 305,583</u> |

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

| | |
|--------------------------|------------|
| Buildings | |
| Main buildings | 40 years |
| Factory building | 20 years |
| Machinery | 5-15 years |
| Transportation equipment | 5-10 years |
| Office equipment | 1-10 years |
| Other equipment | 3-10 years |
| Rental improvement | 56 years |

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

b. Assets leased under operating leases

| | Construction Machinery |
|--------------------------------------------------|-----------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2021 | \$ 4,092,315 |
| Reclassified | (184,779) |
| Effects of foreign currency exchange differences | <u>(176,609)</u> |
| Balance at December 31, 2021 | <u>\$ 3,730,927</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2021 | \$ 2,458,889 |
| Depreciation expenses | 355,182 |
| Impairment loss recognized | 4,750 |
| Reclassified | (231,760) |
| Effects of foreign currency exchange differences | <u>(112,900)</u> |
| Balance at December 31, 2021 | <u>\$ 2,474,161</u> |
| Carrying amounts at December 31, 2021 | <u>\$ 1,265,766</u> |
| <u>Cost</u> | |
| Balance at January 1, 2020 | \$ 4,414,108 |
| Reclassified | (109,601) |
| Effects of foreign currency exchange differences | <u>(212,192)</u> |
| Balance at December 31, 2020 | <u>\$ 4,092,315</u> |
| <u>Accumulated depreciation and impairment</u> | |
| Balance at January 1, 2020 | \$ 2,376,788 |
| Depreciation expenses | 423,607 |
| Reclassified | (191,814) |
| Effects of foreign currency exchange differences | <u>(149,692)</u> |
| Balance at December 31, 2020 | <u>\$ 2,458,889</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 1,633,426</u> |

Operating leases relate to leases of construction machineries with lease terms determined by contracts. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

As the industry in which the Group's rental department operates gets more competitive, the overall performance gets worse. The management expects the future cash inflows from the leasing of rental assets to decline; hence, the amount of recoverable amount is less than the carrying amount. Based on the value of rental assets assessed by valuation experts, impairment loss of \$4,750 thousand was recognized in 2021. For the year ended December 31, 2020, the Group carried out a review of the recoverable amount of the related rental assets and determined that the recoverable amount exceeded the carrying amount. No impairment losses was recognized. The impairment loss are included in the other gains and losses in the consolidated statements of comprehensive income. Refer to Note 21.

The Group determined the recoverable amount of the relevant assets on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 3 measurement and was measured using the market price method and cost basis method. The key assumptions included the estimated disposal value and disposal cost.

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Construction machinery 1-15 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 29.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---------------------------------------------|---------------------------------------|-------------------|
| | 2021 | 2020 |
| <u>Carrying amounts</u> | | |
| Land | \$ 129,860 | \$ 137,055 |
| Buildings | <u>10,032</u> | <u>17,275</u> |
| | <u>\$ 139,892</u> | <u>\$ 154,330</u> |
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 50,720</u> | <u>\$ 4,602</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 51,624 | \$ 54,447 |
| Buildings | <u>3,950</u> | <u>4,087</u> |
| | <u>\$ 55,574</u> | <u>\$ 58,534</u> |

b. Lease liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 33,280</u> | <u>\$ 46,041</u> |
| Non-current | <u>\$ 54,925</u> | <u>\$ 66,366</u> |

Range of discount rate for lease liabilities was as follows:

| | <u>December 31</u> | |
|-----------|--------------------|-------------|
| | 2021 | 2020 |
| Land | 6.75% | 3.55%-6.75% |
| Buildings | 4.2%-6.5% | 4.2%-6.5% |

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use of plants and offices with lease terms of 3 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

Because of the market conditions severely affected by COVID-19 in 2020, the Singaporean government agreed to provide unconditional partial rent reduction from May to June. The Group recognized in profit or loss the impact of rent concessions of \$8,769 thousand (presented in operating costs reduction) for the year ended December 31, 2020.

d. Other lease information

| | For the Year Ended December 31 | |
|----------------------------------------|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | <u>\$ 68,683</u> | <u>\$ 42,886</u> |
| Total cash outflow for leases | <u>\$ (96,348)</u> | <u>\$ (96,296)</u> |

The Group leases certain construction machineries which qualify as short-term 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.

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 29.

14. OTHER ASSETS

| | December 31 | |
|--------------------------|--------------------|------------------|
| | 2021 | 2020 |
| <u>Current</u> | | |
| Prepayments to suppliers | \$ 16,251 | \$ 15,726 |
| Prepaid GST | 5,214 | 3,032 |
| Other prepayments | <u>19,247</u> | <u>19,518</u> |
| | <u>\$ 40,712</u> | <u>\$ 38,276</u> |

Other prepayments included mainly prepaid insurance expenses.

15. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|-----------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| <u>Unsecured borrowings</u> | | |
| Line of credit borrowings | <u>\$ 149,839</u> | <u>\$ 197,009</u> |

The ranges of weighted average effective interest rates on bank loans were 1.88%-2.45% and 1.5%-4.46% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| <u>Secured borrowings</u> (Note 32) | | |
| Bank loans (1) | \$ 906,145 | \$ 1,112,057 |
| Other loans (2) | <u>83,605</u> | <u>131,864</u> |
| | 989,750 | 1,243,921 |
| Less: Current portions | <u>(347,787)</u> | <u>(417,372)</u> |
| Long-term borrowings | <u>\$ 641,963</u> | <u>\$ 826,549</u> |

1) The bank borrowings were secured by the Group's inventories, property, property, plant and equipment (see Note 29). Such loans are mainly due in January 1, 2021 - February 28, 2034, respectively, except for those determined by the contracts. As of December 31, 2021 and 2020, the range of weighted average effective interest rates of the bank borrowings was 1.60%-6.85% and 1.60%-6.85% per annum, respectively.

2) Other borrowings were loans from a finance company, secured by the Group's inventories, property, property, plant and equipment (see Note 29). The expiry date is determined by contracts. The ranges of annual effective interest rates are 1.80%-6.21% and 1.70%-6.21% per annum, respectively.

16. TRADE PAYABLES

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| <u>Trade payables</u> | | |
| Operating | | |
| - to non-related parties | \$ 276,086 | \$ 191,008 |
| - to related parties | <u>36,905</u> | <u>15,096</u> |
| | <u>\$ 312,991</u> | <u>\$ 206,104</u> |

The Group inspect regularly all payables to ensure that all payables are paid within the pre-agreed credit terms.

17. OTHER LIABILITIES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Current</u> | | |
| Other payables | | |
| Payable for salaries and bonuses | \$ 33,733 | \$ 33,221 |
| Payable for shipping expenses | 11,093 | 9,844 |
| Payable for insurance expenses | 1,270 | 3,369 |
| Payable for repair expenses | 43,048 | 38,638 |
| Payable for factory rental | 5,077 | 3,064 |
| Other payables - to related parties | 131,228 | 138,026 |
| Others | <u>56,383</u> | <u>77,191</u> |
| | <u>\$ 281,832</u> | <u>\$ 303,353</u> |

Others included mainly payable for professional services and GST payable.

18. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

JP Nelson (Taiwan) Corporation of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, JP Nelson (Taiwan) Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in Singapore are members of Central Provident Fund (CPF) operated by the government of Singapore. 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.

19. EQUITY

a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|-------------------------------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Number of shares authorized (in thousands) | <u>150,000</u> | <u>150,000</u> |
| Shares authorized | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>78,359</u> | <u>78,359</u> |
| Shares issued | <u>\$ 783,590</u> | <u>\$ 783,590</u> |

b. Capital surplus

| | <u>December 31</u> | |
|-------------------------------------------------------------------------------------------------|--------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital | | |
| Recognized from issuance of ordinary shares | <u>\$ 392,139</u> | <u>\$ 521,097</u> |

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 capital surplus and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation and the law in Cayman Islands, the Company's board of directors should resolve appropriations from its net income in the following order: (i) Payment for tax; (ii) Offset of the Company's loss; and (iii) Special reserve as required by regulations. In addition, a special reserve for development should be appropriated by the Company's board of directors. The remainder of the income should be appropriated by the shareholders in their meeting in the following order:

- 1) 15% or less as compensation to employees (including subsidiaries' employees);
- 2) 8% or less as remuneration to directors and supervisors; and
- 3) The earnings appropriated should not be less than 15% of the after-tax earnings. And the cash dividends should not be less than 10% of the sum of cash dividends and share dividends.

The compensation to employees could be in the form of cash or shares to be decided by the Company's board of directors. The Company's unappropriated dividends do not pay interest.

For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 21(g).

On July 22, 2021 and June 18, 2020, the Company held shareholders meetings and resolved to offset its deficit using capital surplus of \$128,958 thousand and \$84,634 thousand, respectively.

The Company plans to offset its deficit using capital surplus in the amount of \$154,223 thousand for the year ended December 31, 2021 per the resolution of board of directors held on March 28, 2022.

The offset of the deficit for 2021 is subject to resolution in the shareholders' meeting to be held on June 30, 2022.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations:

| | For the Year Ended December 31 | |
|--------------------------------------------------------------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ (153,724) | \$ (99,978) |
| Recognized for the year | | |
| Exchange differences arising on translating to the presentation currency | (33,328) | (54,136) |
| Exchange differences on translating foreign operations | <u>2,627</u> | <u>390</u> |
| Balance at December 31 | <u>\$ (184,425)</u> | <u>\$ (153,724)</u> |

2) Unrealized valuation gain/(loss) on financial assets at FVOCI

| | For the Year Ended December 31 | |
|----------------------------------------------------------------------------------------------------------|---------------------------------------|----------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ - | \$ - |
| Recognized for the year | | |
| Share from associates accounted for using the equity method | <u>-</u> | <u>2,622</u> |
| Other comprehensive income recognized for the year | <u>-</u> | <u>2,622</u> |
| Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal | <u>-</u> | <u>(2,622)</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ -</u> |

e. Non-controlling interests

| | For the Year Ended December 31 | |
|----------------------------------------------------------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 43,242 | \$ 57,919 |
| Share of loss for the year | (8,889) | (11,933) |
| Other comprehensive income during the year | | |
| Exchange differences arising on translation to the presentation currency | (1,414) | (3,321) |
| Exchange differences on translating the financial statements of foreign entities | <u>(492)</u> | <u>577</u> |
| Balance at December 31 | <u>\$ 32,447</u> | <u>\$ 43,242</u> |

20. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | | |
| Revenue from sale of goods | \$ 766,822 | \$ 645,366 |
| Other | <u>27,101</u> | <u>75,618</u> |
| | <u>793,923</u> | <u>720,984</u> |
| Rental income | | |
| Rental income from equipment | <u>751,837</u> | <u>748,445</u> |
| | <u>\$ 1,545,760</u> | <u>\$ 1,469,429</u> |

| | For the Year Ended December 31 | |
|-----------------------------|---------------------------------------|---------------------|
| Country of Operation | 2021 | 2020 |
| Singapore | \$ 1,235,916 | \$ 1,154,963 |
| Thailand | 183,686 | 181,830 |
| Malaysia | 67,962 | 42,830 |
| Taiwan | 34,567 | 61,971 |
| Vietnam | 17,300 | 13,645 |
| Hong Kong | <u>6,329</u> | <u>14,190</u> |
| | <u>\$ 1,545,760</u> | <u>\$ 1,469,429</u> |

a. Contract information

Revenue from sale of goods

Revenue from sale of goods comes from selling and leasing of construction machinery. Sales are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

b. Contract balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---------------------------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivable and trade receivable (Note 8) | <u>\$ 370,395</u> | <u>\$ 383,566</u> | <u>\$ 430,373</u> |
| Contract liabilities - current Sale of goods | <u>\$ 32,885</u> | <u>\$ 43,725</u> | <u>\$ 67,305</u> |

c. Disaggregation of revenue

Refer to Note 34 for information about the disaggregation of revenue.

21. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|--------------|---------------------------------------|---------------|
| | 2021 | 2020 |
| Bank deposit | <u>\$ 16</u> | <u>\$ 132</u> |

b. Other income

| | For the Year Ended December 31 | |
|-----------------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Income from government grants (Note 24) | <u>\$ 5,817</u> | <u>\$ 42,671</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|------------------------------------------------------------|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Net foreign exchange loss | \$ (42,448) | \$ (16,469) |
| Gain on disposal of property, plant and equipment | 1,227 | 17 |
| Net loss on financial liabilities held for trading* | (294) | (266) |
| Impairment loss of property, plant and equipment (Note 12) | (4,750) | - |
| Other | <u>6,157</u> | <u>1,932</u> |
| | <u>\$ (40,108)</u> | <u>\$ (14,786)</u> |

* Net gain (loss) on financial assets mandatorily classified as at FVTPL, net gain (loss) on financial liabilities held for trading includes a decrease in the fair value of foreign exchange forward contracts of \$294 thousand and \$266 thousand for the years ended December 31, 2021 and 2020, respectively.

d. Finance costs

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Interest on bank loans | \$ 46,460 | \$ 57,632 |
| Interest on leased liabilities | <u>6,745</u> | <u>8,832</u> |
| | <u>\$ 53,205</u> | <u>\$ 66,464</u> |

There was no capitalized interest for the years ended December 31, 2021 and 2020.

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|-----------------------------------------|---------------------------------------|-------------------|
| | 2021 | 2020 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 412,574 | \$ 482,651 |
| Operating expenses | <u>17,795</u> | <u>19,667</u> |
| | <u>\$ 430,369</u> | <u>\$ 502,318</u> |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|------------------------------------------------------|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Short-term benefits | \$ 279,399 | \$ 245,317 |
| Post-employment benefits | | |
| Defined contribution plans (Note 18) | <u>18,837</u> | <u>19,768</u> |
| Total employee benefits expense | <u>\$ 298,236</u> | <u>\$ 265,085</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 209,532 | \$ 180,361 |
| Operating expenses | <u>88,704</u> | <u>84,724</u> |
| | <u>\$ 298,236</u> | <u>\$ 265,085</u> |

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no higher than 15% and no higher than 8%, respectively, of net profit after income tax, employees' compensation, and remuneration of directors and supervisors. Because there were net losses in 2021 and 2020, the Company did not distribute any compensation of employees and remuneration of directors and supervisors.

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 is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Foreign exchange gains | \$ 120,649 | \$ 154,715 |
| Foreign exchange losses | <u>(163,097)</u> | <u>(171,184)</u> |
| | <u>\$ (42,448)</u> | <u>\$ (16,469)</u> |

22. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Major components of tax income recognized in profit or loss

| | For the Year Ended December 31 | |
|------------------------------------------|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Current tax | | |
| In respect of the current year | \$ 924 | \$ 1,377 |
| Adjustments for prior years | (1,671) | (14,083) |
| Income tax on unappropriated earnings | 258 | - |
| Foreign income tax | <u>325</u> | <u>1,407</u> |
| | (164) | (11,299) |
| Deferred tax | | |
| In respect of the current year | <u>(11,495)</u> | <u>(10,100)</u> |
| Tax expense recognized in profit or loss | <u>\$ (11,659)</u> | <u>\$ (21,399)</u> |

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

| | For the Year Ended December 31 | |
|-----------------------------------------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Loss before tax from continuing operations | <u>\$ (174,770)</u> | <u>\$ (164,912)</u> |
| Income tax benefit calculated at the statutory rate | \$ (61,888) | \$ (46,106) |
| Nondeductible expense in determining taxable income | 42,206 | 17,195 |
| Unrecognized deductible temporary differences | 6,389 | 1,946 |
| Unrecognized loss carryforwards | 3,260 | 18,796 |
| Foreign income tax | 325 | 1,407 |
| Tax deduction | (538) | (554) |
| Income tax on unappropriated earnings | 258 | - |
| Adjustments for prior years | <u>(1,671)</u> | <u>(14,083)</u> |
| Income tax expense recognized in profit or loss | <u>\$ (11,659)</u> | <u>\$ (21,399)</u> |

The applicable tax rate used above is the corporate tax rate of 17% and 20% payable by the Group in Singapore and ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

There was no income tax recognized directly in equity in 2021 and 2020.

b. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-----------------|
| | 2021 | 2020 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 6,888</u> | <u>\$ 9,533</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 7,713</u> | <u>\$ 7,825</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, 2021

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|-------------------------------------------------------------------|----------------------------|-----------------------------------------|------------------------|
| Temporary differences | | | |
| Unrealized gross profit - property, plant and equipment | \$ 30,842 | \$ (5,908) | \$ 24,934 |
| Book-tax difference of depreciation property, plant and equipment | 112 | (4) | 108 |
| Book-tax difference of depreciation right-of-use assets | 130 | 112 | 242 |
| Write-down of inventories | 8,437 | 1,458 | 9,895 |
| Impairment on property, plant and equipment | 6,975 | (983) | 5,992 |
| Allowance for bad debts | <u>11,691</u> | <u>(496)</u> | <u>11,195</u> |
| | <u>\$ 58,187</u> | <u>\$ (5,821)</u> | <u>\$ 52,366</u> |
| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
| Temporary differences | | | |
| Book-tax difference of depreciation property, plant and equipment | \$ (85,932) | \$ 18,215 | \$ (67,717) |
| Unrealized exchange loss | <u>(238)</u> | <u>85</u> | <u>(153)</u> |
| | <u>\$ (86,170)</u> | <u>\$ 18,300</u> | <u>\$ (67,870)</u> |

For the year ended December 31, 2020

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|-------------------------------------------------------------------|----------------------------|-----------------------------------------|------------------------|
| Temporary differences | | | |
| Unrealized gross profit - property, plant and equipment | \$ 31,772 | \$ (930) | \$ 30,842 |
| Book-tax difference of depreciation property, plant and equipment | 5,292 | (5,180) | 112 |
| Book-tax difference of depreciation right-of-use assets | - | 130 | 130 |
| Write-down of inventories | 6,533 | 1,904 | 8,437 |
| Impairment on property, plant and equipment | 8,908 | (1,933) | 6,975 |
| Allowance for bad debts | <u>12,357</u> | <u>(666)</u> | <u>11,691</u> |
| | <u>\$ 64,862</u> | <u>\$ (6,675)</u> | <u>\$ 58,187</u> |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Closing Balance |
|----------------------------------------------------------------------|----------------------------|-----------------------------------------|------------------------|
| Temporary differences | | | |
| Book-tax difference of depreciation property, plant and equipment | \$ (102,945) | \$ 17,013 | \$ (85,932) |
| Unrealized exchange loss | <u>-</u> | <u>(238)</u> | <u>(238)</u> |
| | <u>\$ (102,945)</u> | <u>\$ 16,775</u> | <u>\$ (86,170)</u> |

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|------------------------------------------------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Loss carryforwards | | |
| Expiry in 2022 | \$ 944 | \$ 945 |
| Expiry in 2023 | 12,810 | 13,935 |
| Expiry in 2024 | 23,813 | 26,342 |
| Expiry in 2025 | 29,978 | 33,266 |
| Expiry in 2026 | 73,844 | - |
| Unlimited | <u>618,787</u> | <u>713,760</u> |
| | <u>\$ 760,176</u> | <u>\$ 788,248</u> |
| Deductible temporary differences | | |
| Allowance for impairment loss | \$ 91,790 | \$ 96,593 |
| Inventory write-downs | 14,487 | 6,994 |
| Assets impairment loss | 2,664 | 1,645 |
| Book - tax difference of depreciation property, plant and equipment | 76,988 | 80,054 |
| Unrealized loss on prepayments | 1,761 | 1,989 |
| Other | <u>5</u> | <u>66</u> |
| | <u>\$ 187,695</u> | <u>\$ 187,341</u> |

Loss carryforwards of the Group's subsidiaries JPNHK, JPNH, JPNAE, KNM, JPNKL, JPNMY and JPNJ are unlimited in Hong Kong, Singapore and Malaysia.

- e. Income tax assessment

- 1) According to the law in Cayman Islands, the Company does not need to pay income tax.
- 2) The tax returns of JPNTW through 2019 have been assessed by the tax authorities.

3) The tax legal prosecution of companies except for Cayman and JPNTW as follows:

| | Total Years of Tax Legal Prosecution | Year Has Expired |
|-------|-----------------------------------------------------|-----------------------------|
| JPNHK | 6 years | Before 2015 |
| JPNTH | 10 years | Before 2011 |
| JPNJ | 5 years | Before 2016 |
| JPNMY | 5 years | Before 2016 |
| JPNE | 5 years | Before 2016 |
| JPNT | 5 years | Before 2016 |
| JPANE | 5 years | Before 2016 |
| ANTAR | 5 years | Before 2016 |

23. LOSS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Basic loss per share | | |
| From continuing operations | <u>\$ (1.97)</u> | <u>\$ (1.69)</u> |
| Diluted loss per share | | |
| From continuing operations | <u>\$ (1.97)</u> | <u>\$ (1.69)</u> |

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

Net Loss for the Year

| | For the Year Ended December 31 | |
|----------------------------------------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Loss used in computation of basic loss per share | <u>\$ (154,222)</u> | <u>\$ (131,580)</u> |
| Loss used in computation of diluted loss per share | <u>\$ (154,222)</u> | <u>\$ (131,580)</u> |

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

| | For the Year Ended December 31 | |
|----------------------------------------------------------------------------------------------|---------------------------------------|---------------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares in computation of basic loss per share | 78,359 | 77,649 |
| Effect of potentially dilutive ordinary shares: | | |
| Employees' compensation or bonuses issued to employees | _____ - | _____ - |
| Weighted average number of ordinary shares used in the computation of diluted loss per share | <u>78,359</u> | <u>77,649</u> |

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. 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.

24. GOVERNMENT GRANTS

The amounts of grants received for labor and leasehold were \$5,817 thousand and \$42,671 thousand for the years ended December 31, 2021 and 2020, respectively, and recorded in other incomes. In Singapore and Malaysia, the amounts of government grants increased due to the impact of coronavirus pandemic. Refer to Note 31.

25. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

The movements of non-cash activities in relation to reclassification of inventories and property, plant and equipment were as follows:

| | Beginning Balance | Transfer from Property, Plant and Equipment to Inventories | Transfer from Inventories to Property, Plant and Equipment | Net Increase | Depreciation and Impairment Losses Recognized | Profit or Loss on Impairment Losses | Effect of Foreign Currency Exchange Differences | Ending Balance |
|-------------------------------|-------------------|------------------------------------------------------------|------------------------------------------------------------|--------------|-----------------------------------------------|-------------------------------------|-------------------------------------------------|----------------|
| Balance at December 31, 2021 | | | | | | | | |
| Inventories | \$ 593,652 | \$ 158,471 | \$ (205,418) | \$ (25,790) | \$ - | \$ (21,386) | \$ 3,269 | \$ 502,798 |
| Property, plant and equipment | 1,939,009 | (158,471) | 205,418 | 57,207 | (379,545) | - | (82,267) | 1,581,351 |
| Balance at December 31, 2020 | | | | | | | | |
| Inventories | 625,295 | 177,163 | (259,376) | 59,861 | - | (12,475) | 3,184 | 593,652 |
| Property, plant and equipment | 1,939,009 | (177,163) | 259,376 | 43,394 | (443,784) | - | (78,091) | 1,939,009 |

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

| | Beginning Balance | Cash Flows | Non-cash Movement | | | | Unrealized Loss on Foreign Exchange | Effect of Foreign Currency Exchange Differences | Ending Balance |
|-------------------|-------------------|---------------------|-------------------|-------------------|------------------|-----------------|-------------------------------------|-------------------------------------------------|----------------|
| | | | New Leases | Lease Amendment | Interest Expense | | | | |
| Short-term loans | \$ 197,009 | \$ (46,935) | \$ - | \$ - | \$ - | \$ (235) | \$ - | \$ 149,839 | |
| Lease liabilities | 112,407 | (66,571) | 50,720 | (3,152) | 6,745 | - | (11,944) | 88,205 | |
| | <u>\$ 309,416</u> | <u>\$ (113,506)</u> | <u>\$ 50,720</u> | <u>\$ (3,152)</u> | <u>\$ 6,745</u> | <u>\$ (235)</u> | <u>\$ (11,944)</u> | <u>\$ 238,044</u> | |

For the year ended December 31, 2020

| | Beginning Balance | Cash Flows | Non-cash Movement | | | | Unrealized Loss on Foreign Exchange | Effect of Foreign Currency Exchange Differences | Ending Balance |
|-------------------|-------------------|---------------------|-------------------|-----------------|-------------------|------------------|-------------------------------------|-------------------------------------------------|----------------|
| | | | New Leases | Lease Amendment | Lease Exemption | Interest Expense | | | |
| Short-term loans | \$ 349,881 | \$ (157,651) | \$ - | \$ - | \$ - | \$ 4,779 | \$ - | \$ 197,009 | |
| Lease liabilities | 178,041 | (62,357) | 4,602 | (131) | (8,769) | 8,832 | (7,811) | 112,407 | |
| | <u>\$ 527,922</u> | <u>\$ (220,008)</u> | <u>\$ 4,602</u> | <u>\$ (131)</u> | <u>\$ (8,769)</u> | <u>\$ 4,779</u> | <u>\$ (7,811)</u> | <u>\$ 309,416</u> | |

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. There is no significant change on the Group's overall strategy.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued and the amount of existing debt redeemed.

27. FINANCIAL INSTRUMENTS

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

The management personnel of the Group believes that the book value maturity dates of the fair values of the financial assets and financial liabilities that are not measured at fair value approaching, or that the maturity price is approximately equal to the book value, so the book value of the fair values of the financial assets and financial liabilities approximately equals the fair value.

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

1) Fair value hierarchy

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|----------------|----------------|----------------|---------------|
| Financial assets at FVTPL | | | | |
| Foreign quoted shares | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11</u> |
| Financial liabilities at FVTPL | | | | |
| Foreign currency forward contracts | <u>\$ -</u> | <u>\$ 291</u> | <u>\$ -</u> | <u>\$ 291</u> |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|----------------|----------------|----------------|---------------|
| Financial assets at FVTPL | | | | |
| Foreign quoted shares | <u>\$ 10</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10</u> |
| Financial liabilities at FVTPL | | | | |
| Foreign currency forward contracts | <u>\$ -</u> | <u>\$ 392</u> | <u>\$ -</u> | <u>\$ 392</u> |

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

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives - foreign currency forward contracts | Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

- c. Categories of financial instruments

| | <u>December 31</u> | |
|-------------------------------------------|--------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Mandatorily classified as at FVTPL | \$ 11 | \$ 10 |
| Amortized cost (1) | 478,016 | 470,764 |
| <u>Financial liabilities</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | 291 | 392 |
| Amortized cost (2) | 1,735,514 | 1,953,095 |

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and deposit paid.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, trade payables, other payables and guarantee deposits received.

- d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, 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, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Company's board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

Forward foreign exchange contracts to hedge the exchange rate risk arising on the export of equipment. The financial instruments can mitigate exchange rate risk but cannot fully eliminate risk.

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

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the EUR, USD and CNY.

The following table details the Group's sensitivity to a 5% increase and decrease in Singapore dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss before tax and other equity associated with Singapore dollar that strengthened by 5% against the relevant currency. For a 5% weakening of Singapore dollar against the relevant currency, there would be an equal and opposite impact on loss before tax and other equity and the balances below would be negative.

| | EUR Impact | | USD Impact | | CNY Impact | |
|----------------|-------------------------------------------|-------------|-------------------------------------------|-------------|-------------------------------------------|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Profit or loss | \$ (20) | \$ 870 | \$ 1,864 | \$ 2,064 | \$ 9,119 | \$ 5,096 |

- i. This was mainly attributable to the exposure on outstanding EUR-denominated receivables and payables, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure on outstanding USD-denominated receivables and payables, which were not hedged at the end of the reporting period.
- iii. This was mainly attributable to the exposure on outstanding CNY-denominated receivables, which were not hedged at the end of the reporting period.

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 risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate risks and defined risk appetite, ensuring that most cost-effective hedging strategies are applied.

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.

| | <u>December 31</u> | |
|------------------------------|--------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Cash flow interest rate risk | | |
| Financial assets | \$ 90,870 | \$ 70,081 |
| Financial liabilities | 1,139,589 | 1,440,930 |

The Group was also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk was mainly concentrated in the fluctuation of interest rates of the Group's borrowings denominated in Singapore dollars.

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A change of 1% increase or decrease was 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/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$10,487 thousand and \$13,708 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in foreign listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group could amount to the following:

- 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 guarantee issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Therefore, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before selling goods to customers, the Group checks whether receivable overdue and collection about trade receivables by employee to reduce credit risk. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group did transactions with a large number of unrelated customers that are dispersed in different industries and areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

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.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had 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 tables 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 of other non-derivative financial liabilities were based on the agreed repayment dates.

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

December 31, 2021

| | On Demand or Less than 1 Year | 1-3 Years | 4-5 Years | 5+ Years |
|---------------------------------------------|----------------------------------------------|-------------------|-------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Variable interest rate liabilities | | | | |
| Short-term borrowings | \$ 153,124 | \$ - | \$ - | \$ - |
| Long-term borrowings | 359,702 | 540,672 | 123,387 | 36,586 |
| Non-interest bearing liabilities | | | | |
| Trade payables | 312,991 | - | - | - |
| Other payables | 280,324 | - | - | - |
| Guarantee deposits received | 1,102 | - | - | - |
| Lease liabilities | <u>33,280</u> | <u>9,628</u> | <u>9,097</u> | <u>36,200</u> |
| | <u>\$ 1,140,523</u> | <u>\$ 550,300</u> | <u>\$ 132,484</u> | <u>\$ 72,786</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|------------------|-------------------|--------------------|--------------------|------------------|
| Lease liabilities | <u>\$ 37,663</u> | <u>\$ 31,223</u> | <u>\$ 26,907</u> | <u>\$ 13,984</u> | <u>\$ 7,458</u> | <u>\$ -</u> |

December 31, 2020

| | On Demand or Less than 1 Year | 1-3 Years | 4-5 Years | 5+ Years |
|---------------------------------------------|----------------------------------------------|-------------------|-------------------|------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Variable interest rate liabilities | | | | |
| Short-term borrowings | \$ 201,748 | \$ - | \$ - | \$ - |
| Long-term borrowings | 430,879 | 654,251 | 203,007 | 43,564 |
| Non-interest bearing liabilities | | | | |
| Trade payables | 206,104 | - | - | - |
| Other payables | 303,353 | - | - | - |
| Guarantee deposits received | 2,708 | - | - | - |
| Lease liabilities | <u>46,041</u> | <u>14,340</u> | <u>10,612</u> | <u>41,414</u> |
| | <u>\$ 1,190,833</u> | <u>\$ 668,591</u> | <u>\$ 213,619</u> | <u>\$ 84,978</u> |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|------------------|------------------|------------------|------------------|-------------|
| Lease liabilities | <u>\$ 51,631</u> | <u>\$ 38,799</u> | <u>\$ 32,202</u> | <u>\$ 14,488</u> | <u>\$ 10,624</u> | <u>\$ -</u> |

b) Financing facilities

| | <u>December 31</u> | |
|-------------------------------------------------------------------------------|--------------------|------------------|
| | 2021 | 2020 |
| Unsecured bank borrowings facility, reviewed annually and payable on call: | | |
| Amount unused | <u>\$ 47,136</u> | <u>\$ 10,616</u> |

28. TRANSACTIONS WITH RELATED PARTIES

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 those disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below:

a. Related parties and categories

| <u>Name of Related-party</u> | <u>Related-party Category</u> |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Kanamoto & JP Nelson Equipment (S) Pte. Ltd. (KNE) | Associates |
| Kanamoto Co., Ltd. (KANA) | Influential investor |
| JP Nelson Offshore Services Pte. Ltd. (JPNOS) | Fellow subsidiaries |
| JPN Industrial Trading Pte. Ltd. (JPNIT) | Other related parties - the president, directors, other officers of the Company, and their relatives up to second degree of kinship |
| P&N Industrial Trading Sdn Bhd (PN) | Other related parties - in the same group with JPNIT |
| Multi Ways Equipment Pte. Ltd. (MWE) | Other related parties - the president, directors, other officers of the Company, and their relatives up to second degree of kinship |
| PT Kanamoto Indonesia (PT KANA) | Other related parties - in the same group with Influential investor |
| Siam Kanamoto Co., Ltd. (S KANA) | Other related parties - in the same group with Influential investor |
| Kanamoto Fecon Hassyu Construction Equipment Rental JSC (KANA FH) | Other related parties - in the same group with Influential investor |

b. Sales of goods

| Line Item | Related-party Category | <u>For the Year Ended December 31</u> | |
|-----------|------------------------|---------------------------------------|------------------|
| | | 2021 | 2020 |
| Sales | Fellow subsidiaries | \$ 11,818 | \$ 51,765 |
| | Associates | - | 1,204 |
| | Other related parties | 23,988 | 5,070 |
| | Influential investor | <u>-</u> | <u>5,417</u> |
| | | <u>\$ 35,806</u> | <u>\$ 63,456</u> |

c. Purchase of goods

| Related-party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Fellow subsidiaries | \$ 7,323 | \$ 44,449 |
| Associates | - | 22,810 |
| Other related parties | 14,581 | 6,623 |
| Influential investors | <u>1,807</u> | <u>-</u> |
| | <u>\$ 23,711</u> | <u>\$ 73,882</u> |

There is no significant difference in transaction condition and terms of sales or purchases between related parties and non-related party customers and suppliers.

d. Contract liabilities

| Related-party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------|
| | 2021 | 2020 |
| Other related parties | <u>\$ -</u> | <u>\$ 8</u> |

e. Receivables from related parties (excluding loans to related parties)

| Line Item | Related-party Category | December 31 | |
|----------------------------------------|-------------------------------|--------------------|------------------|
| | | 2021 | 2020 |
| Trade receivables from related parties | Fellow subsidiaries | \$ 1 | \$ 7,134 |
| | Other related parties | <u>2,918</u> | <u>3,344</u> |
| | | <u>\$ 2,919</u> | <u>\$ 10,478</u> |
| Other receivables from related parties | Fellow subsidiaries | \$ 28 | \$ - |
| | Influential investors | 111 | 408 |
| | Related party | | |
| | MWE | 2,846 | 1,499 |
| | Other | <u>1</u> | <u>194</u> |
| | Other related parties | <u>\$ 2,986</u> | <u>\$ 2,101</u> |

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding loans from related parties)

| Line Item | Related-party Category | December 31 | |
|-----------------------------------|------------------------|-------------------|-------------------|
| | | 2021 | 2020 |
| Trade payables to related parties | Fellow subsidiaries | | |
| | JPNOS | \$ 36,397 | \$ 12,507 |
| | Other related parties | <u>508</u> | <u>2,589</u> |
| | | <u>\$ 36,905</u> | <u>\$ 15,096</u> |
| Other payables to related parties | Fellow subsidiaries | | |
| | JPNOS | \$ 129,145 | \$ 137,655 |
| | Other related parties | <u>2,083</u> | <u>371</u> |
| | | <u>\$ 131,228</u> | <u>\$ 138,026</u> |

The outstanding trade payables to related parties are unsecured.

g. Acquisition of property, plant and equipment

| Related-party Category | December 31 | |
|------------------------|-----------------|-------------|
| | 2021 | 2020 |
| Fellow subsidiaries | <u>\$ 2,176</u> | <u>\$ -</u> |

h. Other transactions with related parties

| | | For the Year Ended December 31 | |
|-----------------------|-------------------------|--------------------------------|------------------|
| | | 2021 | 2020 |
| Fellow subsidiaries | Operating costs-leasing | <u>\$ 39,162</u> | <u>\$ 26,041</u> |
| | Other operating costs | <u>\$ 2,980</u> | <u>\$ 1,832</u> |
| | Operating expenses | <u>\$ 522</u> | <u>\$ 25</u> |
| | Other income | <u>\$ (2)</u> | <u>\$ 1</u> |
| Associates | Operating costs-leasing | <u>\$ -</u> | <u>\$ 523</u> |
| | Other operating costs | <u>\$ -</u> | <u>\$ 9</u> |
| | Other income | <u>\$ -</u> | <u>\$ 98</u> |
| Other related parties | Operating costs-leasing | <u>\$ 1,737</u> | <u>\$ 265</u> |
| | Other operating costs | <u>\$ 758</u> | <u>\$ 215</u> |

Rental income

For the year ended December 31, 2020

| Related-party Category | Rental Subject | Term | Rent | Rent Per Month (Excluding Tax) | Rental Income |
|------------------------|------------------------------------------|-----------------|---------|--------------------------------|---------------|
| Associates KNE | Office-30 Benoi Road Singapore 629900 3F | 2020.01-2020.04 | Bargain | \$ 50 | <u>\$ 199</u> |

i. Compensation of key management personnel

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 27,104 | \$ 21,524 |
| Other long-term employee benefits | <u>1,121</u> | <u>1,193</u> |
| | <u>\$ 28,225</u> | <u>\$ 22,717</u> |

The remuneration to directors and key executives was determined by the remuneration committee having regard to performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings from banks and other financial companies:

| | December 31 | |
|------------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Inventories | \$ 225,285 | \$ 224,017 |
| Buildings-carrying amount | 96,641 | 109,424 |
| Transportation equipment-carrying amount | 8,057 | 7,343 |
| Office Equipment-carrying amount | 77 | - |
| Land | - | 84,470 |
| Construction machinery-carrying amount | 717,031 | 906,049 |
| Right-of-use assets | 56,460 | 61,293 |
| Deposit paid | <u>3,074</u> | <u>3,185</u> |
| | <u>\$ 1,106,625</u> | <u>\$ 1,395,781</u> |

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- a. As of December 31, 2021, there was no unused letter of credit.
- b. For endorsements and guarantees for bank financing as of December 31, 2021, refer to Table 2 in Note 35.
- c. As of December 31, 2021, JPNE provided shares of ANTAR as collateral for UOB's bank facilities.
- d. As of December 31, 2021, the Group has provided letters of guarantee in the amount of SGD \$27,627 thousand for its leasehold property, utility expenses and certification expenses

- e. On August 22, 2012, JPNE announced that its investees accounted for under the equity method - D&G Hoists & Cranes Pty. Ltd. (“DGWA”) and D&G Hoists and Cranes (Aus) Pty. Ltd. (“DGV”) - had been calling in loans by banks due to the impact of the recession of financial and construction activities in Europe and the financial returns of shareholders. Thus, there was a shortage of working capital. For continuing operations and reducing operating risk, these investees applied voluntarily for debt restructuring and entrusted Ferrier Hodgson as the trustee. After the second debt restructuring on October 9, 2012, the Group determined to liquidate DGV and DGWA and entrusted Andrew Saker and Martin Jones as voluntary liquidation administrators. The liquidation administrators executed the liquidation procedures and discussed with the managements of DGV and DGWA the plans for selling the assets. The Group recognized impairment loss of \$130,667 thousand in 2012 and a liquidation loss of \$15,168 thousand in 2017. The liquidation was not yet finished.

31. OTHER ITEMS

The Singapore branches and Malaysia branches had suspended their main operations starting from April 2020 to May 2020 in cooperation with the governments’ policies to prevent the spread of Covid-19. Therefore, the operating revenue significantly decreased during April and May 2020. The branches in these two countries have resumed normal operations; however, the governments’ related control measures have not been lifted yet. Hence, the Group’s various construction projects are still affected by the control measures and, therefore, have not kicked off operations yet. Consequently, the Group’s revenue and equipment utilization rates have not returned to the normal level yet. The Group’s operations are expected to gradually recover due to the ease of the pandemic and loosening of policies.

In response to the pandemic, the Group has implemented the following measures:

- a. Business strategy adjustment

The Group has provided overseas customers with online equipment purchase service in response to the nationwide border controls.

- b. Financing strategy

The Singapore government launches the supplementary budget policy, which allows enterprises to apply for the relief packages; the appointed financial institution and the government will bear 90% of the loan risk, and the enterprises can be exempted from the repayment of principal in the first year. The Group has received funds of \$150,049 thousand as of December 31, 2020. Additionally, the Group applied for the temporary bridge loan program launched by the Singapore government in which the government bears 70% of the loan risk. The Group has received funds of \$40,960 thousand as of December 31, 2021.

- c. Government relief measures

The Group has received the salary and foreign labor tax subsidy in the amount of \$3,432 thousand and \$37,949 thousand from the Singapore government and Malaysia governments for the years ended December 31, 2021 and 2020, respectively.

- d. Temporary salary adjustment

According to the Employment Act in Singapore, employer could adjust the salary within specified rate in respond to short-term economic shocks or environmental changes. The salaries of the employee of the Group in Singapore and Malaysia were cut down by 10%-20% from April to December 2020. The overall decrease in salaries amounted to \$12,675 thousand in 2020.

The Group has taken the economic impact from the epidemic into account on the balance sheet date. Please refer to Note 8.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| Unit: All Currencies in Thousands | | | |
|------------------------------------------|-------------------------------|----------------------|----------------------------|
| <u>December 31, 2021</u> | | | |
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 16,250 | 1.35 (USD:SGD) | \$ 450,288 |
| THB | 49,977 | 0.04 (THB:SGD) | 41,481 |
| EUR | 771 | 1.53 (EUR:SGD) | <u>24,194</u> |
| | | | <u>\$ 515,963</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 1,457 | 1.35 (USD:SGD) | \$ 40,373 |
| USD | 7,681 | 33.36 (USD:THB) | 212,841 |
| USD | 961 | 27.71 (USD:NTD) | 26,629 |
| USD | 2,536 | 22,766 (USD:VND) | 70,273 |
| USD | 5,170 | 4.17 (USD:MYR) | 143,261 |
| EUR | 736 | 37.81 (EUR:SGD) | 23,096 |
| SGD | 5,003 | 3.09 (SGD:NTD) | 102,511 |
| SGD | 2,855 | 24.71 (SGD:MYR) | 58,499 |
| AUD | 671 | 0.98 (AUD:SGD) | 13,494 |
| CNY | 14,808 | 5.19 (CNY:THB) | 64,415 |
| CNY | 28,001 | 0.21 (CNY:SGD) | <u>121,804</u> |
| | | | <u>\$ 877,196</u> |

December 31, 2020

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 13,643 | 1.32 (USD:SGD) | \$ 383,641 |
| JPY | 8,154 | 0.01 (JPY:SGD) | 2,202 |
| AUD | 24 | 1.01 (AUD:SGD) | 517 |
| THB | 19,975 | 0.04 (THB:SGD) | 18,777 |
| MYR | 219 | 0.33 (MYR:SGD) | 1,524 |
| EUR | 935 | 1.63 (EUR:SGD) | 32,295 |
| NTD | 1,262 | 0.05 (NTD:SGD) | 1,262 |
| CNY | 470 | 0.20 (CNY:SGD) | 2,026 |
| USD | 23 | 7.73 (USD:HKD) | 647 |
| SGD | 2 | 5.85 (SGD:HKD) | 42 |
| USD | 161 | 29.92 (USD:THB) | 4,527 |
| USD | 25 | 28.12 (USD:NTD) | 703 |
| HKD | 237 | 0.52 (HKD:MYR) | 860 |
| SGD | 7 | 3.05 (SGD:MYR) | <u>149</u> |
| | | | <u>\$ 449,172</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 2,519 | 1.32 (USD:SGD) | \$ 70,834 |
| USD | 5,371 | 29.92 (USD:THB) | 151,033 |
| USD | 743 | 28.12 (USD:NTD) | 20,893 |
| USD | 1,673 | 23,037 (USD:VND) | 47,045 |
| USD | 5,012 | 4.03 (USD:MYR) | 140,937 |
| EUR | 536 | 1.63 (EUR:SGD) | 18,513 |
| EUR | 903 | 36.94 (EUR:THB) | 31,190 |
| JPY | 29,778 | 0.01 (JPY:SGD) | 8,040 |
| THB | 3,848 | 0.04 (THB:SGD) | 3,617 |
| SGD | 170 | 21.23 (SGD:NTD) | 3,609 |
| SGD | 5,660 | 3.05 (SGD:MYR) | 120,162 |
| SGD | 4,115 | 22.67 (SGD:THB) | 87,361 |
| NTD | 303 | 0.05 (NTD:SGD) | 303 |
| AUD | 370 | 1.01 (AUD:SGD) | 7,970 |
| MYR | 420 | 7.48 (MYR:THB) | 2,923 |
| MYR | 1,029 | 0.33 (MYR:SGD) | 7,162 |
| HKD | 689 | 0.17 (HKD:SGD) | 2,501 |
| CNY | 6,885 | 4.53 (CNY:THB) | 29,674 |
| CNY | 17,233 | 0.20 (CNY:SGD) | <u>74,274</u> |
| | | | <u>\$ 828,041</u> |

The Group is mainly exposed to the foreign exchange rate risk of JPY, USD and THB. The following information was aggregated by the functional currencies of the Group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

| Foreign Currencies | For the Year Ended December 31 | | | |
|--------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| | 2021 | | 2020 | |
| Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) | |
| SGD | 20.757 (SGD:NTD) | \$ (1,810) | 21.358 (SGD:NTD) | \$ (14,312) |
| HKD | 3.855 (HKD:NTD) | 3 | 3.793 (HKD:NTD) | (6) |
| MYR | 6.724 (MYR:NTD) | (7,400) | 6.994 (MYR:NTD) | 2,075 |
| THB | 0.868 (THB:NTD) | (34,634) | 0.937 (THB:NTD) | (7,166) |
| VND | 0.001 (VND:NTD) | 815 | 0.001 (VND:NTD) | 262 |
| NTD | 1 (NTD:NTD) | <u>578</u> | 1 (NTD:NTD) | <u>2,678</u> |
| | | <u>\$ (42,448)</u> | | <u>\$ (16,469)</u> |

For the years ended December 31, 2021 and 2020, realized net foreign exchange losses were \$2,093 thousand and \$977 thousand, respectively. For the years ended December 31, 2021 and 2020, unrealized net foreign exchange losses was \$40,355 thousand and losses was \$15,492 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

33. 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, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at a cost of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Notes 7 and 30)

- 10) Intercompany relationships and significant intercompany transactions. (Table 5)
- 11) Information on investees. (Table 6)
- b. 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 of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)
- 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: (None)
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- c) The amount of property transactions and the amount of the resultant gains or losses.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- 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.
- c. 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 7)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were sales of equipment segment and rental of equipment segment.

The sales of equipment segment and rental of equipment segment includes a number of direct sales operations in various country, each of which is considered a separate operating segment by the chief operating decision maker (CODM). For the purposes of financial statement presentation, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- a. These operating segments have similar long-term gross profit margins.
- b. The nature of the products and production processes are similar.
- c. The methods used to distribute the products to the customers are the same.

a. Segments revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

| | Sale of Equipment | Rental of Equipment | Other | Total |
|-----------------------------------------------------------------|------------------------------|--------------------------------|------------------|---------------------|
| For the year ended <u>December 31, 2021</u> | | | | |
| Revenues from external customers | \$ 766,822 | \$ 751,837 | \$ 27,101 | \$ 1,545,760 |
| Inter-segment revenues | <u>151,319</u> | <u>25,552</u> | <u>22,458</u> | <u>199,329</u> |
| Segment revenues | <u>\$ 918,141</u> | <u>\$ 777,389</u> | <u>\$ 49,559</u> | 1,745,089 |
| Eliminations | | | | <u>(199,329)</u> |
| Consolidated revenues | | | | <u>\$ 1,545,760</u> |
| Segment income | <u>\$ 95,055</u> | <u>\$ 2,645</u> | <u>\$ 22,890</u> | \$ 120,590 |
| Interest income | | | | 16 |
| Income from government grants | | | | 5,817 |
| Finance cost | | | | (53,205) |
| Other operating expense | | | | (207,880) |
| Other gains and losses | | | | <u>(40,108)</u> |
| Profit before tax (continuing operations) | | | | <u>\$ (174,770)</u> |
| Other items | | | | |
| Depreciation and amortization | <u>\$ -</u> | <u>\$ 359,932</u> | <u>\$ -</u> | <u>\$ 359,932</u> |
| Assets | | | | |
| Segment assets | <u>\$ 684,847</u> | <u>\$ 1,435,258</u> | <u>\$ 6,434</u> | \$ 2,126,539 |
| Other undistributed assets | | | | |
| Financial assets at fair value through profit or loss - current | | | | 11 |
| Other assets | | | | <u>687,204</u> |
| Consolidated assets | | | | <u>\$ 2,813,754</u> |

| | Sale of Equipment | Rental of Equipment | Other | Total |
|----------------------------------------------------------------------|------------------------------|--------------------------------|-------------------|---------------------|
| For the year ended <u>December 31, 2020</u> | | | | |
| Revenues from external customers | \$ 645,777 | \$ 748,454 | \$ 75,198 | \$ 1,469,429 |
| Inter-segment revenues | <u>250,160</u> | <u>27,779</u> | <u>30,644</u> | <u>308,583</u> |
| Segment revenues | <u>\$ 895,937</u> | <u>\$ 776,233</u> | <u>\$ 105,842</u> | 1,778,012 |
| Eliminations | | | | <u>(308,583)</u> |
| Consolidated revenues | | | | <u>\$ 1,469,429</u> |
| Segment income | <u>\$ 73,163</u> | <u>\$ (31,714)</u> | <u>\$ 23,413</u> | \$ 64,862 |
| Share of profits of associates accounted for using the equity method | | | | (671) |
| Interest income | | | | 132 |
| Income from government grants | | | | 42,671 |
| Finance cost | | | | (66,464) |
| Other operating expense | | | | (190,656) |
| Other gains and losses | | | | <u>(14,786)</u> |
| Profit before tax (continuing operations) | | | | <u>\$ (164,912)</u> |
| Other items | | | | |
| Depreciation and amortization | <u>\$ -</u> | <u>\$ 443,944</u> | <u>\$ -</u> | <u>\$ 502,478</u> |
| Assets | | | | |
| Segment assets | <u>\$ 760,524</u> | <u>\$ 1,826,831</u> | <u>\$ 19,432</u> | \$ 2,606,787 |
| Other undistributed assets | | | | |
| Financial assets at fair value through profit or loss - current | | | | 10 |
| Investments accounted for using equity method | | | | 5,115 |
| Other assets | | | | <u>656,976</u> |
| Consolidated assets | | | | <u>\$ 3,268,888</u> |

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, assets allocated to reportable segments included trade receivables, inventories and rental assets. Assets used jointly by reportable segments were allocated on the basis of the revenues earned by individual reportable segment except for investments accounted for using equity method, financial assets at fair value through profit or loss - current and other assets.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

| | For the Year Ended December 31 | |
|---------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Sale of equipment | \$ 766,822 | \$ 645,366 |
| Rental of equipment | 751,837 | 748,445 |
| Others | <u>27,101</u> | <u>75,618</u> |
| | <u>\$ 1,545,760</u> | <u>\$ 1,469,429</u> |

c. Geographical information

The Group operates in two principal geographical areas - Singapore and Asia.

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 | | Non-current Assets | |
|-----------|----------------------------------------|---------------------|---------------------------------------|---------------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| Singapore | \$ 1,138,048 | \$ 1,045,473 | \$ 1,402,992 | \$ 1,682,710 |
| Asia | 393,275 | 413,719 | 325,649 | 423,103 |
| Oceania | 1,620 | 10,226 | - | - |
| Others | <u>12,817</u> | <u>11</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,545,760</u> | <u>\$ 1,469,429</u> | <u>\$ 1,728,641</u> | <u>\$ 2,105,813</u> |

Non-current assets exclude deferred tax assets.

d. Information about major customers

Operating revenues of \$1,545,760 thousand and \$1,469,429 thousand in 2021 and 2020, respectively, included revenues from the Group's largest customers in the amounts of approximately \$77,071 thousand and \$90,749 thousand, respectively. No other single customer contributed 10% or more to the Group's revenue for both 2021 and 2020.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance (Note 3) | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note 2) | Aggregate Financing Limits (Note 2) |
|----------------------------------------|---------------------------------|-----------------------------------------|--------------------------------|--------------------|-----------------------------------|----------------------------|-------------------------------|------------------|--------------------------------------------------------|------------------------------------|--------------------------------------------------------|----------------------------------|-------------------------|-------------------------|-----------------------------------------------------|-------------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | JP Nelson Equipment Pte. Ltd. | JP Nelson (Thailand) Limited | Other receivables | Y | \$ 157,337 (SGD 7,410) | \$ 122,220 (SGD 5,964) | \$ 122,220 (SGD 5,964) | No interest | For short-term financing facility | \$ - | Lending of capital due to overdue trade receivables | \$ - | None | None | \$ 402,755 (SGD 20,531) | \$ 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 62,215 (SGD 2,975) | 61,254 (SGD 2,989) | 61,254 (SGD 2,989) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 24,212 (SGD 1,137) | 22,452 (SGD 1,096) | 22,452 (SGD 1,096) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 2,231 (SGD 106) | 2,174 (SGD 106) | 2,174 (SGD 106) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 21,744 (SGD 1,060) | 21,726 (SGD 1,060) | 21,726 (SGD 1,060) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 9,363 (SGD 456) | 9,355 (SGD 456) | 9,355 (SGD 456) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 3,404 (SGD 166) | 3,404 (SGD 166) | 3,404 (SGD 166) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Thailand) Limited | " | Y | 28,104 (SGD 1,329) | 24,883 (SGD 1,214) | 24,883 (SGD 1,214) | " | " | - | Operating turnover | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Hong Kong) Limited | " | Y | 405 (SGD 19) | - (SGD -) | - (SGD -) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Malaysia) Sdn. Bhd. | " | Y | 47,267 (SGD 1,862) | 31,352 (SGD 1,530) | 31,352 (SGD 1,530) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Malaysia) Sdn. Bhd. | " | Y | 138,793 (SGD 6,686) | 137,026 (SGD 6,686) | 137,026 (SGD 6,686) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson (Malaysia) Sdn. Bhd. | " | Y | 320 (SGD 15) | 310 (SGD 15) | 310 (SGD 15) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | Antar Cranes Services Pte. Ltd. | " | Y | 15,826 (SGD 748) | 682 (SGD 33) | 682 (SGD 33) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Access Equipment Pte. Ltd. | " | Y | 25,138 (SGD 1,184) | - (SGD -) | - (SGD -) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Access Equipment Pte. Ltd. | " | Y | 3,508 (SGD 165) | - (SGD -) | - (SGD -) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Access Equipment Pte. Ltd. | " | Y | 2,759 (SGD 130) | - (SGD -) | - (SGD -) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Access Equipment Pte. Ltd. | " | Y | 59,079 (SGD 2,825) | 49,936 (SGD 2,437) | 49,936 (SGD 2,437) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Access Equipment Pte. Ltd. | " | Y | 3,119 (SGD 151) | 1,562 (SGD 76) | 1,562 (SGD 76) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Equipment Vietnam Limited | " | Y | 19,014 (SGD 884) | 15,434 (SGD 753) | 15,434 (SGD 753) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Equipment Vietnam Limited | " | Y | 5,497 (SGD 265) | 5,431 (SGD 265) | 5,431 (SGD 265) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Equipment Vietnam Limited | " | Y | 575 (SGD 28) | 569 (SGD 28) | 569 (SGD 28) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Equipment Vietnam Limited | " | Y | 5,378 (SGD 262) | 5,373 (SGD 262) | 5,373 (SGD 262) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| | | JP Nelson Equipment Vietnam Limited | " | Y | 6,133 (SGD 299) | 6,128 (SGD 299) | 6,128 (SGD 299) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) |
| JP Nelson Equipment Vietnam Limited | " | Y | 810 (SGD 40) | 810 (SGD 40) | 810 (SGD 40) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 402,755 (SGD 20,531) | 673,208 (SGD 32,850) | | |
| 2 | Antar Cranes Services Pte. Ltd. | JP Nelson (Malaysia) Sdn. Bhd. | " | Y | 7,325 (SGD 345) | 7,070 (SGD 345) | 7,070 (SGD 345) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 99,691 (SGD 4,865) | 159,506 (SGD 7,783) |
| | | JP Nelson (Malaysia) Sdn. Bhd. | " | Y | 41,074 (SGD 1,935) | 39,650 (SGD 1,935) | 39,650 (SGD 1,935) | " | " | - | Lending of capital due to overdue trade receivables | - | None | None | 99,691 (SGD 4,865) | 159,506 (SGD 7,783) |

(Continued)

Note 1: Number should be noted in number column.

- a. Number 0 represents issuer.
- b. Start from number 1 represents the order of the investee.

Note 2: According to the regulations governing lending of funds of JP Nelson Equipment Pte. Ltd., the limits of amounts are calculated as follows:

If nature of financing is for short-term financing facility, the limits of amounts are calculated as follows:

The maximum amount permitted to a single borrower: 15% of the net worth of JP Nelson Equipment Pte. Ltd.: $\text{SGD}41,062 \text{ thousand} \times 15\% = \text{SGD}6,159 \text{ thousand}$.

The aggregate amount of loans: 40% of the net worth of JP Nelson Equipment Pte. Ltd.: $\text{SGD}41,062 \text{ thousand} \times 40\% = \text{SGD}16,425 \text{ thousand}$.

The loan between subsidiaries whose voting shares are 100% held, directly or indirectly, by the Company: The maximum amount permitted to a single borrower cannot exceed 50% of the net worth of JP Nelson Equipment Pte. Ltd. (SGD20,531 thousand); the aggregate amount of loans cannot exceed 80% of the net worth of JP Nelson Equipment Pte. Ltd. (SGD32,850 thousand).

According to the regulations governing lending of funds of Antar Cranes Services Pte. Ltd., the limits of amounts are calculated as follows:

If nature of financing is for short-term financing facility, the limits of amounts are calculated as follows:

The maximum amount permitted to a single borrower: 15% of the net worth of Antar Cranes Services Pte. Ltd.: $\text{SGD}9,729 \text{ thousand} \times 15\% = \text{SGD}1,459 \text{ thousand}$.

The aggregate amount of loans: 40% of the net worth of Antar Cranes Services Pte. Ltd.: $\text{SGD}9,729 \text{ thousand} \times 40\% = \text{SGD}3,892 \text{ thousand}$.

The loan between subsidiaries whose voting shares are 100% held, directly or indirectly, by the Company: The maximum amount permitted to a single borrower cannot exceed 50% of the net worth of Antar Cranes Services Pte. Ltd. (SGD4,865 thousand); the aggregate amount of loans cannot exceed 80% of the net worth of Antar Cranes Services Pte. Ltd. (SGD7,783 thousand).

Note 3: An unallocated resolution for loaning of funds passed by the board of directors according to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies Article 14 Paragraph 1 should still be included in the announcement to reveal its risk; However, for subsequent repayment of funds, the balance after repayment should be disclosed to reflect the adjustment of risks. In the case of that the chairman is authorized to allocate or revolve the loan in installments within a certain amount and within a one-year period by the resolution of the board of directors according to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies Article 14 Paragraph 2, the limit passed by the board of directors should still be included in the announcement as balance announced without regard to the repayment afterward. Considering the possibility of reloading of funds, the limit should still be announced as balance declared.

Note 4: Transactions with subsidiaries above have been eliminated in consolidated financial statements.

(Concluded)

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period (Note 5) | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Note 4) | 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 | Note |
|-----------------|-------------------------------|---------------------------------|--------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------|
| | | Name | Relationship (Note 2) | | | | | | | | | | | |
| 1 | JP Nelson Equipment Pte. Ltd. | JP Nelson (Thailand) Limited | b | \$ 210,378 (SGD 10,266) | \$ 211,715 (THB 226,000) | \$ 45,616 (THB 55,000) | \$ - (THB -) | \$ - | 5.42 | \$ 412,341 (SGD 20,120) | N | N | N | |
| | | JP Nelson Trading Pte. Ltd. | b | 210,378 (SGD 10,266) | 637 (SGD 30) | 615 (SGD 30) | 125 (SGD 6) | - | 0.07 | 412,341 (SGD 20,120) | N | N | N | |
| | | JP Nelson (Malaysia) Sdn. Bhd. | b | 210,378 (SGD 10,266) | 105,778 (MYR 15,200) | 100,821 (MYR 15,200) | 30,934 (MYR 4,664) | - | 11.98 | 412,341 (SGD 20,120) | N | N | N | |
| | | Antar Cranes Services Pte. Ltd. | b | 210,378 (SGD 10,266) | 106,164 (SGD 5,000) | 102,468 (SGD 5,000) | 102,468 (SGD 5,000) | - | 12.18 | 412,341 (SGD 20,120) | N | N | N | |

Note 1: Number should be noted in number column.

- Number 0 represents issuer.
- Starting from number 1, represents the order of the investee.

Note 2: Relationship of endorser and endorsee should be noted as follows.

- Having business relationship.
- The endorser and guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- The endorsed and guaranteed company owns directly or indirectly more than 50% voting shares of the endorser/guarantor parent company.
- The endorser and guarantor parent company owns directly or indirectly more than 90% voting shares of the endorsed/guaranteed company.
- Mutual guarantee of the trade as required by the construction contract.
- Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares or which hold 100% of the voting shares of the Company. The balance of endorsements/guarantees for a single enterprise cannot exceed 25% of the net worth of the endorser as December 31, 2021.

- JP Nelson Equipment Pte. Ltd.: $\text{SGD}41,062 \text{ thousand} \times 25\% = \text{SGD}10,266 \text{ thousand}$.

Note 4: This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares or which hold 100% of the voting shares of the Company. The aggregate amount of endorsements/guarantees: JP Nelson Holdings (Cayman) and JP Nelson Equipment Pte. Ltd. shall not exceed 49% of the net worth of itself as December 31, 2021, respectively.

- JP Nelson Equipment Pte. Ltd.: $\text{SGD}41,062 \text{ thousand} \times 49\% = \text{SGD}20,120 \text{ thousand}$.

Note 5:

- The Company's board of directors resolved THB55,000 thousand as outstanding endorsement of JP Nelson Equipment Pte. Ltd. for JP Nelson (Thailand) Limited.
- The Company's board of directors resolved SGD30 thousand as outstanding endorsement of JP Nelson Equipment Pte. Ltd. for JP Nelson Trading Pte. Ltd.
- The Company's board of directors resolved MYR15,200 thousand as outstanding endorsement of JP Nelson Equipment Pte. Ltd. for JP Nelson (Malaysia) Sdn. Bhd.
- The Company's board of directors resolved SGD5,000 thousand as outstanding endorsement of JP Nelson Equipment Pte. Ltd. For Antar Cranes Services Pte. Ltd.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Note |
|-------------------------------|--------------------------------------------|---------------------------------------|-----------------------------------------------------------------|-------------------|-----------------|-------------------------|--------------|------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | |
| JP Nelson Equipment Pte. Ltd. | <u>Quoted shares</u> Seroja Hiap Hoe | None None | Financial assets at fair value through profit or loss - current | 6,692 | \$ 11 | - | \$ 11 | |
| | | | Financial assets at fair value through profit or loss - current | 26 | - | - | - | |
| | | | | | <u>\$ 11</u> | | <u>\$ 11</u> | |

Note: Information on investees is referred to Table 6.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

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

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance (Note) | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|-------------------------------|--------------------------------|---------------------------------|-------------------------------------------------------|---------------|------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| JP Nelson Equipment Pte. Ltd. | JP Nelson (Malaysia) Sdn. Bhd. | Parent company and subsidiaries | Receivables \$ 169,126 | | \$ 169,122 | The amount of \$168,688 thousand was for lending of capital The amount of \$434 thousand was recorded in other receivables | \$ - | \$ - |
| | JP Nelson (Thailand) Limited | Parent company and subsidiaries | 309,933 | | 280,811 | The amount of \$242,585 thousand was for lending of capital The amount of \$38,226 thousand was recorded in other receivables | - | - |

Note: Transactions above have been eliminated in consolidated financial statements.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|-------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------|-----------|-----------------------------------------------------------------------|----------------------------------|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % to Total Sales or Assets |
| 1 | JP Nelson Equipment Pte. Ltd | Antar Cranes Services Pte. Ltd. | c | Trade receivables | \$ 26,571 | No difference from other customers | 1 |
| | | JP Nelson (Thailand) Limited | c | Operating revenue | 28,803 | No difference from other customers | 2 |
| | | | | Other receivables | 38,226 | Record in other receivable line item due to overdue trade receivables | 1 |
| | | | | Other receivables | 242,585 | Lending of capital due to overdue trade receivables | 9 |
| | | | | Other receivables | 24,833 | In accordance with contracts | 1 |
| | | JP Nelson Access Equipment Pte. Ltd. JP Nelson (Malaysia) Sdn. Bhd. JP Nelson Equipment Vietnam Limited JP Nelson (Taiwan) Corporation | c | Operating revenue | 45,516 | No difference from other customers | 3 |
| | | | | Other receivables | 51,498 | Lending of capital due to overdue trade receivables | 2 |
| | | | | Other receivables | 168,688 | Lending of capital due to overdue trade receivables | 6 |
| Other receivables | 33,745 | | | Lending of capital due to overdue trade receivables | 1 | | |
| Operating revenue | 10,024 | No difference from other customers | 1 | | | | |
| 2 | Antar Cranes Services Pte. Ltd. | JP Nelson (Malaysia) Sdn. Bhd. | c | Other receivables | 46,720 | Lending of capital due to overdue trade receivables | 2 |
| | | JP Nelson Equipment Vietnam Limited | c | Other receivables | 12,405 | Record in other receivable line item due to overdue trade receivables | - |
| 3 | JP Nelson Access Equipment Pte. Ltd. | JP Nelson (Taiwan) Corporation | c | Other receivables | 13,970 | Record in other receivable line item due to overdue trade receivables | - |
| | | | | Operating revenue | 14,591 | No difference from other customers | 1 |

Note 1: Intercompany relationships and significant intercompany transactions information should be noted in number column.

- Number 0 represents parent company.
- Starting from number 1, represents the order of the subsidiaries.

Note 2: Intercompany relationships can be categorized as shown below:

- Parent to subsidiaries
- Subsidiaries to parent
- Subsidiaries to subsidiaries

Note 3: Transactions above have been eliminated in consolidated financial statements.

JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (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, 2021 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note | |
|------------------------------------|----------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------|-------------------------|------------|-----------------|-----------------------------------|-------------------------|---------------------------------------------------------------------------------|------------------------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares | % | Carrying Amount | | | | |
| JP Nelson Holdings (Cayman) | JP Nelson Equipment Pte. Ltd. | Singapore | Trading, rental and maintenance of excavators, forklifts and generators | \$ 1,751,959 | \$ 1,751,959 | 18,380,000 | 100 | \$ 813,374 | \$ (134,521) | \$ (138,891) | Unrealized gain \$4,298 thousand | |
| | JP Nelson (Taiwan) Corporation | Taiwan | Trading, rental and maintenance of excavators, forklifts and generators | 21,500 | 21,500 | 2,150,000 | 100 | 31,291 | (1,701) | (1,228) | Realized gain \$473 thousand | |
| JP Nelson Equipment Pte. Ltd. | JP Nelson Trading Pte. Ltd. | Singapore | Rental business of land and office building | 22,730 | 22,730 | 1,000,000 | 100 | 47,508 | 3,629 | 3,629 | | |
| | JP Nelson (Hong Kong) Limited | Hong Kong | Trading, rental and maintenance of excavators, forklifts and generators | 74,789 | 74,789 | 20,000,000 | 100 | (10,368) | 209 | 2,447 | Realized gain \$2,238 thousand | |
| | D&G Hoists & Cranes (Aus) Pty. Ltd. | Australia | Rental of excavators, forklifts and generators | 42,484 | 42,484 | 704,762 | 37 | - | - | - | | |
| | D&G Hoists & Cranes Pty. Ltd. | Australia | Trading, rental and maintenance of excavators, forklifts and generators | 57,275 | 57,275 | 241,767 | 37 | - | - | - | | |
| | Kanamoto & JP Nelson Equipment (S) Pte. Ltd. | Singapore | Trading, rental and maintenance of construction equipment | - | 21,590 | - | - | - | - | - | - | Realized gain \$914 thousand |
| | JP Nelson Access Equipment Pte. Ltd. | Singapore | Sales and leasing of machines and equipment for construction and civil engineering use | 115,844 | 115,844 | 5,000,000 | 100 | (21,824) | 4,408 | 5,028 | Realized gain \$620 thousand | |
| | JP Nelson (Thailand) Limited | Thailand | Trading, rental and maintenance of excavators, forklifts and generators | 49,781 | 49,781 | 525,000 | 100 | (96,630) | (80,933) | (77,986) | Realized gain \$2,947 thousand | |
| | Antar Cranes Services Pte. Ltd. | Singapore | Trading, rental and maintenance of cranes | 546,392 | 546,392 | 4,300,000 | 100 | 143,599 | (58,226) | (36,720) | Amortization of equipment \$408 thousand and realized gain \$1,914 thousand | |
| | JP Nelson Equipment Vietnam Limited | Vietnam | Sales and leasing of machines and equipment for construction and civil engineering use | 6,099 | 6,099 | - | 100 | (22,311) | (7,879) | (9,636) | Unrealized gain \$1,757 thousand | |
| | Kanamoto & JP Nelson Equipment (M) Sdn. Bhd. | Malaysia | Sales and leasing of machines and equipment for construction and civil engineering use | 68,088 | 68,088 | 9,180,000 | 51 | 33,164 | (18,141) | (8,939) | Non-controlling interest loss \$8,889 thousand and realized gain \$313 thousand | |
| | JP Nelson (Malaysia) Sdn. Bhd. | Malaysia | Sales and leasing of machines and equipment for construction and civil engineering use | 79,708 | 79,708 | 8,500,000 | 100 | (146,799) | (26,906) | (10,609) | Realized gain \$16,297 thousand | |
| | JP Nelson (Malaysia) Sdn. Bhd. | JP Nelson Equipment (Johor) Sdn. Bhd. | Malaysia | Sales and leasing of machines and equipment for construction and civil engineering use | 87,617 | 87,617 | 12,300,000 | 100 | (15,677) | (4,366) | (4,366) | |
| JP Nelson Equipment (KL) Sdn. Bhd. | | Malaysia | Sales and leasing of machines and equipment for construction and civil engineering use | 2,627 | 2,627 | 350,000 | 100 | (21,848) | (11,570) | (11,570) | | |

TABLE 7**JP NELSON HOLDINGS (CAYMAN) AND SUBSIDIARIES****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Shareholders (Note) | Shares | |
|------------------------|--------------------|----------------------|
| | Total Shares Owned | Ownership Percentage |
| 林永車 | 34,067,000 | 43.47 |
| 中國信託商業銀行受託保管金本有限公司投資專戶 | 11,300,000 | 14.42 |
| 謝燕玉 | 7,846,945 | 10.01 |
| 台灣銀行受託保管大華繼顯私人有限公司投資專戶 | 6,446,364 | 8.22 |
| 中國信託商業銀行受託保管張騏牧投資專戶 | 5,530,308 | 7.05 |

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

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