

**DL E&C CO., LTD.**

**SEPARATE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2021**

**ATTACHMENT: INDEPENDENT AUDITORS' REPORT**

**DL E&C CO., LTD.**

## INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2022.

To the Shareholders and the Board of Directors of  
DL E&C Co., Ltd.:

### Report on the Audited Separate Financial Statements

#### Audit Opinion

We have audited the separate financial statements of DL E&C Co., Ltd. (the "Company"), which comprise the separate statement of financial position as of December 31, 2021, and the related separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in shareholders' equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

#### Basis for Audit Opinion

We conducted our audit in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, 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 audit opinion.

#### Emphasis of Matter

It does not affect the opinion in the independent auditors' report, but it is necessary to draw attention to following matters:

As noted in Note 44, DL E&C Co., Ltd. was newly established as the method of spin-off from DL Holdings Co., Ltd. (former Daelim Industrial Co., Ltd.) with the spin-off date of January 1, 2021, and the registration of establishment was completed on January 4, 2021. At the date of spin-off, the Company's capital was KRW 107,363 million. Transactions after January 1, 2021, the date of spin-off, were reflected in the separate financial statements of the Company.

#### Our Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## - Total Contract Cost Estimate

When the Company recognizes revenue from construction contracts over a period, it is recognized based on the progress rate of dividing the accumulated accrued cost by the total estimated contract cost. As noted in Note 3(4), the total estimated contract cost for the progress rate reflects management's significant estimates of future projections, such as material costs and outsourcing costs.

We determined the estimates of residual cost of total estimated contract cost, except total estimated contract cost to the accumulated accrued cost, as a key audit matter because the changes in the estimated contract cost due to delay or change order can cause significant effect on the current and future profit or loss.

As of December 31, 2021, the major audit procedures we performed regarding the estimation of the total estimated cost of the Company are as follows:

- Identifying the Company's business procedures related to estimating and changing the total estimated cost and evaluating the effectiveness of its internal control design and operation.
- Inspecting the documents on the adequacy of the current year accumulated accrued costs and residual cost according to analysis on the uncertainty in the total estimated contract costs based on the nature and situation of the construction.
- Identifying the cause of changes for the constructions with significant changes in the total estimated cost and inspecting document when exceptions are found.
- Analytical reviewing of the sites with significant differences by comparing the total estimated contract cost of the end date of reporting period with the most recent closing date, and inspecting document when exceptions are found.

## **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

Management is responsible for the preparation of the accompanying separate financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 KSAs 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 audit 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# Deloitte.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will 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 separate financial statements of the current period 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 partner on the audit resulting in this independent auditors' report is Kim, Ki Chul

*Deloitte IDNJIN LLC*

March 16, 2022

## Notice to Readers

This report is effective as of March 16, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.

**DL E&C CO., LTD. (the “Company”)**

**SEPARATE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2021**

The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

**Changmin Ma**  
**Chief Executive Officer**  
**DL E&C Co., Ltd.**

DL E&C CO., LTD.  
SEPARATE STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2021

	Note	Korean won
		2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		3,474,170,214,518
Cash and cash equivalents	5,7,32,38	1,356,003,652,498
Short-term financial instruments	7,32,38	153,664,327,900
Trade receivables and other accounts receivable	6,7,9,27,35,38	720,816,514,551
Contract assets	6,35	651,810,280,126
Capital lease receivable	7,12,38	409,551,816
Income taxes receivable		-
Financial assets at FVTOCI	7,8,25,26,38	5,883,318,553
Inventories	11	441,921,306,173
Derivative assets	38,41	764,445,752
Other current assets	10	116,455,992,511
Assets held for sale	39	26,440,824,638
<b>NON-CURRENT ASSETS</b>		3,396,593,121,328
Long-term financial instruments	5,7,38	493,133,000
Long-term trade receivables and other accounts receivable	6,7,9,27,35,38	1,813,673,901,119
Investments in subsidiaries	16	265,287,500,916
Investments in associates and joint ventures	16	55,815,225,191
Financial assets at FVTPL	7,8,26,38	50,214,522,480
Financial assets at FVTOCI	7,8,26,38	23,637,480,187
Financial assets measured at amortized cost		25,771,295
Property, plant and equipment	13	125,920,769,279
Investment property	14	353,640,075,566
Intangible assets	15	19,889,357,307
Right-of-use assets	17	97,906,340,359
Derivative assets	38,41	12,804,586
Capital lease receivables	7,12,38	1,623,262,089
Deferred tax assets	33	559,302,950,582
Other non-current assets	10	29,150,027,372
<b>TOTAL ASSETS</b>		6,870,763,335,846
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		2,287,982,652,108
Trade payables and other accounts payable	7,19,27,38	863,078,174,504
Contract liabilities	6,35	796,418,627,581
Lease liabilities	7,23,38	43,985,480,775
Short-term borrowings and current portion of long-term liabilities	7,19,27,38	70,155,040,350
Income taxes payable		110,023,971,966
Other current provisions	22	260,441,551,626
Derivative liabilities	7,27,38	4,266,682,939
Financial guarantee contract liabilities	7,26,38	1,246,032,906

	Note	Korean won
		2021
Provision for construction warranties	38	29,291,263,941
Other current liabilities	21	109,075,825,520
<b>NON-CURRENT LIABILITIES:</b>		<b>788,987,960,887</b>
Long-term trade payables and other accounts payables	7,18,35,38	4,434,934,353
Borrowings and debentures	7,19,27,38	612,540,032,708
Lease liabilities	7,23,38	93,309,102,518
Net defined benefit liabilities	5,20	(12,699,539)
Provision for construction warranties	38	71,020,204,874
Other non-current provisions	22	697,075,630
Financial guarantee contract liabilities	7,26,38	2,068,144,247
Derivative Liabilities	7,27,38	1,085,972,098
Other non-current liabilities	21	3,845,193,998
<b>TOTAL LIABILITIES</b>		<b>3,076,970,612,995</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		107,363,115,000
Other paid-in capital		3,268,412,814,133
Retained earnings	24	466,459,983,911
Accumulated other comprehensive income	25	(48,443,190,193)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,793,792,722,851</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,870,763,335,846</b>

See accompanying notes to separate financial statements.

DL E&C CO., LTD.  
SEPARATE STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Korean won (except for net earnings per share data)
		2021
I. SALES	6,28,35	5,249,399,460,214
II. COST OF SALES	29,35	4,224,663,513,411
III. GROSS PROFIT		1,024,735,946,803
Selling and administrative expenses	29,30,35	345,017,556,763
IV. OPERATING INCOME:		679,718,390,040
Other income	31,35	111,415,785,008
Other expense	31,35	166,570,770,531
Financial income	32,35	110,006,469,352
Financial expense	32,35	53,417,690,569
V. INCOME BEFORE INCOME TAX EXPENSE		681,152,183,300
INCOME TAX EXPENSE	33	218,797,747,348
VI. NET INCOME		462,354,435,952
VII. NET EARNINGS PER SHARE:	34	
Basic and diluted earnings per common share		21,556
Basic and diluted earnings per preference share		21,556

See accompanying notes to separate financial statements.

DL E&C CO., LTD.  
SEPARATE STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Korean won	
		2021	
I. NET INCOME			462,354,435,952
II. OTHER COMPREHENSIVE INCOME (LOSS):			10,153,891,385
Items not to be reclassified subsequently to profit or loss:			4,105,547,959
1. Remeasurement of defined benefit plan		5,584,260,009	
2. Tax effects on the items not to be reclassified to profit or loss		(1,478,712,050)	
Items to be reclassified subsequently to profit or loss:			6,048,343,426
1. Gain (loss) on valuation of financial assets measured at FVTOCI	8,27,41	(454,497,300)	
2. Gain (loss) on overseas operations translation	25	6,382,489,841	
3. Tax effects on the items to be reclassified to profit or loss	8,27,41	120,350,885	
III. COMPREHENSIVE INCOME			472,508,327,337

See accompanying notes to separate financial statements.

DL E&C CO., LTD.  
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2021

Korean won						
	Capital stock	Other paid-in capital		Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
		Additional paid-in capital	Gain or loss on sale of treasury stock			
I. Balance as of January 1, 2021	107,363,115,000	3,271,623,795,128	-	-	(54,491,533,619)	3,324,495,376,509
Net income	-	-	-	462,354,435,952	-	462,354,435,952
Remeasurement of defined benefit plan	-	-	-	4,105,547,959	-	4,105,547,959
Gain (loss) on valuation of financial assets measured at FVTOCI	-	-	-	-	(334,146,415)	(334,146,415)
Gain (loss) on overseas operations translation	-	-	-	-	6,382,489,841	6,382,489,841
Acquisition of treasury stock	-	-	(3,210,980,995)	-	-	(3,210,980,995)
Summary of shareholders' equity gain and loss	-	-	(3,210,980,995)	466,459,983,911	6,048,343,426	469,297,346,342
II. Balance as of December 31, 2021	107,363,115,000	3,271,623,795,128	(3,210,980,995)	466,459,983,911	(48,443,190,193)	3,793,792,722,851

See accompanying notes to separate financial statements.

DL E&C CO., LTD  
SEPARATE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Korean won
		2021
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		490,152,533,293
Net income		462,354,435,952
Adjustments		355,819,151,665
Changes in assets and liabilities from operating activities		(325,204,894,683)
Dividend income received		14,214,726,680
Interest income received		28,272,207,023
Interest expense paid		(23,753,026,104)
Income taxes paid		(21,550,067,240)
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>		(182,682,044,819)
Decrease in short-term financial instruments		99,300,438,207
Decrease in short-term loans		45,696,267,150
Decrease in long-term financial instruments		32,500,000
Decrease in long-term loans		45,479,945,992
Decrease in short-term deposits		123,990,593,264
Disposal of FVTOCI		2,655,130,000
Disposal of land		181,169,231
Disposal of buildings		448,830,769
Disposal of machinery		1,761,542,071
Disposal of vehicles		91,862,836
Disposal of other tangible assets		199,829,306
Disposal of non-current assets held for sale		280,000,000
Disposal of intangible assets		14,068,667
Increase in short-term financial instruments		(141,699,691,330)
Increase in short-term loans		(74,066,437,073)
Increase in long-term financial instruments		(454,633,000)
Increase in long-term loans		(92,431,904,452)
Increase in deposits		(132,467,958,320)
Acquisition of non-current assets held for sale		(106,841,100)
Acquisition of investments in subsidiaries		(3,917,600,000)
Acquisition of investments in associates		(23,475,000,000)
Acquisition of FVTPL		(12,681,500,000)
Acquisition of FVTOCI		(5,455,327,700)
Acquisition of land		(119,037,429)
Acquisition of buildings		(616,854,035)
Acquisition of structures		(32,072,558)
Acquisition of machinery		(755,236,694)
Acquisition of vehicles		(887,075,745)
Acquisition of other tangible assets		(1,564,311,270)
Acquisition of tangible assets under construction		(8,867,544,821)
Acquisition of investment property		(1,846,857,622)
Acquisition of intangible assets		(1,368,339,163)
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		6,863,383,613
Proceeds from short-term borrowings		2,905,000,000,000
Repayment of short-term borrowings		(2,905,000,000,000)
Proceeds from long-term borrowings		79,760,000,000
Increase in leasehold deposits		728,552,550

	Note	Korean won
		2021
Decrease in leasehold deposits		(105,400,000)
Acquisition of treasury stock		(3,210,980,995)
Repayment of lease liabilities		(44,282,815,992)
Repayment of current portion of long-term liabilities		(320,155,040,350)
Proceeds from debenture		295,000,000,000
Debenture issue costs		(870,931,600)
IV. NET INCREASE IN CASH AND CASH EQUIVALENTS		314,333,872,087
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,039,634,771,749
VI. CHANGES IN CASH AND CASH EQUIVALENTS DUE TO FOREIGN CURRENCY TRANSLATION		2,035,008,662
VII. CASH AND CASH EQUIVALENTS, END OF YEAR		1,356,003,652,498

See accompanying notes to separate financial statements.

## DL E&C CO., LTD.

### NOTES TO SEPARATE FINANCIAL STATEMENTS

#### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

##### **1. GENERAL INFORMATION:**

DL E&C CO., LTD. (the “Company”) was established through a spin-off from DL Co., Ltd. (formerly Daelim Industrial Co., Ltd.) with the date of division on January 1, 2021, for the purpose of performing domestic and overseas civil engineering, housing and plant construction. , listed the company's stock on the Korea Exchange as of January 25, 2021

The Company's capital stock, including preferred stock of ₩107,363 million, amounted to ₩10,569 million as of December 31, 2021. The largest shareholder of common stock as of December 31, 2021, is DL Co., Ltd. with 22.19% ownership.

##### **2. STANDARDS AFFECTING PRESENTATION AND DISCLOSURE AND SIGNIFICANT ACCOUNTING POLICIES:**

###### (1) Basis of preparation

The Company's financial statements are separate financial statements prepared in accordance with the requirements of Korean International Financial Reporting Standards (“K-IFRSs”) 1027, Separate Financial Statements, in which a parent or an investor with joint control of, or significant influence over, an investee accounts for the investments by cost method or method in accordance with the requirements of K-IFRS 1109, Financial Instruments: Recognition and Measurement, the equity method of accounting in accordance with K-IFRS 1028, ‘Investments in Associates and Joint Ventures.’

The Company's accounting policies applied for the accompanying separate financial statements are the same as the policies applied for the preparation of separate financial statements except for the effects from the introduction of new and revised accounting standards of interpretation as described below.

Meanwhile, the separate financial statements have been issued and approved by the Board of Directors on February 23, 2022, and will be finally approved at the shareholders' meeting on March 24, 2022.

###### 1) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Company has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2021.

- K-IFRS 1116 Leases – Impact of the initial application of *Covid-19-Related Rent Concessions*(Amendment) beyond June 30, 2021

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022, and increased lease payments that extend beyond June 30, 2022).
- There is no substantive change to other terms and conditions of the lease.

- Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to

as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

## 2) New and revised K-IFRSs in issue but not yet effective

At the date of authorization of these separate financial statements, the Company has not applied the following new and revised K-IFRS Standards that have been issued, but are not yet effective:

### - K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 1104 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

K-IFRS 1117 must be applied retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

### - K-IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the separate statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

### - K-IFRS 1103 Business Combinations - Reference to the Conceptual Framework (Amendments)

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

### - K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the separate financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the separate statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of 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 the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- Annual Improvements to K-IFRSs 2018-2020 Cycle

1. K-IFRS 1101 First-time Adoption of K-IFRS (Amendment)

The amendment provides additional relief to a subsidiary, which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

2. K-IFRS 1109 Financial Instruments (Amendment)

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

3. K-IFRS 1116 Leases (Amendment)

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

4. K-IFRS 1041 Agriculture (Amendment)

The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or posttax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e., for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

-K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

-K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

-K-IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying K-IFRS 1116 at the commencement date of a lease.

Following are the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

(2) Lease

1) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing interest rate varies depending on the lease term, currency and the initiation of the lease, and is determined based on inputs, including

- Risk-free interest rate based on KTB interest rate
- Company-specific risk management
- Credit risk adjustment based on bond yield
- If the risk attribute of the entity entering into the lease is different from the risk attribute of the Company and the lease does not receive benefits from the guarantee of the Company, the entity-specific adjustment

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under International Accounting Standard 1037. To the extent that the costs related to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statement of financial position.

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient..

## 2) The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Company also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Company.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease .

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies K-IFRS 1115 to allocate the consideration under the contract to each component.

### (3) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### (4) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous fair value, less costs or carrying amount to sell.

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### (5) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and when contracts identification, implementation obligation, set of transaction price, transaction price allocation to implementation obligation and fulfillment of obligation are recognized. Meanwhile, revenue excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

The Company recognizes revenue from the following major sources:

- Construction of civil work, housing, plant under contracts with clients, etc.
- Construction for apartment sales
- Sales of goods
- Rendering of services and operation
- Others

#### 1) Construction of civil work, housing, plant under contracts with clients, etc.

"The Company performs the construction of civil work, housing, plant under long-term contracts agreed with clients ahead of construction service's beginning. The directors reviewed the terms of the contracts by individual contracts and viewed it as an appropriate way to measure progress through the completion of the obligation under K-IFRS 1115 to use the input method. In addition, revenue from these earnings is recognized over the cost basis (i.e., proportionate to the costs incurred to date).

The Company is entitled to charge the clients for the construction work in accordance with the long-term contracts. When the progress or a specific milestone is accomplished, the relevant statement and invoices signed by the third party are sent to clients. Contract assets that have been recognized for previously performed are classified as receivables at the time the clients are charged. If the progress or milestone payments exceed the revenue recognized up to that date under the cost-based input method, the Company recognizes the difference as a contractual liability."

## 2) Construction for apartment sales

"The Company performs the construction of residential real estate under long-term contracts agreed with clients ahead of construction service's beginning. Under the terms of the agreement, it is limited to transfer of property to others. If the Company has an entitlement to enforceable payments on an already executed work, the revenues from residential real estate are based on the cost-based input method (i.e., proportionate to the costs incurred to date relative to the projected cost) recognized over a period of time. The directors view that the application of the input method is an appropriate measure under K-IFRS 1115 for measuring the progress to completion of the performance obligation. In addition, the Company recognizes revenue from residential real estate in accordance with the delivery criteria and recognizes the costs incurred in the contract as an asset if the Company does not have an entitlement to enforceable payment for the services already performed.

In accordance with the long-term contracts with the clients, the Company has the right to receive the payment from apartment sales by reaching the agreed date during the construction period. If the Company has an entitlement to enforceable payments for the services already provided, the contract asset previously recognized for the service is classified as a receivable when the Company has the right to receive the contract. If the amount classified as a receivable exceeds the revenue recognized up to date, the Company recognizes the difference as a contractual liability. In addition, if the Company does not have the right to request payment for execution of works already performed, the payment received from the clients is recorded as liability."

## 3) Sales for goods

The Company recognizes revenue from the sale of goods in the petrochemical division and recognizes revenue when it transfers control of a product or service to a clients. The delivery occurs when the goods are shipped completely to the location appointed by the clients. The transaction price received at the time the client first purchases the good is recognized as a contractual liability until the good is delivered to the client.

## 4) Rendering of services and operation

The Company recognizes consideration for service and operation as revenue from sales of service provision and clients encounter and consume benefits through the Company's services at the same time. In addition, the Company is entitled to receive a certain payment directly equivalent to the value given to the client by the degree of the service completion, the Company recognizes a certain payment, which it is able to be claimed as revenue.

## 5) Others

The Company recognizes sales that are not classified in the above categories 1) to 4) as other sales, and the revenue recognized as such sales does not correspond to the deferred income from the distribution of the period. Since revenue is recognized at the time when other services and goods are delivered to customers, the delivery standard of delivery standards is applied to other revenue.

## (6) Foreign currencies

The separate financial statements are presented in the currency (functional currency) of the primary economic environment in which the entity operates. For the purpose of the separate financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the separate financial statements.

In preparing the separate financial statements, 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks
- 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 or partial disposal of the net investment

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of the reporting period. Exchange differences arising are recognized in other comprehensive income.

#### (7) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until they are substantially ready for their intended use or sale.

"To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss.

To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate."

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.

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

#### (8) Government grants

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

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

Government grants related to assets (including property, plant and equipment) are presented in the separate statement of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future-related costs are recognized in profit or loss in the period in which they become receivable.

Government grants toward staff training costs are recognized as gains and losses over the periods necessary to match them with the related costs and are deducted in the related expense.

Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and recognized to profit or loss over the expected useful lives of the assets concerned.

#### (9) Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the separate statement of financial position with a charge or credit to the separate statement of comprehensive income in the period in which they occur. Remeasurements recognized in the statement of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements
- Net interest expense or income
- Remeasurements.

Net interest expense or income is recognized within finance costs and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the separate statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with K-IFRS 1019 paragraph 70.

#### (10) Taxation

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

##### 1) Current tax

Taxes currently payable are based on taxable profit for the year. Taxable profit differs from net profit as reported in the separate statement of income and separate statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

##### 2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Deferred tax assets and liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

### 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 4) Uncertainty over Income Tax Treatments

There is no significant uncertainty over income tax that should be agreed with the taxation authorities. However, due to uncertainties not recognized by the Company, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

### (11) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land and certain tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)
Buildings	20–40
Structures	8–40
Machinery	4–15
Vehicles	4–5
Others	1–12

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method; the estimated useful lives and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

### (12) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses. Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from four to 40 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(13) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as the intangible assets that are acquired separately.

The Company does not amortize emission rights and certain intangible assets. Amortization expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Description	Useful lives (years)
Industrial property rights	5
Software	5–10
Membership	4–5
Others	5–9

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(14) Impairment of tangible and intangible assets, except for goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### (15) Inventories

Inventories are stated at the lower of cost or net realizable value.

Cost of inventories, except for those in finished housing, unfinished housing, land and in transit, is measured using the weighted-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### (16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some, or all, of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

In addition, the Company recognizes and measures current obligations under the loss-incurred contracts as provisions. The Company assumes that the Company is liable for the loss-incurred costs incurred by the Company in the event that the unavoidable costs incurred in fulfilling the contractual obligations exceed the economic benefits expected to be received from the contract.

Under the terms and conditions of the lease contract, the Company recognizes the expenditure that incurs when restoring assets to the original state as a provision at the lease commencement date or the specified period when the liability is owed as a result of using the asset. The provision is measured as the best estimate of the expenditure required to recover the asset and the estimate is reviewed regularly and adjusted for the new situation."

#### (17) Financial instruments

Financial assets and financial liabilities are recognized in the Company's separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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

(18) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (1-3) below).

The Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (1-4) below).

1-1) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

1-2) Debt instruments classified as at FVTOCI

The corporate bonds are initially measured at fair value, plus transaction costs.

Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost.

All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

### 1-3) Equity instruments designated as at FVTOCI

Upon initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

It has been acquired principally for the purpose of selling it in the near term; or upon initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit taking or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

### 1-4) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (1–3) above).

Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (1–1) and (1–2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period and recognized in profit or loss as a result of changes in fair value, except for those designated as hedging relationships. The gain or loss recognized in profit or loss includes dividends received from financial assets and recognized in other income. Gains and losses on disposal of property, plant and equipment are charged to current operations.

### 2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.

For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.

For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

### 3) Impairment of financial assets

The Company recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents a portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### 3-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating.

Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost.

An actual or expected significant deterioration in the operating results of the debtor.

Changes that are expected to cause a significant drop in the debtor's ability to meet its debt obligations as adverse changes in business, financial and economic conditions at present or anticipated in the future.

Significant increases in credit risk on other financial instruments of the same debtor.

An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default.
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them, as appropriate, to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### 3-2) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets are generally not recoverable when there is a breach of financial covenants by the debtor or other similar situations:

Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, if there is a reasonable and supportive information that proves that defaults occur more than 180 days after arrears, the above considered provision can be disproved.

### 3-3) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower.
- (b) A breach of contract, such as a default or past due event (see (3-2) above).
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

### 3-4) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables, when the amounts are more than two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice, where appropriate. Any recoveries made are recognized in profit or loss.

### 3-5) Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date, which is determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the separate statement of financial position.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

#### (19) Financial liabilities and equity instruments

##### 1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

##### 2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

##### 3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

##### 4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; and
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy and information about the grouping is provided internally on that basis; and
- it forms part of a contract containing one or more embedded derivatives and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (see Note 43) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by it as at FVTPL are recognized in profit or loss.

#### 5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

#### 6) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with K-IFRS 1109 (see financial assets above) and
- the amount recognized initially, less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

#### 7) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments.

These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (see Notes 42 and 43) for financial liabilities that are not part of a designated hedging relationship.

For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated as a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### 8) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, are at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

#### (20) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

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 hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Derivatives are not offset in the separate financial statements, unless the Company has both legally enforceable right to offset and intention to offset. The impact of the master netting agreements on the Company's financial position is disclosed in Note 49.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

#### 1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of K-IFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value, as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (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.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

#### 2) Hedge accounting

The Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge), so that it meets the qualifying criteria again.

The Company designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss.

If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis - the Company applies straight-line amortization.

Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Company expects that some, or all, of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

#### 3) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss, except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income.

When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

#### 4) Cash flow hedges

The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

Furthermore, if the Company expects that some, or all, of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may be different from those estimates.

The estimates and underlying assumptions are continuously reviewed. The changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (1) Defined benefit plan

The Company's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Company's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan.

#### (2) Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

#### (3) Fair value of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. The management of the Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(4) Uncertainty on the estimation of the total construction revenue and total construction cost

The amount due from the customer is affected by the percentage of completion, which is estimated by reference to the total cost incurred and the total contract cost is estimated by reference to the expected future figures, such as the material costs, the labor costs and the contract period. The uncertainty on the estimation of the total contract cost of construction projects does exist due to changes in external and internal circumstance and the nature of the long-term construction projects, including the uncertainty of exact estimation of the exact completion date.

(5) Uncertainty in estimating recoverable amount in COVID-19 situation

The overall economic downturn is occurring due to the pandemic of COVID-19, and we are also directly or indirectly affected by COVID-19. The impact of COVID-19 continues as of the end of the reporting period, and it is unclear how long COVID-19 will continue and how much impact it will result in. Therefore, due to COVID-19, there is uncertainty in the estimation of the recoverable amount of assets or cash-generating units held by the Company. The Company estimated the recoverable amount of the asset or cash-generating unit for which the indication of impairment was identified based on the information available at the end of the reporting period, and the management believes that this assumption is reasonable.

**4. SEGMENT INFORMATION:**

Management of the Company, when making strategic decision, decides the line of business. The Company's segment information is prepared for the purpose of resource allocation and assessment of segment performance. Segment information for the year ended December 31, 2021, is as follows:

(1) Operating results by reportable segment for the year ended December 31, 2021, are as follows:

2021

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
I. Sales	819,861	3,547,172	876,569	5,797	5,249,399
II. Cost of sales	(721,001)	(2,793,355)	(707,243)	(3,065)	(4,224,664)
III. Gross profit (loss)	98,860	753,817	169,326	2,732	1,024,735
Selling and administrative expense	(31,872)	(159,274)	(31,888)	(121,983)	(345,017)
IV. Operating income (loss)	66,988	594,543	137,438	(119,251)	679,718
Other income	10,529	5,475	62,149	33,263	111,416
Other expenses	(46,512)	(42,586)	(42,291)	(35,182)	(166,571)
Financial income	927	48,755	40,331	19,993	110,006
Financial expense	(4,016)	(3,866)	(25,338)	(20,198)	(53,418)
V. Income (loss) before income tax expense	27,916	602,321	172,289	(121,375)	681,151
Depreciation	(5,190)	(30,005)	(579)	(21,038)	(56,812)
Amortization	(508)	(1,931)	(1,157)	(1,722)	(5,318)

Revenues reported above are from external customers. Transactions between internal segments are excluded from above revenues.

The policies of segments are as same as the Company's policies explained above in Note 2. The profit of segments is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to the operating segments.

(2) Assets and liabilities, by reportable segments, as of December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)					
	Civil engineering	Housing	Plant	Common	Total
Investments in subsidiaries, associates and joint ventures	16,528	29,960	10,205	264,410	321,103
Non-current assets (*1)	2,367	242,110	917	254,056	499,450
Other assets	576,767	2,964,034	536,793	1,972,616	6,050,210
Total assets	595,662	3,236,104	547,915	2,491,082	6,870,763
Total liabilities	541,501	1,114,665	524,711	896,094	3,076,971

(\*1) Excludes the rights from financial instruments postemployment benefit assets and insurance contracts, etc.

- (3) The Company operates its business in four main areas. Operating results from external customers by geographical areas for the year ended December 31, 2021, are as follows:

December 31, 2021

	Korean won (in millions)					
	Korea	Middle East	Asia	Europe	Other	Total
Total assets	6,125,263	379,090	246,634	53,900	65,876	6,870,763
Non-current assets (*1)	497,483	301	1,594	11	61	499,450
sales from external customers	4,874,940	131,441	137,076	84,178	21,764	5,249,399

(\*1) Excludes the rights from financial instruments postemployment benefit assets and insurance contracts, etc.

- (4) Information of key customers

The Company has no key customers who occupied more than 10% of the Company's sale for the year ended December 31, 2021.

## 5. RESTRICTED DEPOSITS:

Details of restricted deposits as of December 31, 2021, are as follows:

	Korean won (in millions)		
	Institution	December 31, 2021	Restriction
Cash and cash equivalents	Woori Bank	102	Pledged as collateral
Short-term financial instruments	Woori Bank	554	Pledged as collateral
Long-term financial instruments	Woori Bank and others	493	Pledged as collateral
Defined benefit assets	Woori Bank and others	164,522	Severance insurance deposits
Total		165,671	

## 6. CONTRACT ASSET AND CONTRACT LIABILITY:

- (1) Details of construction revenue recognized for the year ended December 31, 2021, are as follows:

	Korean won (in millions)	
	Construction revenue recognized	
Civil engineering		776,434
Housing (*1)		3,498,637
Plant		810,374
Total		5,085,445

(\*1) The ending balance of the housing division includes the balance of the contract due to lotting out.

The ending balance of the contract amount of the company as of December 31, 2021, is ₩17,829,774 million.

- (2) Details of changes in accumulated construction profit or loss, contract assets and liabilities as of December 31, 2021, is as follows. The contracts are included, in which remain contract assets, withholding and others after completion by the terms of contracts:

December 31, 2021

	Korean won (in millions)						
	Accumulated construction revenue	Accumulated construction cost	Accumulated construction profit	Contract asset (*1)	Contract liability (*2)	Construction loss provisions	Withholding
Civil engineering	4,879,646	4,623,197	256,449	111,942	206,587	9,161	15,814
Housing	5,079,098	4,002,209	1,076,889	464,289	373,051	591	269
Plant	3,167,493	3,075,198	92,295	75,579	216,781	27,932	185,594
Total	13,126,237	11,700,604	1,425,633	651,810	796,419	37,684	201,677

(\*1) Changes in ECLs to contract assets during the year are as follows:

Korean won (in millions)				
	Beginning balance	Collective valuation	Impairment loss (reversal)	Ending balance
Contract asset	4,789	(677)	(2,702)	1,410

(\*2) The Company recognized the gain on construction contracts amounting to ₩283,685 million during the current year as the balance of contract liabilities carried forward.

(3) The changes in the estimated total contract revenue and cost during the current period from contracts in progress at the beginning of the current year subject to input method for revenue recognition (the "input method") based on the proportion that the contract costs incurred to date for the work performed bear to the estimated total contract costs and effects of these changes on income in current and subsequent periods and on amount due from (to) customers for contract work are as follows:

Korean won (in millions)						
	Estimated total contract revenue variance	Estimated total contract cost variance	Effect of construction profit and loss		Changes in contract asset (*1)	Changes in contract liability (*1)
			2021	Future		
Civil engineering	187,206	136,827	34,359	16,020	3,984	(30,375)
Housing	243,906	(86,751)	198,382	132,275	83,414	(114,968)
Plant	205,260	117,114	86,535	1,611	4,289	(82,246)
Total	636,372	167,190	319,276	149,906	91,687	(227,589)

(\*1) Changes in provisions for construction loss are included.

(4) Details of major contracts in which contract price is more than 5% of total sales in the prior period and revenue in the current period is recognized by the stage-of-completion method based on the percentage of total costs incurred to date (input method) are as follows:

Korean won (in millions)							
Project (*1)	Contract date	Completion date on contracts (*2)	Percentage	Contract asset		Construction work receivables	
				Total	Loss allowance (*3)	Total	Loss allowance (*3)
GTX-A5 Tool Field	2019-03-20	2024-06-29	25.06%	10,095	-	-	-
GTX-A6 Tool Field	2019-03-20	2024-06-29	25.95%	10,667	-	-	-
Rei County	2016-02-18	2023-11-30	19.74%	-	-	-	-
e-Pyeonghansang Geumbit Grand Maison	2014-09-26	2022-09-30	68.43%	151,120	-	-	-
e-Pyeonghansang Bupyeong Grand Hills	2019-04-18	2023-10-31	31.49%	28,665	-	-	-
e-Pyeonghansang Haneulchae Centum First	2013-03-29	2023-11-30	24.46%	-	-	-	-
Hyundai Chemical HPC Project PKG-3	2019-11-05	2022-02-28	97.65%	61,040	-	4,031	-
e-Pyeonghansang Geoje Euro Island	2019-11-18	2022-06-30	74.58%	68,669	-	-	-
e-Pyeonghansang Geoje Euro Sky	2021-05-21	2023-10-31	15.72%	-	-	-	-
Brunei Temburong CC2	2015-02-04	2022-06-30	99.99%	1,777	-	-	-
Singapore TTP1	2015-02-13	2024-07-27	99.92%	1,387	-	488	-
Philippines MCRP	2020-10-08	2024-12-06	8.33%	7,165	-	-	-
Vietnam Thai Binh2 PP	2012-05-22	2023-06-30	89.64%	-	-	43,534	-
Saudi Elastomers	2012-07-01	2021-12-31	100.00%	-	-	-	-
Algeria Kais CAPP	2014-02-19	2024-05-27	71.22%	-	-	29,077	-
Kuwait KNPC SHFP	2013-05-28	2022-05-31	98.68%	-	-	55,461	-
Saudi Maaden Ammonia III Project	2018-10-22	2022-12-31	90.51%	-	-	57,362	-

(\*1) Major projects are the projects whose contract price is more than 5% of total sales in the prior period and no closed contracts exist.

(\*2) The completion date on contracts or approximate date of each project.

(\*3) There are no individual damages on bonds by project at the end of the current term and the amount of damages incurred by each sector during collective evaluation has been excluded.

(5) Details of major joint arrangement projects as of December 31, 2021, are as follows:

Korean won (in millions)				
Project	Total contract amount	The Company's attributed contract amount	The Company's ownership	Lead company
GTX-A5	557,370	462,506	82.98%	The Company
Philippines MCRP	698,823	349,412	50.00%	Acciona
GTX-A6	428,859	346,690	80.84%	The Company
Rei County	1,134,136	340,241	30.00%	Samsung C&T Corporation
Algeria Kais CCPP	660,099	330,050	50.00%	GS Engineering & Construction Corp.
e-Pyeonhangesang Haneulchaeh Centum First	632,091	316,046	50.00%	The Company
Anyang Naengcheon-District Residential Environment Improvement	445,035	311,524	70.00%	The Company
Ansung-Guri Express Way Sector 11	520,848	234,382	45.00%	The Company
Doma e-Pyeonhangesang FORENA	374,189	224,513	60.00%	The Company
Pakistan Gulpur hydro power project	295,042	221,282	75.00%	The Company

(\*1) The Company classifies and accounts for above joint arrangement projects as joint operation and attributed revenue and expense incurred from joint arrangement to the Company.

(6) Details of the contract cost as of December 31, 2021, are as follows

Korean won (in millions)	
	Amount
Contract execution cost	36,891

Contract execution costs are capitalized as other assets as costs to be incurred prior to the start of construction. There is no impairment loss recognized in the current year related to the cost of the asset. These contracts are included in other assets in the separate financial statements.

**7. FINANCIAL INSTRUMENTS:**

(1) Details of the Company's financial instrument assets by categorization as of December 31, 2021, are as follows:

Korean won (in millions)			
		December 31, 2021	
		Carrying value	Fair value
Fair value measurement of financial assets	Financial assets at FVTPL	50,215	50,215
	Financial assets at FVTOCI	29,520	29,520
	Derivative assets	777	777
Financial assets at amortized cost	Cash and cash equivalents	1,356,004	1,356,004
	Short-term financial instruments	153,664	153,664
	Trade receivables	356,349	356,349
	Short-term loans	43,414	43,414
	Current accounts receivable	272,210	272,210
	Accrued income	30,615	30,615
	Deposits (current)	18,229	18,229
	Capital lease receivable	410	410
	Financial Assets at amortized cost	26	26
	Long-term financial assets	493	493
	Long-term trade receivables	221,918	221,918
	Long-term loans	824,246	824,246
	Non-current accounts receivable	446,411	446,411
	Long-term accrued income	14,303	14,303
	Deposits (non-current)	306,797	306,797
	Non-current lease receivables	1,623	1,623
	Total	4,127,224	4,127,224

(2) Details of financial instrument liabilities by categorization as of December 31, 2021, are as follows:

Korean won (in millions)			
		December 31, 2021	
		Carrying value	Fair value
Fair value measurement of financial liabilities	Derivative liabilities	5,352	5,352
Financial liabilities at amortized cost	Trade payables	579,756	579,756
	Accounts payable	258,539	258,539
	Leasehold deposit received	1,552	1,552
	Accrued expenses	23,231	23,231
	Current lease liabilities	43,985	43,985
	Short-term borrowings	30,000	30,000
	Current portion of long-term liabilities	40,155	40,155
	Financial guarantee contract liabilities	1,246	1,246
	Debentures	2,068	2,068
	Long-term borrowings	374,161	374,161
	Long-term accrued expenses	238,379	238,379
	Long-term leasehold deposits received	4,435	4,435
	Non-current lease liabilities	93,309	93,309
	Total	1,696,168	1,696,168

**8. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS:**

(1) Details of fair value measurement of financial assets as of December 31, 2021, are as follows:

		Korean won (in millions)
		2021
Financial assets at FVTPL		
Debt instruments (PFV)		563
Debt instruments (capital investments)		35,197
Debt instruments (beneficiary certificate and others)		7,266
Debt instruments (Social Overhead Capital (“SOC”))		7,189
Subtotal		50,215
Financial assets at FVTOCI		-
Debt instruments (government bonds)		29,521
Subtotal		29,521
Total		79,736

**9. TRADE AND OTHER ACCOUNTS RECEIVABLE:**

(1) Details of trade and other accounts receivable as of December 31, 2021, are as follows:

December 31, 2021

		Korean won (in millions)			
		Subtotal	Allowance for Doubtful accounts	Discount on present value	Total
Current	Trade receivables	383,314	(26,965)	-	356,349
	Short-term loans	43,509	(95)	-	43,414
	Accounts receivable	310,971	(38,747)	(14)	272,210
	Accrued income	30,983	(368)	-	30,615
	Deposits	18,229	-	-	18,229
	Total	787,006	(66,175)	(14)	720,817
Non-current	Trade receivables	754,931	(533,013)	-	221,918
	Long-term loans	1,622,506	(790,659)	(7,601)	824,246
	Accounts receivable	710,473	(263,990)	(72)	446,411
	Accrued income	47,492	(33,189)	-	14,303
	Deposits	309,146	(2,349)	-	306,797
	Total	3,444,548	(1,623,200)	(7,673)	1,813,675

(2) Credit risk and loss allowance for trade receivables

The average credit contribution period for each industry bond is 180 days, and the Company measures the loss allowance at an amount equal to lifetime ECLs for the trade receivables.

ECLs on trade receivables are determined using a provision setting table that takes into account an analysis of the current financial position of the debtor, including the debtor’s past default experience and factors specific to the borrower, the general economic environment and the assessment of the current situation at the reporting date, as well as the assessment of how the situation will change in the future.

The Company will write off trade receivables when there is information indicating that the debtor is facing serious financial difficulties or commencement of bankruptcy proceedings and there is no reasonable expectation of recovery.

(3) Details of changes in the (reversal of) provisions for credit losses for the year ended December 31, 2021, are as follows:

December 31, 2021

		Korean won (in millions)					
		Beginning balance	(Reversal of) provisions for credit losses		Write-off	Other (*2)	Ending balance
			(Reversal of) Individual evaluation	Collective evaluation (*1)			
Current	Trade receivables	48,038	2,866	(22,848)	-	(1,091)	26,965
	Short-term loans	1	-	94	-	-	95
	Accounts receivable	52,908	6,434	9,791	(465)	(29,921)	38,747
	Accrued income	-	360	8	-	-	368
	Deposits	-	-	-	-	-	-
	Total	100,947	9,660	(12,955)	(465)	(31,012)	66,175
Non-current	Trade receivables	559,128	(1,773)	(5,624)	(31,715)	12,997	533,013
	Long-term loans	773,908	(16,969)	611	(6,137)	39,246	790,659
	Accounts receivable	230,237	243	-	(133)	33,643	263,990
	Accrued income	33,189	-	-	-	-	33,189
	Deposits	1,865	(175)	659	-	-	2,349
	Total	1,598,327	(18,674)	(4,354)	(37,985)	85,886	1,623,200

(\*1) The Company calculated lifetime ECLs based on the historical recovery rate of the trade receivables and reflected lifetime ECLs as loss allowance for the balance of the bonds by the end-age.

(\*2) Includes changes in reclassification of the current, foreign currency rate and acquisition of impairment receivables.

(4) Details of the Company's term structures of trade and other receivables past due, but not impaired, as of December 31, 2021, are as follows:

December 31, 2021

		Korean won (in millions)				
		6 months 1 year	1 year 2 years	2 years 3 years	More than 3 years	Total
Current	Trade receivables	33,321	23,251	4,742	14,036	75,350
	Short-term loans	21,215	17,608	2,050	-	40,873
	Accounts receivable	27,541	46,631	9,871	13,057	97,100
	Accrued income	5	-	-	-	5
	Deposit	-	-	-	-	-
	Total	82,082	87,490	16,663	27,093	213,328

(5) Details of term structures of trade and other receivables impaired as of December 31, 2021, are as follows:

December 31, 2021

		Korean won (in millions)					
		Less than 6 months	6 months- 1 year	1 year- 2 years	2 years- 3 years	More than 3 years	Total
Current	Trade receivables	-	-	2,866	2	-	2,868
	Accounts receivable	6,913	1	2	145	6,146	13,207
	Accrued income	360	-	-	-	-	360
	Total	7,273	1	2,868	147	6,146	16,435
Non-current	Trade receivables	-	-	168,619	2,783	380,629	552,031
	Long-term loans	14,735	400	215,187	208,864	849,778	1,288,964
	Accounts receivable	60	235,235	56,846	338	320,933	613,412
	Accrued income	-	-	1,491	18,952	12,746	33,189
	Deposits	-	-	40	88	1,511	1,639
	Total	14,795	235,635	442,183	231,025	1,565,597	2,489,235

- (6) The maximum exposures to credit risk as of December 31, 2021, are fair value of trade and other accounts receivable as mentioned above. Meanwhile, the Company's trade and other accounts receivable are measured at amortized cost and its fair value is the same as the carrying value.

**10. OTHER ASSETS:**

Details of other assets as of December 31, 2021, are as follows:

		Korean won (in millions)
		December 31, 2021
Current	Prepaid payments	54,478
	Prepaid expenses	42,228
	Prepaid construction expenses	19,751
	Subtotal	116,457
Non-current	Prepaid expenses	12,009
	Prepaid construction expenses	17,141
	Subtotal	29,150
Total		145,607

**11. INVENTORIES:**

(1) Details of inventories as of December 31, 2021, are as follows

				Korean won (in millions)
				December 31, 2021
	Acquisition cost	Allowance	Carrying value	
Finished goods	53	-	53	
Supplies	14,435	-	14,435	
Land	386,834	-	386,834	
Finished housing	124	-	124	
Unfinished housing	39,835	-	39,835	
Materials	640	-	640	
Total	441,921	-	441,921	

## 12. FINANCIAL LEASE RECEIVABLE:

(1) Details of the Company's financial lease liabilities as of December 31, 2021, are as follows:

	Korean won (in millions)	
	December 31, 2021	
	Current	Non-current
Financial lease receivable	421	1,713
Present value discounts	(11)	(90)
Total	410	1,623

The Company has signed an agreement to provide offices, stores, etc., with a lease. The average duration of a finance lease is six years. Lease agreements do not normally include extended or termination options. All leases are signed in won and we are not exposed to exchange risk due to lease agreements.

(2) Details of the Company's financial lease liabilities as of December 31, 2021, are as follows:

	Korean won (in millions)	
	December 31, 2021	
Periodic lease		
Within a year		421
One year over and within two years		492
Two year over and within three years		375
Three year over and within four years		767
Four year over and within five years		61
More than five years		18
Total lease fee		2,134
Unwarranted residual value		-
Gross lease investment		2,134
Unrealized interest income		(101)
Present value of total cash flows		2,033
Loss allowance		-
Lease net investment		2,033

(3) The returns related to variable lease payments that are not included in measuring the financial return and the net investment of the lease investment during the current and prior term are as follows:

	Korean won (in millions)	
	2021	
Financial lease net investment financial profit		44

(4) Management estimates that the loss allowance for financial lease receivables as of the end of the reporting period is equivalent to lifetime ECL. Financial lease receivables are not overdue as of the end of the current term. In consideration of past default experience, future prospects for the industry to which the lessee belongs and the value of collateral for lease receivables, management judges that none of the lease receivables are impaired. In addition, the management did not record the loss allowance in the separate financial statements because it determined that the amount of the loss allowance for the financial lease receivable was not important.

**13. PROPERTY, PLANT AND EQUIPMENT:**

(1) Details of property, plant and equipment as of December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)								
	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Acquisition cost	27,417	125,202	1,706	3,954	1,772	49,979	984	211,014
Accumulated depreciation	-	(37,871)	(372)	(1,778)	(986)	(29,467)	-	(70,474)
Accumulated impairment	(2,438)	(12,180)	-	-	-	-	-	(14,618)
Carrying value	24,979	75,151	1,334	2,176	786	20,512	984	125,922

(2) Details of changes in property, plant and equipment for the year ended December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)								
	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Beginning balance	24,999	77,475	1,387	4,456	93	19,214	1,822	129,446
Acquisition	119	617	32	755	887	1,564	8,868	12,842
Transfer	-	-	-	-	-	6,701	(9,706)	(3,005)
Disposal	(139)	(279)	-	(2,353)	(4)	(42)	-	(2,817)
Depreciation	-	(2,662)	(85)	(651)	(197)	(6,945)	-	(10,540)
Effect of foreign currency translation	-	-	-	(31)	7	20	-	(4)
Ending balance	24,979	75,151	1,334	2,176	786	20,512	984	125,922

**14. INVESTMENT PROPERTY:**

(1) Details of investment property as of December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)					
	Land	Buildings	Others	Right-of-use asset	Total
Acquisition cost	248,035	112,102	9,573	21,041	390,751
Accumulated depreciation	-	(14,444)	(6,703)	(3,108)	(24,255)
Accumulated impairment	(6,846)	(6,009)	-	-	(12,855)
Carrying value	241,189	91,649	2,870	17,933	353,641

(2) Details of changes in investment property for the year ended December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)					
	Land	Buildings	Others	Right-of-use asset	Total
Beginning balance	229,261	93,675	3,065	21,828	347,829
Acquisition	1,304	531	12	-	1,847
Transfer	10,871	-	-	(955)	9,916
Disposal	(247)	-	-	-	(247)
Depreciation	-	(2,557)	(207)	(2,940)	(5,704)
Impairment (reversal)	-	-	-	-	-
Ending balance	241,189	91,649	2,870	17,933	353,641

(3) Details of income and expenditure from investment property for the year ended December 31, 2021, are as follows:

	Korean won (in millions)	
	2021	
Rental income		7,969
Expenses on operating investment property		(6,840)
Total		1,129

(4) Details of fair value of investment property as of December 31, 2021, are as follows:

Korean won (in millions)		
	December 31, 2021	
	Carrying value	Fair value
Land	241,189	285,841
Buildings	91,649	87,796
Others	2,870	3,188
Right-of-use asset	17,933	17,933
Total	353,641	394,758

The fair value of the Company's investment property has been arrived at on the basis of a valuation carried out by independent appraisers not related to the Company. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of investment real estate is classified as Level 3 based on the inputs used in the valuation technique

**15. INTANGIBLE ASSETS:**

(1) Details of intangible assets as of December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)			
	Software	Membership	Total
Acquisition cost	44,309	9,471	53,780
Accumulated amortization	(33,805)	-	(33,805)
Accumulated impairment	-	(85)	(85)
Carrying value	10,504	9,386	19,890

(2) Details of changes in intangible assets for the year ended December 31, 2021, are as follows:

December 31, 2021

Korean won (in millions)			
	Software	Membership	Total
Beginning balance	11,512	9,343	20,855
Acquisition	1,325	43	1,368
Transfer	3,005	-	3,005
Disposal	(14)	-	(14)
Amortization	(5,324)	-	(5,324)
Ending balance	10,504	9,386	19,890

**16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES:**

(1) Details of the Company's investments in subsidiaries as of December 31, 2021, are as follows

Company	Location	Main business	Term-end settling day	December 31, 2021	
				Ownership (%)	Carrying value Korean won (in millions)
DL Construction Co., LTD. (*1)	Korea	General construction	12.31	63.94	244,409
Osan Landmark project co., Ltd. (*2)	Korea	Real estate property development	12.31	48.00	-
Incheon Dohwal NEWSTAY REITs Co., Ltd. (*3)	Korea	Real estate property development	12.31	100.00	300
DL Saudi Arabia Co., Ltd.	Saudi Arabia	Industrial plant construction	12.31	99.99	-
PT. DLENC UTAMA CONSTRUCTION	Indonesia	Industrial plant construction	12.31	100.00	-
DALIN (Nanjing) Construction	China	Industrial plant construction	12.31	100.00	5,437
DL USA, Inc.	USA	General architecture and industrial plant construction	12.31	100.00	-
DL INSAAT GELISTIRME A.S.	Turkey	Civil engineering	12.31	100.00	10,615
Daelim RUS LLC	Russia	Industrial plant construction	12.31	100.00	4,527
Total					265,288

(\*1) The Company's share of voting rights is 63.94%, and the share, including preferred shares without voting rights, is 65.88%.

(\*2) The number of shares held is less than half, but it is classified as a subsidiary because the Company possesses 67% stake in voting rights through contracts with other shareholders.

(\*3) The Company newly invested in Incheon Dohwal NEWSTAY REITs Co., Ltd. during the current term.

Meanwhile, as of the date of submission of the report, the changed corporate names of subsidiaries are as follows:

Before	After
Daelim Saudi Arabia Co., Ltd.	DL Saudi Arabia Co., Ltd.
PT. Daelim Utama Construction	PT. DLENC UTAMA CONSTRUCTION
Daelim USA, Inc.	DL USA, Inc.
DAELIM INSAAT GELISTIRME A.S.	DL INSAAT GELISTIRME A.S.

(2) Details of the Company's investments in associates and joint ventures as of December 31, 2021, are as follows:

Company	Location	Main business	Term-end settling day	December 31, 2021	
				Ownership (%)	Carrying value Korean won (in millions)
Godeok Gangil 10 PFV Co., Ltd.	Korea	Real estate/ property management	12.31	25.10	1,255
Hyoje PFV Co., Ltd. (*1)	Korea	Real estate/ property development	12.31	66.00	16,500
UlsanUijeongbuproject PFV Co., Ltd. (*2)	Korea	Real estate/ property development and supply	12.31	50.00	4,750
Luoma Inc. (*3)	Korea	Financial investment	12.31	28.79	20,000

Gwacheon Jisan One PFV Co., Ltd. (*4)	Korea	Real estate/ property development and supply	12.31	0.67	30
Daejeonmunwha PFV Co., Ltd. (*2)	Korea	Real estate/ property development and supply	12.31	50.00	2,375
IncheonInha PFV Co., Ltd. (*2)	Korea	Real estate/ property development and supply	12.31	50.00	2,375
JeonJuWansan PFV Co., Ltd. (*2)	Korea	Real estate/ property development and supply	12.31	50.00	2,375
Daelim Philippines, Inc.	Philippines	Construction of industrial plants	12.31	40.00	-
DL Engineering & Construction Malaysia Sdn. Bhd.	Malaysia	Construction of industrial plants	12.31	25.00	-
DIAP-DAELIM JOINT VENTURE PTE. LTD.	Singapore	Civil engineering	12.31	49.00	5,913
OMZ-Daelim LLC.	Russia	Construction of industrial plants	12.31	48.00	242
Total					55,815

(\*1) It is classified as an associate company because there are restrictions on exercising voting rights on important financial and business policy decisions according to the shareholder agreement and articles of association.

The Company newly invested in UlsanUijeongbuproject PFV Co., Ltd., Daejeonmunwha PFV Co., Ltd., IncheonInha PFV Co., Ltd. and JeonJuWansan PFV Co., Ltd. during the current term. Its share of voting rights is 50%, and the share, including preferred shares without voting rights is 47.50%.

(\*3) The Company newly invested in Luoma Inc. during the current term.

(\*4)The Company newly invested in Gwacheon Jisan One PFV Co., Ltd. during the current term. Its share of voting rights is 0.67%, and the share, including preferred shares, without voting rights is 0.50%. It is classified as an associates because it has a significant influence by holding the right to appoint investee's members of the board of directors.

Meanwhile, as of the date of submission of the report, the changed corporate names of associates and joint venture are as follows:

Before	After
Daelim Malaysia, Sdn. Bhd.	DL Engineering & Construction Malaysia Sdn. Bhd.

## 17. RIGHT-OF-USE ASSETS:

The Company leases several assets, including real estate (land and buildings), vehicle and machinery.

The average lease term is about two years. The legal ownership of the right-of- use assets is held by the lessor as collateral.

(1) The details of right-of- use assets as of December 31, 2021, are as follows:

	Korean won (in millions)				
	Real estate	Vehicle	Machinery	Others	Total
Acquisition cost	104,718	7,389	26,288	6,796	145,191
Accumulated amortization	(32,585)	(2,892)	(8,819)	(2,989)	(47,285)
Carrying value	72,133	4,497	17,469	3,807	97,906

(2) Details of changes in the right-of-use asset for the year ended December 31, 2021, are as follows:

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Beginning balance	91,532	4,794	9,911	320	106,557
Acquisition	8,145	2,476	26,882	6,796	44,299
Transfer	(2,068)	-	-	-	(2,068)
Disposal	(2,832)	(562)	(7,094)	-	(10,488)
Depreciation	(23,021)	(2,231)	(12,230)	(3,309)	(40,791)
Effects of foreign currency translation	377	20	-	-	397
Ending balance	72,133	4,497	17,469	3,807	97,906

(3) The amounts recognized in profit and loss for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Depreciation expense on right-of-use assets (*1)	43,730
Interest expense on lease liabilities	2,841
Expense relating to short-term leases	15,878
Expense relating to leases of low-value assets	218
Profit from relending lease of the right-of-use asset	833

(\*1) The depreciation cost of ₩ 2,940 million of investment property are included in depreciation cost of right-of-use asset in the current term.

The total amount of cash outflows from leases for the year ended December 31, 2021, was KRW 63,219 million.

## **18. TRADE AND OTHER ACCOUNTS PAYABLES:**

Details of trade and other payables as of December 31, 2021, are as follows:

Korean won (in millions)		
December 31, 2021		
Current	Trade payables	579,756
	Accounts payable	258,539
	Accrued expenses	23,231
	Leasehold deposits received	1,552
	Subtotal	863,078
Non-current	Long-term leasehold deposits received	4,435
	Subtotal	4,435
Total		867,513

**19. BORROWINGS:**

(1) Details of the Company's borrowings as of December 31, 2021, are as follows:

Korean won (in millions)			
	Creditor	Term-end interest rate(%)	December 31, 2021
Short-term borrowings			
General loans	Standard Chartered Bank	2.37	30,000
Subtotal			30,000
Long-term borrowings			
General loans	Woori Hansoup and others	2.37-2.71	275,000
Operating loans	Korea Housing & Urban Guarantee	-	3,721
Subtotal			278,721
Less current maturities of long-term debt (par value)			(40,155)
Less present value discount (current maturities of long-term debt)			-
Less current maturities of long-term debt (book value)			(40,155)
Less present value discount (long-term borrowings)			(187)
Total			238,379

(2) Details of the Company's debenture as of December 31, 2021, are as follows:

Korean won (in millions)					
Description	Issued date	Maturity date	Term-end interest rate(%)	December 31, 2021	Guarantee
1-1st public	2021-06-16	2024-06-14	1.701	200,000	Non-guaranteed
1-2nd public	2021-06-16	2026-06-16	2.139	95,000	Non-guaranteed
265th private	2020-08-05	2027-08-05	2.440	30,000	Non-guaranteed
266th private	2020-08-10	2027-08-10	2.448	50,000	Non-guaranteed
Subtotal				375,000	
Less current maturities of long-term debt (par value)				-	
Less discounts on current debentures				-	
Less current maturities of long-term debt (book value)				-	
Less discounts on non-current debentures				(839)	
Total				374,161	

(3) Details of the Company's long-term borrowings and debenture as of December 31, 2021, are follows:

Korean won (in millions)			
Years ending December 31	Long-term borrowings	Debentures (par value)	Total
2023-01-01-2023-12-31	30,155	-	30,155
2024-01-01-2024-12-31	155,155	200,000	355,155
2025-01-01-2025-12-31	50,155	-	50,155
Thereafter	3,101	175,000	178,101
Total	238,566	375,000	613,566

**20. RETIREMENT BENEFIT PLAN:**

(1) Defined contribution retirement benefit plan

The Company operates a defined contribution plan for qualified employees, under which the Company is obligated to make payments to third-party funds. The contribution of the Company is reduced by losing contributions when employees retire before meeting the vesting condition.

The Company recognized ₩11,099 million of the Company's contribution portion under its defined contribution plan in the separate statement of income for the year ended December 31, 2021.

(2) Defined benefit retirement benefit plan

The Company operates a defined benefit plan for qualified employees. Employees receive retirement allowance, which is calculated using average wages of final three months at the time of retirement under the defined benefit plan. The Company is exposed to investment risk, interest risk and wage risk. The valuation of related plan assets and the defined benefit liability is performed by Mirae Asset Securities Co., Ltd. Also, the present value of defined benefit obligation, current-service cost and past service cost is determined using the projected unit credit method.

1) As of December 31, 2021, amounts recognized in the separate statement of financial position related to retirement benefit obligations are as follows:

Korean won (in millions)	
December 31, 2021	
Present value of defined benefit obligation	164,509
Fair value of plan assets	(164,522)
Net defined benefit liabilities	(13)

2) Changes in present value of defined benefit obligations for the year ended December 31, 2021, are as follows:

Korean won (in millions)			
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	172,613	(151,337)	21,276
Service cost:			
Current service cost	23,370	-	23,370
Interest cost (income)	3,366	(3,043)	323
Subtotal	26,736	(3,043)	23,693
Remeasurement components:			
Return on plan assets (excluding the amount included in above interest income)	-	715	715
Demographic assumption	(4,258)	-	(4,258)
Financial assumption	(7,675)	-	(7,675)
Empirical adjustment	5,634	-	5,634
Subtotal	(6,299)	715	(5,584)
Employer's contribution	-	(32,900)	(32,900)
Benefit paid	(28,409)	21,953	(6,456)
Other (including the effects of relocation to associates )	(132)	90	(42)
Ending balance	164,509	(164,522)	(13)

The Company has invested full amount of plan assets in time deposit for securing stable finance.

3) Income and loss related to defined benefit plan for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
2021	
Current service cost	23,370
Interest cost	3,366
Interest income	(3,043)
Total	23,693

4) The principal assumptions used for actuarial valuation are as follows:

	December 31, 2021
Discount rate	2.81%
Expected salary increase rate (including inflation)	4.37%

The Company used survival and mortality rate on plan assets as mortality rate. The rate is announced and generated by Korea Insurance Development Institute, which provides reference rates and statistical analyses under the Insurance Business Act.

5) On condition that the other assumptions remain the same, the changes in defined benefit obligation derived from the changes in actuarial assumptions to a reasonable extent of influence are as follows:

	Korean won (in millions)	
	2021	
	Increase in rate	Decrease in rate
1% change in discount rate	(9,329)	10,050
1% change in future salary increase rate	9,996	(9,454)

Because of their correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis is not representative of actual changes in defined benefit obligation. Sensitivity analysis also is determined using the projected unit credit method.

Meanwhile, the Company is expected to contribute ₩16,973 million to defined benefit plan in subsequent period of December 31, 2022.

## **21. OTHER LIABILITIES:**

Details of other liabilities as of December 31, 2021, are as follows:

Korean won (in millions)		
December 31, 2021		
Current	Advances received	31,497
	Withholdings	75,010
		2,569
	Subtotal	109,076
Non-current	Long-term unearned revenue	3,845
Total		112,921

## 22. OTHER PROVISIONS:

Details of changes in other provisions and classification by liquidity as of December 31, 2021, are as follows:

2021

	Korean won (in millions)							
	2021						Liquidity	
	Beginning balance	Additional provisions	Utilization	Reversal	Other	Ending balance	Current	Non-current
Litigations (*1)	1,106	41,427	(2,647)	(7,162)	-	32,724	32,724	-
Completion cost, etc. (*2,3)	237,177	83,812	(71,727)	(60,769)	1,654	190,147	190,147	-
Reconstruction (*4)	1,129	-	(131)	(301)	-	697	-	697
Construction loss provisions	53,001	1,396	(15,376)	(1,448)	(3)	37,570	37,570	-
Total	292,413	126,635	(89,881)	(69,680)	1,651	261,138	260,441	697

(\*1) The Company recognized anticipated losses as provisions as per the outcome of the latest trial as of December 31, 2021.

(\*2) The Company recognized anticipated the completion cost, which the Company estimates to be incurred after completion of construction as provisions as of December 31, 2021.

(\*3) The Company recognized anticipated losses from the obligation to supplement funds to Deoksong Expressway Co., Ltd as provisions amount of KRW 45.5 billion as of December 31, 2021.

(\*4) The Company recognized anticipated expenses for reconstruction of long-term leased office building as of December 31, 2021.

## 23. LEASE LIABILITIES:

(1) Lease contract

On average, the Company has used real estate, vehicle transport and machinery as leases for about two years, and does not have the option to buy property at the end of the lease contract. Legal ownership of the leased asset is held by the lessor as security for the lease liability.

(2) The maturity analysis of lease liabilities as of December 31, 2021, is as follows:

	Korean won (in millions)	
	December 31, 2021	
	Total cash outflow	Present value of total cash outflow
Within 1 year	44,406	43,985
1 year to 5 years	92,661	88,110
More than 5 years	5,937	5,199
Total	143,004	137,294

(3) The liquidity classification of lease liabilities as of December 31, 2021, is as follows:

	Korean won (in millions)	
	December 31, 2021	
Current liabilities		43,985
Non-current liabilities		93,309
Total		137,294

**24. CAPITAL STOCK:**

Details of capital stock as of December 31, 2021, are as follows:

	Korean won
	December 31, 2021
① Authorized shares of capital stock	120,000,000 shares
② Par value	5,000
③ Issued shares of common stock:	
Common stock	19,358,738 shares
Preferred stock (*1)	2,113,885 shares
④ Capital stock:	
Common stock	96,794 million
Preferred stock	10,569 million

(\*1) Preferred shareholders can exercise voting rights from the next general meeting after passing the resolution not to divide until the general meeting when it is decided to divide. Maximum shares are up to 30 million.

**25. OTHER PAID-IN CAPITAL:**

(1) Details of other paid-in capital as of December 31, 2021, are as follows:

	Korean won (in millions)
	December 31, 2021
Additional paid-in capital	3,271,624
Gain on sale of treasury stocks	(3,211)
Total	3,268,413

(2) Details of changes in other paid-in capital as of December 31, 2021, are as follows:

	Korean won (in millions)
	2021
Additional paid-in capital	3,271,624
Gain on sale of treasury stocks	(3,211)
Total	3,268,413

**26. RETAINED EARNINGS:**

(1) Details of retained earnings as of December 31, 2021, is as follows:

	Korean won (in millions)
	December 31, 2021
Unappropriated retained earnings	466,460
Total	466,460

(2) Details of changes in retained earnings for the year ended December 31, 2021, are as follows:

	Korean won (in millions)
	2021
Beginning balance	-
Net income	462,354
Remeasurement of defined benefit plan	4,106
Ending balance	466,460

- (3) Details of separate statement of appropriations of retained earnings for the year ended December 31, 2021, are as follows:

SEPARATE STATEMENT OF APPROPRIATIONS OF RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2021

Planned disposal date : March 24, 2022

		Korean won (in millions)
		2021
RETAINED EARNINGS BEFORE APPROPRIATIONS		466,460
Unappropriated retained earnings carried over from prior year	-	
Effect of change of accounting policy	-	
Remeasurement of defined benefit plan	4,106	
Net income	462,354	
TRANSFER FROM VOLUNTARY RESERVE:		-
Reserve for research and development expenditures	-	
Total		466,460
APPROPRIATIONS		64,813
Earned surplus reserve	5,801	
Personal information protection compensation liability reserve (*1)	1,000	
Dividends	58,012	
Cash dividends	58,012	
Dividends per share (%)		
Common stock: 2021 ₩ 2,700(54%)		
Preferred stock: 2021 ₩ 2,750(55%)		
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR		401,647

(\*1) In accordance with the amendment of the Enforcement Decree Of The Personal Information Protection Act (Article 48-7), the Company accumulated ₩1 billion in provisions for reserve funds as discretionary reserves after the resolution of the general shareholders' meeting in March 2022.

**27. ACCUMULATED OTHER COMPREHENSIVE INCOME:**

- (1) Details of other comprehensive income for the year ended December 31, 2021, are as follows:

		Korean won (in millions)
		December 31, 2021
Gain (loss) on valuation of financial assets measured at FVTOCI		397
Gain (loss) on overseas operations translation		(48,841)
Total		(48,444)

- (2) Details of changes in accumulated other comprehensive income for the year ended December 31, 2021, are as follows:

		Korean won (in millions)
		2021
Beginning balance		(54,492)
Gain (loss) on valuation of financial assets measured at FVTOCI		(334)
Gain (loss) on valuation		(454)
Tax effect		120
Gain (loss) on overseas operations translation		6,382
Ending balance		(48,444)

## **28. COLLATERALS AND GUARANTEES:**

This note regarding collaterals and guarantees contains information on discontinued operations.

### (1) Collaterals

- 1) The Company's assets pledged as collateral to financial institutions for its borrowings as of December 31, 2021, are as follows:

Korean won (in millions)						
Financial institution	Pledged assets	Carrying value	Pledged amount	Relevant debt	Amount of debt	Description
Construction Guarantee	Investment certificates	35,010	35,010	Borrowing	-	Guarantee and loan commitment

- 2) As of December 31, 2021, the Company's equity securities, including fair value measurement of financial assets (carrying value: ₩14,455 million), are pledged as collateral to Korea Development Bank and other financial institutions for the companies established pursuant to the Act on Private Participation in Infrastructure. No liabilities are relevant to those collaterals.

### (2) Guarantees provided by the Company

- 1) As of December 31, 2021, in connection with the Company's current partners, the Company provides joint guarantee for "Korea Housing & Urban Guarantee Corporation, Construction Guarantee, etc." in the amount of ₩3,855,769 million.

In connection with companies that were established pursuant to the Act on Private Participation in Infrastructure, the Company has provided payment guarantees of up to ₩62,927 million and provided supplemental funding agreement (₩230,000 million converted to total share).

- 2) As of December 31, 2021, the Company agreed to provide supplemental funding agreement on projects. The Company guarantees the amount of ₩100,000 million (the maximum amount of the loan balance: ₩130,000 million, concluded on July 23, 2021) for Osan Sema district development project and the amount of ₩38,000 million (the maximum amount of the loan balance: ₩49,400 million, concluded on June 18, 2021) for Hyoje development project.
- 3) As of December 31, 2021, the Company provides payment guarantees of 20 cases, ₩823,867 million in accordance with business agreements with financial institutions in connection with the redevelopment and reconstruction association business loan (the maximum amount of the loan balance: ₩988,240 million, the maximum amount of the loan limit: ₩1,457,360 million). In addition, the Company provides payment guarantees of ₩666,322 million in connection with the interim loan of the dependents (the maximum amount of bonds with the loan limit: ₩788,926 million).
- 4) The Company has set up for financial guarantee contract liabilities as of December 31, 2021, and provided for the current enforcer of the project financing ("PF") loan guarantees by reliably estimating possible loss on the business of ₩3,314 million.
- 5) As of December 31, 2021, the Company has provided a commitment to complete construction to financial institutions (compensation for damages at the time of non-execution) with regard to loans of the executors (for 38 cases of loans amounted to ₩3,120,470 million). In addition, the Company provides a commitment to complete construction to Korea Housing & Urban Guarantee Corporation of some of the Company's projects in accordance with business contracts related to redevelopment and reconstruction projects.
- 6) In the accordance with Article 530 – 9 (1) of the Commercial Act, each newly incorporated and surviving company by division shall be jointly and severally responsible for the repayment of the liabilities owed by the divided company before the division.
- 7) Overseas performance guarantees and payment guarantees that the Company has provided for related parties are presented in Note 37. (7).

(3) Guarantees provided by others

1) Payment guarantees related to domestic construction projects provided by others as of December 31, 2021

Korean won (in millions)		
	Guarantees	Description
	December 31, 2021	
STX Construction Co., Ltd. and others	52,035	Construction warranty and others
Construction Guarantee	279,051	Guarantee of construction contract
Construction Guarantee	558,467	Construction warranty
Construction Guarantee	1,968,817	Guarantee of fulfillment of construction
Construction Guarantee	554,343	Guarantee of advances received
Construction Guarantee	58,650	Guarantee of construction
Construction Guarantee	453,582	Other guarantees
Korea Housing & Urban Guarantee Corporation	2,856,715	Guarantee of lotting-out
Korea Housing & Urban Guarantee Corporation	884,435	Construction warranty and others
Seoul Guarantee Insurance Co., Ltd.	539,532	Guarantee of fulfillment of construction and others
Total	8,205,627	

2) Payment guarantees related to overseas construction projects provided by others as of December 31, 2021, are as follows (Korean won in millions and foreign currencies in thousands):

Korean won in millions and foreign currencies in thousands					
		Guarantees	Guarantees (Korean won equivalent)	Country	Description
The Export-Import Bank of Korea	USD	137,043	162,456	Saudi Arabia and others	Guarantee of fulfillment of contract and others
Hana Bank	USD	662	784	Libya	Guarantee of fulfillment of contract and others
Woori Bank	USD	47,146	55,913	Indonesia and others	Guarantee of fulfillment of contract
HSBC Seoul	USD	109,513	129,807	Philippines	Bidding guarantee
CITI Seoul	USD	2,411	2,858	Philippines	Bidding guarantee
Arab Bank Singapore	USD	3,631	4,304	Saudi Arabia and others	Guarantee of fulfillment of contract and others
NBK	USD	11,936	14,150	Kuwait	Other guarantee and others
Mashreq	USD	14	16	U.A.E	Other guarantee
Zurich, Singapore	USD	11,127	13,191	Singapore	Guarantee of fulfillment of contract
Riyad Bank	USD	53,075	62,921	Saudi Arabia	Guarantee of fulfillment of contract and others
UOB Singapore	USD	7,302	8,657	Singapore	Other guarantee and others
UBAF	USD	45,448	53,879	Philippines	Construction warranty and others
Societe Generale	USD	22,476	26,634	Russia	Guarantee of fulfillment of contract
Construction Guarantee	USD	5,143	6,095	Russia	Guarantee of fulfillment of contract

The payment guarantee details related to overseas construction are converted into USD and applied.

## **29. COMMITMENTS AND CONTINGENCIES:**

This note regarding commitments and contingencies contains information on discontinued operations.

### (1) Promissory note and checks

As of December 31, 2021, the Company has provided one promissory note (a par value of KRW 47,522 million) and 19 checks (19 blank) to the related banks regarding loan payables and guarantees.

### (2) Pending litigations

As of December 31, 2021, the Company is accused in 118 lawsuit cases pending (amount of ₩296,896 million) regarding a claim for damages and filed a complaint with 40 lawsuits pending (amount of ₩582,585 million) regarding completion bill and damages for delay. As the outcomes of the pending lawsuits are unpredictable, influence on the separate financial statements cannot be accurately measured. When the Company lost during the first or second trial, it had set up for the provisions (see Note 22).

### (3) Payment guarantees for loans to related party

- 1) Regarding DL Saudi Arabia Co., Ltd.'s lack of capital, the Company's board of directors has concluded a USD 245 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	DL Saudi Arabia Co., Ltd.
(2) Loan amount	USD 245 mil
(3) Term of contract	- USD 60 mil : 2020.01.29–2022.01.29, 4.6% per year - USD 60 mil : 2020.03.28–2022.03.28, 4.6% per year - USD 40 mil : 2020.09.06–2022.09.06, 4.6% per year - USD 30 mil : 2020.11.08–2022.11.08, 4.6% per year - USD 30 mil : 2020.12.10–2022.12.10, 4.6% per year - USD 25 mil : 2021.06.16–2023.06.19, 4.6% per year
(4) Date of board of directors' resolution	- USD 60 mil : 2019.12.19 - USD 60 mil : 2019.12.19 - USD 40 mil : 2020.08.19 - USD 30 mil : 2020.08.19 - USD 30 mil : 2020.08.19 - USD 25 mil : Approval by CEO only
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩290,448 million as of December 31, 2021.

- 2) The Company's board of directors, regarding DL USA, Inc.'s lack of capital, has concluded a USD 24.2 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	DL USA, Inc.
(2) Loan amount	- USD 24.2 mil
(3) Term of contract	- USD 3.15 mil : 2019.08.05–2021.08.05, 4.6% per year (Full repayment completed) - USD 3.20 mil : 2020.04.28–2022.04.28, 4.6% per year (Full repayment completed) - USD 3.50 mil : 2020.12.23–2022.12.23, 4.6% per year (Full repayment completed) - USD 25.5 mil : 2021.02.15–2023.02.15, 4.6% per year (USD 1.3 million is repaid)
(4) Date of board of directors' resolution	- USD 3.15 mil : Approval by CEO only - USD 3.20 mil : Approval by CEO only - USD 3.50 mil : 2020.12.16 - USD 25.5 mil : 2020.12.16
(5) Method of repayment	Principal and interest bullet payment

Loan for the above DL USA, Inc. is ₩28,689 million as of December 31, 2021.

- 3) The Company's board of directors, regarding Daelim Philippines, Inc.'s lack of capital, has concluded a \$8 million loan agreement. Details of the main agreements are as follows:

	Description
(1) Counterparty	Daelim Philippines, Inc.
(2) Loan amount	- USD 8 mil
(3) Term of contract	- USD 8 mil : 2020.04.15–2023.04.15, 4.6% per year
(4) Date of board of directors' resolution	- 2020.04.07
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩ 9,484 million as of December 31, 2021.

- 4) The Company's board of directors, regarding Deoksong-Naegak Expressway Co., Ltd.'s lack of capital, has executed a subordinated loan in the amount of KRW 12,847 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Deoksong-Naegak Expressway Co., Ltd.
(2) Loan amount	- KRW 12,847 mil (Existing loan: KRW 9,847 mil + Additional Loan: KRW 3,000 mil) - Payment by subrogation: KRW 3,020 mil
(3) Term of contract	- The principal of the subordinated loan cannot be repaid until the senior loan principal amount is fully repaid. - No interest will occur on subordinated loans until the senior loan principal is fully repaid (4.6% per year)
(4) Date of board of directors' resolution	- Existing loan: 2020.04.27 - Additional loan: Approved by CEO - Payment by subrogation: Approved by CEO
(5) Method of repayment	Principal and interest bullet payment (after the full repayment of the senior loan principal amount is completed)

The balance of the financial support is ₩ 12,847 million as of December 31, 2021.

- 5) The Company's board of directors, regarding Osan Landmark Project Co., Ltd.'s business operating, has executed a loan in the amount of KRW 585,000 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Osan Landmark Project Co., Ltd.
(2) Loan amount	KRW 585,000 mil
(3) Term of contract	- KRW 4,000 mil 2021.01–2022.01, 2.35% per year - KRW 400 mil 2021.02–2022.02, 2.48% per year - KRW 7,600 mil 2021.03–2022.03, 2.48% per year - KRW 2,100 mil 2021.04–2022.04, 2.48% per year - KRW 13,000 mil 2021.04–2022.04, 2.6% per year - KRW 151,300 mil 2021.05–2022.05, 4.6% per year - KRW 321,700 mil 2021.06–2022.06, 4.6% per year - KRW 51,000 mil 2021.07–2022.06, 4.6% per year - KRW 3,500 mil 2021.07–2022.07, 4.6% per year - KRW 9,400 mil 2021.09–2022.09, 2.08% per year - KRW 500 mil 2021.10–2022.10, 2.10% per year - KRW 20,500 mil 2021.12–2022.12, 2.16% per year
(4) Date of board of directors' resolution	- KRW 4,000 mil : Approved by CEO - KRW 400 mil : Approved by CEO - KRW 7,600 mil : 2021.04.19 - KRW 2,100 mil Approved by CEO - KRW 13,000 mil : 2021.04.19 - KRW 151,300 mil : 2021.05.24

	- KRW 321,700 mil : 2021.05.24 - KRW 51,000 mil : 2021.05.24 - KRW 3,500 mil : 2021.05.24 - KRW 9,400 mil : 2021.09.13 - KRW 500 mil : 2021.09.13 - KRW 20,500 mil : 2021.09.13
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩ 585,000 million as of December 31, 2021.

- 6) The Company's board of directors, regarding Hyoje PFV Co., Ltd.'s business operating, has executed a loan in the amount of ₩ 27,000 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Hyoje PFV Co., Ltd.
(2) Loan amount	KRW 27,000 mil
(3) Term of contract	- 2020.12.15-PF withdrawal, 4.6% per year
(4) Date of board of directors' resolution	- Approval by CEO only
(5) Method of repayment	Principal bullet payment, interest 3 months payment

The balance of the financial support is ₩ 27,000 million as of December 31, 2021.

(4) Commitments to financial institutions

The major contracts between the Company and financial institutions as of December 31, 2021, are as follows (Korean won in millions and foreign currencies in thousands):

Korean won in millions and foreign currencies in thousands					
Description	Financial institution	Credit line		Balance outstanding	
Bank overdrafts (*1)	Woori Bank and others	KRW	5,000	KRW	-
General loans	Nonghyup Bank and others	KRW	440,000	KRW	150,000
Commercial paper discounting	Woori Bank and others	KRW	250,000	KRW	-
Business to business	Woori Bank and others	KRW	195,000	KRW	10,947
Letter of credit (sight and usance)	Woori Bank and others	USD	110,661	USD	357
Payment guarantee in foreign currency	Woori Bank and others	USD	1,334,651	USD	435,135
	NBK	KWD	3,611	KWD	3,611
Payment guarantee in local currency	Seoul Guarantee Insurance Co., Ltd. and others	KRW	551,216	KRW	551,216

- (\*1) Bank overdrafts are from Woori Bank in the amount of ₩ 5 billion. The aforementioned ₩5 billion overdraft from Woori Bank includes comprehensive credit limit contract.

The Company has made contracts with financial institutions for the comprehensive line of credits and general loan in the amount of ₩400 billion with Woori Bank.

(5) Derivatives

- 1) The Company has 38 currency forward contracts with Standard Chartered Bank and others to manage the exposure to changes in currency exchange rates. A summary of the terms of outstanding foreign currency forward contracts as of December 31, 2021, is as follows (Korean won in millions and foreign currencies in thousands):

December 31, 2021

Korean won in millions and foreign currencies in thousands						
Purpose	Buying currency	Buying amount	Selling currency	Selling amount	Contracted exchange rate	Number of contracts
Trading	KRW	36,609	USD	32,525	1,125.57	10
Trading	KRW	43,662	EUR	31,831	1,371.65	16
Trading	USD	20,454	SGD	28,570	1.3968	3
Trading	CNY	82,411	USD	12,772	6.4525	1
Trading	EUR	23,581	KRW	31,905	1,353.03	8

2) Evaluations of derivative financial instruments

December 31, 2021

Korean won (in millions)				
	Trade			
	Gain on valuation	Loss on valuation	Asset	Liability
Currency forward	1,232	2,232	777	3,068
Option	-	101	-	2,284
Total	1,232	2,333	777	5,352

(6) Other commitment

As of the end of the 2021, the Company's major other commitments are as follows:

- 1) The Company is providing various put options for financial investors of PFV business; PFV projects consist of developing Osan-Sema housing construction.
- 2) The debt management contracts of the unsecured debentures issued by the Company (KRW 295 billion as of December 31, 2021), include provisions, such as maintaining financial ratios, restricting security rights, restricting asset disposal and restricting corporate governance. In case of violation of the above provisions, there is a possibility of loss on the benefit of time.
- 3) As of December 31, 2021, the Company has rights of claim for sale of owned shares of Deoksong-Naegak Expressway Co., Ltd. to financial investor and is providing call options for stock assigner according to stock-transfer contract dated May 31, 2021.

**30. REVENUE:**

Details of revenue included in operating income for the year ended December 31, 2021, are as follows:

	2021	
	Progress basis	Delivery basis
Construction contract revenue	5,023,146	62,299
1. Construction revenue	4,573,819	-
2. Sales of apartment	449,327	62,299
Revenue from the rendering of services	114,976	-
Other revenue	-	48,978
Total	5,138,122	111,277

**31. NATURE OF EXPENSES:**

Details of classification of expenses by nature for the year ended December 31, 2021, are as follows:

	Korean won (in millions)	
	2021	
Cost of raw material		1,105,330
Cost of outsourcing		2,239,276
Salaries		446,506
Severance benefit		38,538
Welfare expenses		45,872
Depreciation		56,812
Amortization of intangible assets		5,318
Commission		371,980
Taxes and dues		90,094
Other expenses		169,955
Total		4,569,681

**32. SELLING AND ADMINISTRATIVE EXPENSES:**

Details of selling and administrative expenses for the year ended December 31, 2021, are as follows:

	Korean won (in millions)	
	2021	
Selling expenses:		
Advertisement		12,106
Bad debt expenses		(28,251)
Freight		107
Commission		129,616
Warranty		1,760
Subtotal		115,338
Administrative expenses:		
Salaries		166,890
Welfare expenses		15,105
Insurance		12,656
Rent		23,434
Others		11,594
Subtotal		229,679
Total		345,017

### **33. OTHER INCOME AND EXPENSES:**

(1) Details of other income for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Subsidiaries', associates' and joint ventures' dividend income	13,757
Other dividend income	458
Rental revenue	4
Gain on foreign currency transactions	27,684
Gain on foreign currency translation	30,051
Gain on disposal of investment assets	121
Gain on valuation of fair value measurement of financial assets	273
Gain on disposal of tangible assets	588
Gain on disposal of real estate investment	33
Gain on derivative trading	1,238
Gain on derivatives valuation	1,232
Reversal of provision for bad debt	17,820
Reversal of other provisions	5,389
Others	12,768
Total	111,416

(2) Details of other expenses for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Donations	6,027
Bad debt expense	54,144
Loss on foreign currency transactions	7,642
Loss on foreign currency translation	19,719
Loss on disposal of investment assets	169
Loss on valuation of fair value measurement of financial assets	5,372
Loss on disposal of tangible assets	723
Loss on derivative trading	2,306
Loss on derivative valuations	2,333
Contribution to other provisions	36,156
Contribution to financial guarantee liabilities	3,056
Others	28,924
Total	166,571

### **34. FINANCIAL INCOME AND EXPENSES:**

(1) Details of the Company's financial income for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Interest income:	
Cash and cash equivalents	14,241
Short- and long-term financial instruments	7,258
Loan and other accounts receivable	46,063
FVTOCI	398
Others	652
Subtotal	68,612
Gain on foreign currency transaction	11,963
Gain on foreign currency translation	29,431
Total	110,006

- (2) Details of the Company's financial income categorized for assets and liabilities for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Cash and cash equivalents	29,368
Short- and long-term financial instruments	7,258
Loan and other accounts receivable	72,330
FVTOCI	398
Others	652
Total	110,006

- (3) Details of the Company's financial expenses for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Interest expense:	
Borrowing	9,089
Debenture	7,097
Advances	4,403
Lease	2,841
Subtotal	23,430
Loss on foreign currency transaction	2,293
Loss on foreign currency translation	27,695
Total	53,418

- (4) Details of the Company's financial expenses categorized for assets and liabilities for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Cash and cash equivalents	4,008
Borrowing	9,089
Debenture	7,097
Others	33,224
Total	53,418

### **35. INCOME TAX EXPENSE:**

- (1) Details of the Company's income tax expense for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Current income tax expense (including additional income tax and tax refunds)	178,599
± Changes in temporary differences (*1)	37,422
± Changes in net deferred tax assets (liabilities) directly charged to shareholders' equity (*2)	2,777
Income tax expense	218,798
(*1) Deferred tax assets (liabilities) from temporary differences, net at the end of year	559,303
Deferred tax assets (liabilities) from temporary differences, net at the beginning of year	596,725
Changes in deferred tax from temporary differences	(37,422)

(\*2) Changes in net deferred tax assets (liabilities) directly charged to the shareholders' equity for the year ended December 31, 2021, are as follows:

Korean won (in millions)			
	December 31, 2021		
	Gross	Tax effect	Net amount
Gain on valuation of financial instruments designated at FVTOCI	(454)	120	(334)
Remeasurement of defined benefit plan	5,584	(1,479)	4,105
Paid-in capital in excess of par value	(15,620)	4,136	(11,484)
Total	(10,490)	2,777	(7,713)

(2) An explanation of the relationship between the income tax expense and the accounting income before income tax expense for the year ended December 31, 2021, is as follows:

Korean won (in millions)	
	2021
Income before income tax expense	681,152
Income tax expense (applicable tax rates)	176,955
Adjustments:	
Non-taxable income	(1,818)
Non-deductible expenses	14,547
Additional income tax and others	(6,773)
Tax credit	(230)
Non-recycled corporation income tax expense	8,050
Not recognized as deferred tax assets	6,643
Others	21,424
Income tax expense	218,798
Effective tax rate (income tax expense/income before income tax)	32.12%

(3) Changes in temporary differences and deferred tax assets (liabilities) for the year ended December 31, 2021, are as follows:

2021

Korean won (in millions)				
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Investments in subsidiaries, associates and joint ventures	179,134	100,169	279,303	1,028
Valuation of fair value measurement of financial assets	32,562	3,092	35,654	9,441
Revaluation of property, plant and equipment	(129,284)	22,366	(106,918)	(28,312)
Valuation of derivative instruments	2,184	100	2,284	605
Excess depreciation of property, plant and equipment	18,254	1,134	19,388	5,134
Provisions	448,001	(87,564)	360,437	95,444
Impairment loss	34,126	(7,382)	26,744	7,082
Excess bad debts expense	1,767,827	(22,096)	1,745,731	462,270
Loss (gain) on foreign currency translation	1,015	3,662	4,677	1,238
Accrued income	(72,963)	(5,512)	(78,475)	(20,780)
Others	148,840	(50,073)	98,767	26,153
Total	2,429,696	(42,104)	2,387,592	559,303

- (4) Temporary differences not recognized as deferred tax assets (liabilities) as of December 31, 2021, are as follows:

	Korean won (in millions)
	December 31, 2021
Subsidiaries, associates and joint ventures	275,420

### 36. EARNINGS PER SHARE:

The Company's net earnings per share for the year ended December 31, 2021, is computed as follows:

- (1) Basic earnings per share of common stock

	Korean won
	2021
	Total
Net income	462,354,435,952
Residual income available for preferred shareholders	(45,529,788,793)
Net income available for common shareholders	416,824,647,159
Weighted-average number of common shares outstanding	19,336,649
Basic earnings per common stock	21,556

- (2) Basic earnings per share of preferred stock

	Korean won
	2021
	Total
Residual income available for preferred shareholders	45,529,788,793
Weighted-average number of preferred shares outstanding	2,112,094
Basic earnings per preferred stock	21,556

- (3) Diluted earnings per share are the same as basic earnings per share as the Company has no diluted securities.

### 37. RELATED-PARTY TRANSACTIONS:

- (1) Details of related parties as of December 31, 2021, are as follows:

Type	Name of the related parties
Parent company that exercises significant control or influence over the owners of the Company	Daelim Co., LTD.
Company that exercises significant control or influence over the owners of the Company	DL Holdings CO., LTD
Subsidiaries	DL Construction Co., Osan landmark project co., Ltd, Incheon Dohwa1 NEWSTAY REIT Co., Ltd., DL Saudi Arabia Co., Ltd., PT. DLENC UTAMA CONSTRUCTION, DALIN (Nanjing) Construction Project Mgt. Co., Ltd., DL USA, Inc., DAELIM INSAAT GELISTIRME A.S. and Daelim RUS LLC.
Associates	Godeok Gangil 10 PFV Co., Ltd., Balgok Co., Ltd., Hyoje PFV Co., Ltd., UlsanUijeongbuproject PFV Co., Ltd., IncheonInha PFV Co., Ltd., Daejeonmunwha PFV Co., Ltd, JeonJuWansan PFV Co., Ltd, Gwacheon Jisan One PFV Co., Ltd., Daelim Philippines, Inc. and DL Engineering & Construction Malaysia Sdn. Bhd
Joint ventures	Luoma Inc., DIAP-DAELIM JOINT VENTURE PTE. LTD. and OMZ-Daelim LLC.
Others	DL Chemical, DL Motors Co., Ltd., GLAD Hotels & Resorts Co., Ltd., Songdo Power Co., Ltd., DL Energy Co., Ltd.,

	<p>Chungjin Project Co., Ltd., Chungjin Asset Management Company, DL FnC, A Plus D Co., Ltd., Poseung Green Power Co., Ltd., YEONGJU ECO POWER CO., LTD., Cochrane SPC Co., Ltd., ECO ONE Energy Co.,LTD., Heungkuk Highclass Private Real Estate Equity Fund No.12, Koramco Private Real Estate Equity Fund No.112, Samho Citron City Co., Ltd., Namwon Thema park Co., Ltd., Asan Dogo Industrial Complex Development Co., Ltd., Epyunse (Shanghai) Trade Agency Co., Ltd., Daelim AMC. Co., Ltd, Wonju Buron Industrial Complex Co., Ltd, Pebblestone MD PFV Co., Ltd., Saubukbyeon Development Co., Ltd., Incheon Geumsong REIT Co., Ltd., Millmerran SPC Co., Ltd., Gasan DCSL1 Co., Ltd., Yeochun NCC Co., Ltd., Poly Mirae Co., Ltd., D.Cloud Co., Ltd., Highway Solar Co., Ltd., D-REX POLYMER LLC, Hwaseung JDC, LLC., DL Energy Global Co., Ltd, OV Co., LTD, Daelim Vietnam Ltd., CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION, DE NILES LLC., Woodland Global Fund Management Pte. Ltd, Woodland Global Investment #1 Pte. Ltd, DAELIM CHEMICAL USA, INC., DAELIM CHEMICAL USA LLC., CARIFLEX PTE. LTD., Cariflex Netherlands B.V., Cariflex Brazil Industria e Comercio de Produtos Petroquimico Ltda, DE Cochrane SpA, DE Energia SpA, Indeck Niles Development, LLC., Indeck Niles Asset Management,LLC., Daehan Wind Power Company PSC, Daelim EMA Management Limited, EMA Power Investment Limited, InfraCo Asia Keenjhar Wind Pte. Ltd., InfraCo Asia Indus Wind Pte. Ltd., DLC US Holdings LLC, DLC US, Inc, DL Energy America, Inc. etc.</p>
Large business group affiliates (*1)	<p>Ecosulihall Co., Ltd., Gimhae Dongseo Tunnel Co., Ltd., Daelim No. 5 Cheonan Wonseong Newstay REIT Co., Ltd., Daelim No. 6 Busan Uam Newstay REIT Co., Ltd., Daelim No. 7 Masan Hoewon Newstay REIT Co., Ltd., Pocheon Power Co., Ltd., Humphreys SLQ ONE Co., Ltd., Jeju Aero Space Hotel Co., Ltd., Chemtech Co., Ltd., Deoksong-Naegak Expressway Co., Ltd., etc.</p>

(\*1) The companies above were not conformed to the related party defined by K-IFRS 1024:9. However, the large business group affiliates designated by the Fair Trade Commission were classified as the related party according to the resolution of the Securities and Futures Commission that the companies correspond to substantial related party of K-IFRS 1024:10.

(\*2) Please refer to the notes '16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (1)' for the changed corporate names of the Company and its subsidiaries as of the report submission date.

(\*3) Changes in related parties for the year ended December 31, 2021, are as follows.

	Name	Reason for change
Inclusion	UlsanUijeongbuproject PFV Co., Ltd.	In January 2021, the Company invested in UlsanUijeongbuproject PFV Co., Ltd.
	ECO ONE Energy Co., LTD.	In March 2021, it was incorporated as a subsidiary of DL Energy, and in May 2021, it was incorporated into other affiliates of DL Holdings CO.,LTD. through in-kind investment.
	DE NILES LLC and 16 company.	In May 2021, DL Co., Ltd.'s in-kind investment was incorporated into our other affiliated companies.
	Gasan DCSL1 Co., Ltd.	In June 2021, the Company was incorporated into other affiliated companies.
	Luoma Inc.	In June 2021, it was incorporated into our joint venture through stock acquisition.
	IncheonInha PFV Co., Ltd.	In July 2021, the Company invested in IncheonInha PFV Co., Ltd.
	Daejeonmunwha PFV Co., Ltd	In July 2021, the Company invested in Daejeonmunwha PFV Co., Ltd.
	JeonJuWansan PFV Co., Ltd.	In July 2021, the Company invested in JeonJuWansan PFV Co., Ltd.
	Asan Dogo Industrial Complex Development Co., Ltd.	Our subsidiary, DL Construction Co., Ltd., acquired the shares of Asandogo Industrial Complex Development Co., Ltd. in August 2021.
	Incheon Dohwa1 NEWSTAY REIT Co., Ltd.	In September 2021, the Company invested in Incheon Dohwa1 NEWSTAY REIT Co., Ltd.
	D-REX POLYMER LLC	In September 2021, the Company was incorporated into other affiliated companies.
	DLC US Holdings LLC	In September 2021, the Company was incorporated into other affiliated companies.

	DLC US, Inc	In September 2021, the Company was incorporated into other affiliated companies.
	D.Cloud Co., Ltd.	In September 2021, the Company was incorporated into other affiliated companies.
	Hwaseung JDC, LLC.	Our subsidiary, DL Construction Co., Ltd., invested in Hwaseung JDC, LLC. in December 2021.
	DL Energy Global Co., Ltd.	In December 2021, it was incorporated as a subsidiary of DL Energy Co., Ltd.
	DL Energy America, Inc	In December 2021, it was incorporated as a subsidiary of DL Energy Global Co., Ltd.
	OV Co., LTD	In December 2021, it was incorporated as a subsidiary of Daelim Co., Ltd.
	Gwacheon Jisan One PFV Co., Ltd	In January 2021, the Company invested in Gwacheon Jisan One PFV, Inc.
Reclassification	Daelim Co., LTD.	It has been reclassified from Company that exercises significant control or influence over the owners of the parent. company that exercises significant control or influence over the owners of the Company according to investment in kind.
	DL Holdings CO.,LTD	It has been reclassified from affiliated companies to Company that exercises significant control or influence over the owners of the Company according to investment in kind.
	DL Chemical and 12company	It has been reclassified from affiliated companies to other affiliates according to investment in kind.
	Highway Solar Co., Ltd.	It has been reclassified from affiliated companies to other affiliates according to acquisition of shares in DL Energy Co., Ltd.
Exclusion	Daelim P&P Co., Ltd.	Daelim P&P Co., Ltd. was liquidated in November 2021.

(2) Significant transactions between the Company and other related parties for the year ended December 31, 2021, are as follows:

Type	Name of the related parties	Sales and others (*1)	Purchases and others (*1)
		2021	2021
Parent company exercises significant control or influence over the owners of the Company	Daelim Co.,LTD.	452	103,131
Company that exercises significant control or influence over the owners of the Company subsidiaries	DL Holdings CO., LTD.	10,689	13,167
Subsidiaries	DL Construction Co	86,751	176,675
	Osan landmark project co., Ltd.	25,888	-
	DL Saudi Arabia Co., Ltd.	19,322	-
	PT. DLENC UTAMA CONSTRUCTION	-	14
	DL USA, INC.	1,685	-
	DL INSAAT GELISTIRME A.S.	4,273	-
	Daelim RUS LLC.	844	-
Associates	Godeok Gangil 10 PFV Co., Ltd.(*2)	12,601	-
	Hyoje PFV Co., Ltd.	1,041	-
	Daelim Philippines, Inc.	1,012	-
	DL Engineering & Construction Malaysia Sdn. Bhd.	2,416	-

Joint Ventures	Luoma Inc.	12	-
	DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	7,215	462
	OMZ-Daelim LLC. (*2)	2,449	46
Others	Daelim P&P Co., Ltd(*3)	46	4
	DL Chemical	6,406	174
	DL Motors Co., Ltd.	-	3
	GLAD Hotels & Resorts Co., Ltd.	1,995	996
	Yeochun NCC Co., Ltd.	38,901	-
	Poly Mirae Co., Ltd.	-	3
	Songdo Power Co., Ltd.	18	-
	DL Energy Co., Ltd.	31	11
	D-REX POLYMER LLC	29,021	-
	CARIFLEX PTE. LTD	7,513	-
	Cariflex Brazil Industria e Comercio de Produtos Petroquimico Ltda	311	-
Large business group affiliates	Daelim No. 7 Masan Hoewon Newstay REIT Co., Ltd.	302	-
	Deoksong-Naegak Expressway Co., Ltd.	3,377	-

(\*1) Sales and purchases include proportional cost allocation of joint contracts.

(\*2)) Progress sales amounted to ₩7,260 million for the year ended December 31, 2021, and are excluded due to the application of stage of completion method.

Korean won (in millions)	
	2021
Godeok Gangil 10 PFV Co., Ltd.	2,806
Gwacheon Jisan One PFV Co., Ltd.	2,349
DIAP-DAELIM JOINT VENTURE PTE. LTD.	(403)
OMZ-Daelim LLC.	2,508
Total	7,260

(\*3) Daelim P&P Co., Ltd. was merged with DL Chemical Co in November 2021, and the transaction amount up to the date of the merger was recorded

(3) Outstanding balances as of December 31, 2021, are as follows:

Korean won (in millions)			
Type	Name of the related parties	account receivable (*1)	account payable (*1)
		December 31, 2021	December 31, 2021
Parent Company that exercises significant control or influence over the owners of the Company	Daelim Co., LTD.	44	9,917
Company that exercises significant control or influence over the owners of the Company's subsidiaries	DL Holdings CO., LTD	4,075	4,047
Subsidiaries	DL Construction Co	13,918	25,718
	Osan landmark project co., Ltd.	586,551	-
	DL Saudi Arabia Co., Ltd.	458,539	-
	DALIN (Nanjing) Construction Project Mgt. Co., Ltd.	584	116
	DL USA, INC.	28,689	-

	DL INSAAT GELISTIRME A.S.	1,082	-
	Daelim Rus LLC	713	-
Associates	Hyoje PFV Co., Ltd.	27,054	-
	Daelim Philippines, Inc.	15,031	1,158
	DL Engineering & Construction Malaysia Sdn. Bhd.	12,178	1,870
Joint ventures	DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	1,475	87
Others	DL Chemical	2,627	13
	GLAD Hotels & Resorts Co., Ltd.	701	166
	Poly Mirae Co., Ltd.	-	1
	Songdo Power Co., Ltd.	9	-
	DL Energy Co., Ltd.	3	1
	D-REX POLYMER LLC	11,808	-
	CARIFLEX PTE. LTD	1,008	-
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	16,186	-
	Daelim No. 7 Masan Hoewon Newstay REIT Co., Ltd.	25	-

(\*1) Loans and borrowings were included.

(\*2) The contract assets amounted to ₩7,027 million for the year ended December 31, 2021, are excluded due to the application of stage of completion method.

	Korean won (in millions)	
	Contract assets	Contract liabilities
	December 31, 2021	December 31, 2021
Godeok Gangil 10 PFV Co., Ltd.	2,806	-
Gwacheon Jisan One PFV Co., Ltd.	2,349	-
DIAP-DAELIM JOINT VENTURE PTE. LTD.	1,387	-
OMZ-Daelim LLC.	485	-
Total	7,027	-

Details of changes in the provisions for credit losses on above-related parties for the year ended December 31, 2021, are as follows:

2021

Korean won (in millions)						
Type	Name of the related parties	Account	Beginning balance	(Reversal of) provisions for credit losses	Other(*1)	Ending balance
Subsidiaries	Osan landmark project co., Ltd.	Loans	225,463	2,920	-	228,383
		Other accounts receivable	1,551	-	-	1,551
	DL Saudi Arabia Co., Ltd.	Trade receivables	110,000	(226)	9,629	119,403
		Loans	266,560	-	23,888	290,448
		Other accounts receivable	38,493	107	3,760	42,360
DL USA, INC.	Loans	38,461	(12,615)	2,843	28,689	
Associates	Daelim Philippines, Inc.	Trade receivables	31,048	-	(28,725)	2,323
		Loans	8,704	-	780	9,484
		Other accounts receivable	1,777	126	165	2,068
	DL Engineering & Construction Malaysia Sdn. Bhd.	Trade receivables	9,524	(42)	776	10,258
		Other accounts receivable	66	(67)	1	-
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	Loans	9,847	-	-	9,847

(\*1) Represents changes in foreign currency translation, debt-for-equity swap, etc.

(4) Significant changes in loans to related parties for the year ended December 31, 2021, are as follows:

2021

Korean won (in millions)						
Type	Name of the related parties	Beginning balance	Rent	Repayment	Other (*1)	Ending balance
Subsidiaries	Osan landmark project co., Ltd.	584,600	400	-	-	585,000
	DL Saudi Arabia Co., Ltd.	266,560	-	-	23,888	290,448
	DL USA, INC.	38,461	-	(12,140)	2,368	28,689
Associates	Hyoje PFV Co., Ltd.	27,000	-	-	-	27,000
	Daelim Philippines, Inc.	8,704	-	-	780	9,484
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	9,847	3,000	-	-	12,847

(\*1) Represents changes in foreign currency translation, debt-for-equity swap, etc.

(5) Equity transactions to related parties for the year ended December 31, 2021, is as follows:

Korean won (in millions)				
Description	Company	Name of the related party	Transactions	2021
Investment	Associates	Ulsan Uijeongbu Project PFV	Cash investment due to new establishment	4,750
	Joint ventures	Luoma Limited	Additional cash investment, Debt-to-equity swap	20,000
	Associates	DL Incheon Inha PFV Co., Ltd.	Cash investment due to new establishment	2,375
	Associates	DL Daejeon Munhwa PFV Co., Ltd.	Cash investment due to new establishment	2,375
	Associates	DL Jeonju Wansan PFV Co., Ltd.	Cash investment due to new establishment	2,375
	Subsidiaries	Incheon Dohwa1 NEWSTAY REIT Co., Ltd.	Cash investment due to new establishment	300
	Associates	Gwacheon Jisanwon PFV Co., Ltd.	Cash investment due to new establishment	30
Purchase	Etc.	DL Holdings CO.,LTD.	SOC Stock Purchasing	(5,617)

(6) Key management personnel compensation for the year ended December 31, 2021, is as follows:

Korean won (in millions)	
	2021
Short-term benefits	20,921
Provision for severance indemnities	2,578
Total	23,499

(\*1) Key management is described in the Group's business report disclosed to the Financial Supervisory Service.

(7) The Company is contingently liable for construction performance guarantees and payment guarantees of its associated companies. The details of guarantees as of December 31, 2021, are as follows:

U.S. dollars (in thousands)			
Associate	Guarantee	Project	Period of guarantee
	December 31, 2021		
DL Saudi Arabia Co., Ltd.	178,203	Saudi Arabia Ma'aden Ammonia, etc.	2012.09.30 – Obligation completed
Daelim Philippines, Inc.	28,496	Philippines SBPL 500MW CFPP, etc.	2014.05.22 - Obligation completed
DL Engineering & Construction Malaysia Sdn. Bhd.	56,302	Malaysia Petron ULSADO	2019.01.01 – Obligation completed
Daelim Rus LLC	547,781	Moscow AORC HCU	2021.03.09 – Obligation completed
DL USA Inc.(*1)	56,423	DL USA Inc.(*1)	2020.09.01 – 2022.07.31
DIAP-DAELIM JOINT VENTURE PTE.	68,371	Singapore Tuas Terminal Phase 1	2015.02.26 – Obligation completed
OMZ-DAELIM LLC	1,626	Russia Omsk DCC	2016.04.04 - Obligation completed
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	2,050	Turkey Canakkale Bridge	2017.03.09 – Obligation completed
DL INSAAT GELISTIRME A.S. (*2)	258,735	Turkey Canakkale Bridge	2017.08.19 – Obligation completed

- (\*1) The Company has provided a comprehensive parent company guarantee to the Tennessee Department of Commerce and Insurance, guaranteeing all debts and obligations arising out of the contracting activities of DL USA Inc..
- (\*2) The Company has provided a comprehensive parent company guarantee to the three joint venture partners of Turkey Canakkale bridge project, guaranteeing the fulfillment of the obligations for which DAELIM INSAAT GELISTIRME A.S.'s contractual obligations have not been determined.
- (\*3) According to Article 530-9 (1) of the Commercial Act, the Company has joint guarantees with the split surviving company (DL Holdings Co., Ltd.) and the split new company (DL Chemical Co., Ltd.) for construction performance guarantees and payment guarantees provided by Daelim Industrial Co., Ltd. to related parties.
- (8) Details of collaterals (included the guarantees described on Note 28(1) Collaterals -1), 2)), which the Company has provided for related parties as of December 31, 2021, is as follows :

Korean won (in millions)				
Related Party	Pledged assets	December 31, 2021	Purpose	Lender
Deoksong-Naegak Expressway Co., Ltd.(*1)	Stock	-	Borrowed capital financing commitment	Industrial Bank of Korea and others

(\*1) The loss on valuation of fair value measurement of Deoksong-Naegak Expressway Co., Ltd. Stock, which is ₩ 24,236 million, is included.

- (9) Details of supplemental funding arrangements (included the guarantees described in Note 28 (2)), which the Company has provided for related parties as of December 31, 2021, are as follows :

Korean won (in millions)				
Related Party	December 31, 2021	Project	Purpose	Financial Institutions
Osan Landmark Project Co., Ltd.	130,000	Osan-Sema District Apartment Housing Development Project	Borrowed capital financing commitment	Standard Chartered Korea Co., Ltd.
Hyoje PFV Co., Ltd.	49,400	New construction of Hyoje-dong officetel	Borrowed capital financing commitment	Lotte Capital

In addition to the above details, the Company has joint guarantees with the split surviving company (DL Holdings Co., Ltd.) and the split new company (DL Chemical Co., Ltd.) for the obligation to replenish funds provided by Daelim Industrial Co., Ltd. to related parties before the split.

### **38. SUPPLEMENTAL CASH FLOW INFORMATION:**

- (1) Adjustments to reconcile net income to net cash provided by operating activities for the year ended December 31, 2021, are as follows:

Korean won (in millions)	
	2021
Adjustments:	
1.Tax expense	218,798
2.Interest expense	23,430
3.Interest income	(68,612)
4.Loss on foreign currency translation	47,414
5.Gain on foreign currency translation	(59,482)
6.Dividend income	(14,215)
7.Depreciation	57,035
8.Amortization of intangible assets	5,324
9.Severance benefits	23,694
10.Bad debts expense	(28,251)
11.Other bad debts expense	36,324
12.Loss on valuation of investment assets	5,372
13.Gain on valuation of investment assets	(273)
14.Loss on disposal of tangible assets	723
15.Gain on disposal of tangible assets	(588)
16.Gain on disposal of investment property	(33)

17. Loss on disposal of investment assets	169
18. Gain on disposal of investment assets	(121)
19. Loss on disposal of lease assets	1,478
20. Gain on disposal of lease assets	(121)
21. Loss on derivative valuations	2,333
22. Gain on derivative valuations	(1,232)
23. Contribution to provision for construction warranties	46,865
24. Contribution to other provision	56,956
25. Contribution to financial guarantee contract liabilities	2,847
26. Miscellaneous loss and others	(15)
Total	355,819

(2) Cash flows from net working capital for the year ended December 31, 2021, are as follows

Korean won (in millions)	
	2021
Changes in net working capital:	
1. Increase in trade receivables	(77,878)
2. Increase in contract assets	(29,996)
3. Decrease in other accounts receivable	230,075
4. Decrease in accrued income	258
5. Increase in advance payments	(25,408)
6. Increase in prepaid expenses	(57,032)
7. Decrease in prepaid construction expenses	7,247
8. Decrease in inventories	88,395
9. Decrease in financial lease receivables	365
10. Increase in long-term trade receivables	(13,635)
11. Increase in long-term accounts receivable	(290,604)
12. Increase in long-term prepaid expenses	7,399
13. Increase in long-term prepaid construction expenses	(13,633)
14. Increase in deposits	(194,483)
15. Decrease in derivative assets	503
16. Increase in trade payables	130,761
17. Decrease in accounts payable	(26,192)
18. Increase in advances from customers	40,937
19. Decrease in unearned revenue	(310)
20. Increase in contract liabilities	103,994
21. Decrease in withholdings received	(4,660)
22. Decrease in accrued expenses	(37,921)
23. Decrease in long-term advances from customers	(2,521)
24. Decrease in other provisions	(89,750)
25. Decrease in pension benefit obligation	(29,256)
26. Decrease in pension plan assets	(10,142)
27. Decrease in provision for construction warranties	(83,205)
28. Decrease in provision for financial liabilities	(147)
29. Increase in derivative liabilities	(392)
30. Increase in overseas operations translation	52,026
Total	(325,205)

(3) Significant non-cash transactions of investment activities and financial activities for the year ended December 31, 2021, are described as follows:

Korean won (in millions)	
2021	
Conversion of investment in loans, etc.	8,400
Reclassification of assets under construction	3,452
Reclassification of the current portion of long-term borrowings	40,155
Reclassification of the current portion of lease liabilities	36,424
Reclassification to assets held for sale	(10,871)
New lease	43,976

(4) Adjustments of liabilities in financial activities for the year ended December 31, 2021, are described as follows:

December 31, 2021

Korean won (in millions)							
	Beginning of year	Cash flows	Non-cash transactions				End of year
			Changes due to foreign currency translation	Amortization	Lease	Reclassification	
Short-term borrowings	30,000	-	-	-	-	-	30,000
Current portion of long-term liabilities	320,086	(320,155)	-	69	-	40,155	40,155
Long-term borrowings	198,721	79,760	-	53	-	(40,155)	238,379
Long-term debenture	79,885	294,129	-	146	-	-	374,160
Leasehold deposits	4,378	623	-	-	-	(986)	4,015
Lease liabilities	36,091	(44,283)	4	2,841	22,227	27,526	44,406
Total liabilities in financial activities	669,161	10,074	4	3,109	22,227	26,540	731,115

### 39. ADJUSTED OPERATING INCOME:

Other income and expense that are not classified as operating income and expense in the separate statement of comprehensive income occur on their own business circumstances. Details of the adjusted results of operations included in the income and expenses for the year ended December 31, 2021, is as follows:

	Korean won (in millions)
	2021
OPERATING INCOME	679,718
Dividend income	14,215
Donation	(6,027)
Other bad debt expense	(36,324)
Gain (loss) on foreign currency transactions	20,042
Gain (loss) on foreign currency translation	10,332
Gain (loss) on valuations of other investment assets	(5,099)
Gain (loss) on disposal of other investment assets	(48)
Gain (loss) on disposal of tangible asset	(135)
Gain (loss) on disposal of investment property	33
Gain (loss) on derivative transaction	(1,068)
Gain (loss) on derivative valuations	(1,101)
Gain (loss) on disposal of lease asset	(1,357)
Contribution (reversal) of financial instrument liabilities	(3,056)
Contribution (reversal) to other provisions	(30,767)
Others	(14,795)
ADJUSTED OPERATING INCOME	624,563

### 40. RISK MANAGEMENT:

#### (1) Capital risk management

The Company manages its capital to maintain its ability to continuously provide return to its shareholders and interested parties. Furthermore, the Company puts an effort toward reducing capital expenses by optimizing its debt and equity balance through dividend payments, redemption of paid-in capital to shareholders, issuance of stocks (to reduce liability) and disposal of assets. The Company's overall capital risk management strategy remains unchanged from that of the prior periods.

In addition, items managed as capital by the Company as of December 31, 2021:

	Korean won (in millions)
	December 31, 2021
Total borrowings	682,695
Less cash and cash equivalents	(1,356,004)
Borrowings, net	(673,309)
Total shareholders' equity	3,793,793
Net borrowings-to-equity ratio	-17.75% per year

#### (2) Financial risk management

The Company is exposed to various financial risks, such as credit, liquidity and market, associated with financial instruments. The Company's risk management policy is to ensure that the Company identifies and analyzes the potential risks to financial performance, determines the degree of risk and control acceptable to the Company and monitors whether the Company confirms with the risk and its associated degree of acceptance. The Company uses derivative financial instruments to reduce certain hedge risk exposures.

##### 1) Market risk

The majority of the Company's risk is exposed to foreign exchange rate fluctuation risk and interest rate risk. Therefore, the Company uses various derivative financial instruments to manage the risk over interest rate risk and foreign exchange rate fluctuation risk.

The Company calculates risk index using value at risk to measure the exposure for the market risks. The Company's overall market risk management strategy remains unchanged from that of the prior periods.

- Interest rate risk

The Company is exposed to interest rate risk due to its borrowing with floating interest rates. To manage its interest rate risks, the Company, in addition to maintaining an appropriate mix of fixed- and floating-rate loans, has entered into certain interest rate swap agreements. Risk aversion activity is evaluated regularly with adjusting conditions and the nature of interest rates.

Details of the Company's exposure of interest rate risk due to its borrowings with floating interest rates for the year ended December 31, 2021:

Korean won (in millions)	
December 31, 2021	
Borrowings (floating interest rates) (*1)	256,548

(\*1) Calculated by portion of exposure period during the year

The Company regularly monitors the changes in interest rate risk internally. A sensitive analysis on the Company's long-term borrowings and debentures assuming a 1% per year increase and 1% per year decrease in interest rates (before tax effect) as of December 31, 2021, is as follows:

Korean won (in millions)				
	1% per year increase		1% per year decrease	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2021	(2,565)	(2,565)	2,565	2,565

- Price risk

The Company is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic, rather than trading purposes. The Company does not actively trade these investments. When all the other variables are constant and when the price of equity instrument changes, the effect on value of equity investments would be very small.

- Foreign currency risk

The Company is exposed to foreign currency risk as it makes transactions in foreign currencies. Foreign currency risk is managed within the limits approved by the Company's policy, which is to use derivative instrument contracts. The carrying value of the Company's monetary assets and liabilities denominated in foreign currencies as of December 31, 2021, is as follows:

Korean won (in millions)	
December 31, 2021	
Assets	950,737
Liabilities	247,602

The Company regularly monitors the changes in foreign currency internally. A sensitive analysis on the above assets and liabilities, assuming a 10% per year increase and 10% per year decrease in foreign currency rates (before tax effect) as of December 31, 2021, is as follows:

Korean won (in millions)				
	10% per year increase in Korean won against foreign currency		10% per year decrease in Korean won against foreign currency	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2021	70,314	70,314	(70,314)	(70,314)

2) Credit risk

Credit risk represents the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet their contractual obligations. The Company sets and operates policies to review client's credit and receives sufficient collaterals to reduce the risk. The Company reviews the risk exposure and credit ratings of its counterparties continuously, and aggregate risks are allocated to total portfolio and controlled by counterparty limits that are reviewed and approved. Risk management committee receives a report of whether the level of credit risk and limits of the acceptable level of credit risk are in compliance with the standards.

The maximum exposed amounts of credit risk for financial assets maintained by the Company are as follows:

Korean won (in millions)			
		Carrying value	Exposed amounts
Financial assets at fair value	FVTPL	50,216	50,216
	FVTOCI	29,520	29,520
	derivative Assets	777	777
Financial assets at amortized cost	Cash and cash receivables	1,356,004	1,356,004
	Short-term financial instruments	153,664	153,664
	Trade receivables	356,349	356,349
	Short-term loans	43,414	43,414
	Accounts receivable	272,210	272,210
	Accrued income	30,615	30,615
	Deposit (current)	18,229	18,229
	Lease receivables (current)	410	410
	Financial assets at amortized cost	26	26
	Long-term financial instruments	493	493
	Long-term Trade receivables	221,918	221,918
	Long-term loans	824,246	824,246
	Long-term accounts receivable	446,411	446,411
	Long-term accrued income	14,303	14,303
	Deposits (non-current)	306,797	306,797
Lease receivables (non-current)	1,623	1,623	
Total		4,127,225	4,127,225

Details of the Company's exposure to credit risk from guarantee and the commitment provided by the Company are as follows:

Korean won (in millions)		
	Financial guarantee contract liabilities	Exposed amounts
Redevelopment and reconstruction business	3,314	823,867
Lotting out and union housing finance personal loan	-	666,322
SOC business	-	40,483
Total	3,314	1,530,672

### 3) Liquidity risk

The Company establishes short-term and long-term fund management plans. The Company analyzes and reviews actual cash outflow and its budget to correspond the maturity of financial liabilities to that of financial assets. Management believes that with proper financial liabilities, it will be able to easily access cash when necessary for its operating activities and financial assets.

The Company's financial assets and liabilities by residual contractual maturity as of December 31, 2021, are classified as follows:

#### Financial assets

Korean won (in millions)				
	Less than 1 year	1 year to 2 years	More than 2 years	Total
Cash and cash receivables	1,356,004	-	-	1,356,004
Fair value measurement financial assets	6,648	7,495	66,370	80,513
Short-term financial instruments	153,664	-	-	153,664
Trade receivables	383,314	-	-	383,314
Short-term loans	43,509	-	-	43,509
Accounts receivable	310,970	-	-	310,970
Accrued income	30,983	-	-	30,983

Korean won (in millions)				
	Less than 1 year	1 year to 2 years	More than 2 years	Total
Deposit (current)	18,229	-	-	18,229
Lease receivables (current)	421	-	-	421
Financial assets at amortized cost	26	-	-	26
Long-term financial instruments	-	-	493	493
Long-term Trade receivables	410,023	25,562	319,346	754,931
Long-term loans	1,109,258	47,059	454,453	1,610,770
Long-term accounts receivable	280,685	292,073	137,715	710,473
Long-term accrued income	-	-	47,492	47,492
Deposits (non-current)	29,431	85,698	194,016	309,145
Lease receivables (non-current)	-	421	1,292	1,713
Total	4,133,165	458,308	1,221,177	5,812,650

Financial liabilities

Korean won (in millions)				
	Less than 1 year	1 year to 2 years	More than 2 years	Total
Trade payables	579,756	-	-	579,756
Accounts payable	258,539	-	-	258,539
Leasehold deposits received	1,552	-	-	1,552
Accrued expenses	23,231	-	-	23,231
Lease liabilities (current)	44,406	-	-	44,406
Short-term borrowings(*1)	30,175	-	-	30,175
Current portion of long-term liabilities(*1)	40,864	-	-	40,864
Debentures(*1)	7,390	7,390	389,116	403,896
Long-term borrowings(*1)	5,847	35,813	212,692	254,352
Long-term leasehold deposits received	-	-	4,435	4,435
Lease liabilities (non-current)	-	44,406	54,192	98,598
Financial guarantee contract liabilities and loan agreement	641,043	121,854	767,774	1,530,671
Total	1,632,803	209,463	1,428,209	3,270,475

(\*1) Cash flows related to interest payments are included in the cash flows of each borrowing and bond.

The above analysis is based on the maturity amount on contracts, except for discount amount before deduction of allowance. Also, the analysis of contractual maturity is based on the nominal amounts, which include interests and the fastest date of repayment.

The amount included in the financial guarantee contract above is the maximum amount the Company will be willing to pay if the assuree claims the full amount of the guarantee. Based on the estimates made at the end of the reporting period, the Company believes that it is more likely than not that the Company will not be able to pay guarantees under the financial guarantee contracts. However, the above estimates may change as the probability of a credit loss to the financial receivables held by the assurance holder may vary and the likelihood that the assurance party will be required to make payments to the Company on a guarantee contract.

**41. FAIR VALUE OF FINANCIAL INSTRUMENTS:**

- (1) The carrying amounts and fair values of the Company's financial assets and financial liabilities as of December 31, 2021, are as follows:

Financial Assets

	Korean won (in millions)	
	December 31, 2021	
	Carrying value	Fair value
Cash and cash equivalents	1,356,004	1,356,004
Short-term financial instruments	153,664	153,664
Trade receivables	356,349	356,349
Short-term loans	43,414	43,414
Current accounts receivable	272,210	272,210
Accrued income	30,615	30,615
Deposits	18,229	18,229
Current lease receivables	410	410
Financial Assets at amortized cost	26	26
Long-term financial instruments	493	493
Long-term trade receivables	221,918	221,918
Long-term loans	824,246	824,246
Non-current accounts receivable	446,411	446,411
Long-term accrued income	14,303	14,303
Long-term deposits	306,797	306,797
Non-current lease receivables	1,623	1,623
Total	4,046,712	4,046,712

Financial Liabilities

	Korean won (in millions)	
	December 31, 2021	
	Carrying value	Fair value
Trade payables	579,756	579,756
Accounts payable	258,539	258,539
Accrued expenses	23,231	23,231
Current lease liabilities	43,985	43,985
Leasehold deposits received	1,552	1,552
Short-term borrowings	30,000	30,000
Current portion of long-term liabilities	40,155	40,155
Current financial guarantee contract liabilities	1,246	1,246
Debentures	374,161	374,161
Long-term borrowings	238,379	238,379
Long-term leasehold deposits received	4,435	4,435
Non-current lease liabilities	93,309	93,309
Financial guarantee contract liabilities	2,068	2,068
Total	1,690,816	1,690,816

The Company regards that carrying amount of financial assets and financial liabilities recognized in the separate statement of financial position as amortized cost is similar to fair value, except for the items described in the table above.

- (2) The Company classified financial instruments measured at fair value in the separated statements into the following fair value hierarchy according to the input variables used in fair value measurement.
- (Level 1) (unadjusted) Quoted price in the active market for the same asset or liability
  - (Level 2) Input variables to assets or liabilities that are observable either directly (e.g., price) or indirectly (e.g., derived from price) except for the quoted price included in Level 1
  - (Level 3) Input variables for assets or liabilities (unobservable input variables) not based on observable market data

The fair value of financial instruments measured at fair value in the separate statement of financial position at the end of the reporting period is classified as follows:

December 31, 2021

Korean won (in millions)				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	-	-	50,215	50,215
Financial assets at FVTOCI	-	29,521	-	29,521
Derivative assets (*1)	-	777	-	777
Subtotal	-	30,298	50,215	80,513
Financial liabilities				
Derivative liabilities (*1)	-	5,353	-	5,353

(\*1) The amount of liquidity is included.

(3) Changes in carrying amount of fair value measurement of financial assets classified as Level 3 are as follows:

Korean won (in millions)	
	2021
Beginning balance	42,662
Total gain (loss)	
Financial assets at FVTPL	(5,099)
Other comprehensive income	-
Acquisition	12,652
Disposal	-
Transfer to Level 3 or from Level 3	-
Ending balance	50,215

(4) The Company uses the following valuation techniques and input variables for recurring fair value measurements, non-recurring fair value measurements and fair value disclosures that are classified as Level 2 and Level 3 in the fair value hierarchy.

Korean won (in millions)					
	Fair value	Level	Measurement method	Input variable	The relationship between non-observable inputs and fair value measurements
<b>Fair value measurement of financial assets</b>					
SOC stock, PFV, beneficial securities, and capital investments	50,215	3	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate etc.	If the discount rate declines and the growth rate rises, fair value rises.
Debt securities	29,521	2	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate, etc.	If the discount rate declines and the growth rate rises, fair value rises.
Non-marketable stock	-	3	Net asset valuation method, cash flow discount model, etc.	Growth rate, discount rate, etc.	If the discount rate declines and the growth rate rises, fair value rises.
<b>Derivatives (assets)</b>					
Currency forward and others	777	2	Market approach	Currency forward exchange rates, etc.	N/A
<b>Derivatives (liabilities)</b>					
Currency forward and others	5,353	2	Market approach	Currency forward exchange rates, etc.	N/A

- (5) The Company recognizes movements between levels when events or changes in circumstances bring about level shifts. In addition, there is no significant movement between Level 1 and Level 2 during the period.

**42. OPERATING LEASE CONTRACT:**

1) Lease contract

The Company has signed the operating lease contract with "D-Tower" held by Marston Professional Investment Private Equity Real Estate Investment Trust on August 31, 2020, and "D-Tower" held by LB Specialty Investment No. 27 Private Equity Investment Company on December 21, 2020. D-Tower", "Replace Hannam Buildings F, G, H" held by Korea and Heungkuk Asset Management Co., Ltd. on February 5, 2021. Also, the company signed an operating lease contract to use the land owned by KM Best Solutions on October 1, 2020 and the lease terms are 5 years, 7 years and 3 months, 2 years, and 2 years, respectively. The Company does not have an option to purchase the leased building or land at the expiration of the lease term

2) The amount recognized as profit or loss in the current and prior period in relation to the operating lease is as follows:

Korean won (in millions)	
December 31, 2021	
Lease profit from operating lease	950
Lease earnings, not variable lease rates, depending on the rate	-
Total	950

3) The maturity analysis of operating lease contracts as of the end of the current and prior term is as follows:

Korean won (in millions)	
December 31, 2021	
Within 1 year	1,515
1 year-2 years	1,560
2 years-3 years	1,551
3 years-4 years	1,593
4 years-5 years	1,081
More than 5 years	89
Total	7,389

**43. ASSETS HELD FOR SALE**

In relation to the third project site in Mabuk, Yongin, the Company classified KRW 26,441 million as assets held for sale according to the land sale plan. As fair value, less costs to sell is expected to exceed the carrying amount, no impairment loss has been recognized for the asset classified as held for sale as of December 31, 2021.

Assets held for sale as of the end of the reporting period are as follows.

Korean won (in millions)	
Type	December 31, 2021
Assets held for sale	26,441

#### **44. ESTABLISHMENT OF A COMPANY AS THE METHOD OF SPIN-OFF:**

The Company was newly established as the method of spin-off from DL Holdings Co., Ltd. (former Daelim Industrial Co., Ltd.) with the spin-off date of January 1, 2021.

##### (1) General information on division

As stipulated in Articles 530-2 through 530-11 of the Commercial Act, the shareholders of DL Co., Ltd (former Daelim Industrial Co., Ltd.) before the spin-off are allocated stocks of the corporation established through spin-off in proportion to their shareholding ratio as of the base date of new spin-off stock allocation. The company was divided by the spin-off method, and the company established a new company through spin-off by dividing the construction business division that performs civil engineering, housing and plant construction among the businesses operated by DL Co., Ltd. (formerly Daelim Industrial Co., Ltd.) before the spin-off.

Accordingly, the spin-off company will allocate new stocks at the rate shown in the table below for each share owned by the spin-off company to the shareholders registered in the shareholder list as of the base date for allocating new stocks for spin-off (December 31, 2020) of the company being spin-off.

	(Shares)	
	DL	DL E&C
Common stock	0.4437144	0.5562856
Preferred stock	0.4437144	0.5562856

The number of shares issued before and after the split according to the above allocation ratio is as follows.

	(Shares)			
	Before	After		
	DL (former Daelim Industrial)	DL	DL E&C	Total
Common stock	34,800,000	15,441,262	19,358,738	34,800,000
Preferred stock	3,800,000	1,686,115	2,113,885	3,800,000

##### (2) PROPERTY TRANSFERRED TO THE NEWLY ESTABLISHED COMPANY THROUGH SPIN-OFF AND ITS VALUE

The assets and liabilities transferred to the company through a spin-off shall be based on the list of succession targets attached to the spin-off plan approved by the extraordinary general meeting of shareholders on December 4, 2020, of DL Co., Ltd. (former Daelim Industrial Co., Ltd.) before the spin-off. The increase or decrease in the property generated by the business division transferred to the division before the date of division was added or decreased.

##### (3) ACCOUNTING TREATMENT RELATED TO THE SPIN-OFF

1) Assets and liabilities divided into the method of spin-off are based on book value that the company inherited from DL Co., Ltd. (formerly Daelim Industrial Co., Ltd.) prior to spin-off.

2) Deferred tax assets (liabilities) directly related to the transferred assets and liabilities were transferred to the newly established company.

3) As a result of spin-off, if the carrying amount of the net assets to be acquired exceeds the amount obtained by adding or subtracting the capital of the newly established company and the accumulated other comprehensive income transferred, the difference is treated as an additional paid-in capital.

**45. SUBSEQUENT EVENTS:**

- (1) In January 2022, the Company approved the extension of the loan period for the loan balance of ₩8 billion with Osan Landmark Project Co., Ltd. by one year.
- (2) In January 2022, the Company approved a two-year extension for the \$220 mil. loan with DSA.
- (3) In January 2022, the Company have decided to take responsibility for the loan agreement between the developer and the lender (loan limit: ₩65 billion) in relation to the Suwon Gosack officetel new construction project (within 33 months from the date of initial withdrawal).
- (4) In January 2022, the Company opened a bond line for the issuance of Russian BCC-PE/LAO Project Bonds (Seoul Guarantee: approximately ₩284 billion) and increased (HSBC: ₩309.5 billion). In addition, the Company has approved the provision of approximately ₩56.7 billion of credit for guarantees for affiliated companies (DRLs).
- (5) In February 2022, the Company have decided to take responsibility for the loan agreement between the developer and the lender (loan limit: ₩100 billion) in connection with the new officetel construction project in Hang-dong, Incheon (within 48 months from the date of initial withdrawal).
- (6) In February 2022, the Company have decided to take responsibility for the loan agreement between the developer and the lender (loan limit: ₩288 billion) in relation to the new construction project in Dongdaegu District (within 44 months from the date of initial withdrawal).
- (7) In February 2022, the Company opened a bond line for the issuance of bonds for the EuroChem Project in Russia (Eximbank limit: about ₩482.4 billion). In addition, the Company has approved the provision of approximately ₩279.8 billion in credit for guarantees for affiliated companies (DRLs).