

DL E&C CO., LTD. AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022 AND 2021**

ATTACHMENT : INDEPENDENT AUDITORS' REPORT

DL E&C CO., LTD.

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 15, 2023.

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

Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of DL E&C Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022 and December 31, 2021, respectively, and the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and December 31, 2021, respectively, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

We conducted our audit in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Total Contract Cost Estimate

When the Group 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 cost. As noted in Note 3(3) to the consolidated financial statements, the total estimated contract cost for the progress rate reflects management's significant estimates of future projections, such as material costs and outsourcing costs.

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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, 2022, the major audit procedures we performed regarding the estimation of the total estimated cost of the Group are as follows:

- Identifying the Group's business procedures related to estimation and change of the total estimated cost and evaluating the effectiveness of its internal control design and operation.
- Inspection of 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 at 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 Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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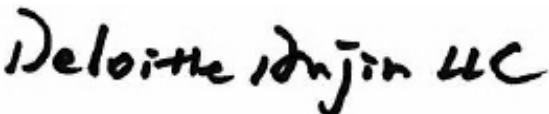
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and, therefore, are 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



March 15, 2023

Notice to Readers

This report is effective as of March 15, 2023, 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 consolidated financial statements and may result in modifications to the auditors' report.

DL E&C CO., LTD. AND ITS SUBSIDIARIES (the “Group”)

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2022 AND 2021**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Group

Ma, Chang Min
Chief Executive Officer
DL E&C CO., LTD.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	Notes	Korean won	
		2022	2021
ASSETS			
CURRENT ASSETS:		5,403,768,957,903	5,354,345,946,301
Cash and cash equivalents	5,7,39,41,42	1,752,398,719,194	2,044,760,806,307
Short-term financial instruments	5,7,41,42	517,330,193,397	218,224,241,116
Trade and other current receivables	6,7,9,38,41,42	1,209,238,843,861	979,421,210,423
Contract assets	6,38	823,470,086,069	968,406,979,618
Lease receivables	7,12,41,42	480,055,893	409,551,816
Income tax assets		20,846,170,321	18,258,018,102
Inventories	11,29	852,774,611,744	939,555,743,852
Financial assets at FVTPL	7,8,29,41,42	12,358,355,408	-
Financial assets at FVTOCI	7,8,28,29,41,42	457,922,007	6,459,832,220
Derivative assets	7,30,41,42	2,871,424,305	764,445,752
Other current assets	10	211,542,575,704	151,644,292,457
Assets held for sale	44	-	26,440,824,638
NON-CURRENT ASSETS:		3,570,948,486,382	3,347,344,256,443
Long-term financial instruments	5,7,41,42	3,401,361,200	519,633,000
Long-term trade and other non-current receivables	6,7,9,38,41,42	1,843,446,817,644	1,721,385,593,440
Investments in associates and joint ventures	17	449,509,965,378	290,150,152,955
Financial assets at FVTPL	7,8,29,41,42	162,476,379,818	132,934,895,948
Financial assets at FVTOCI	7,8,28,29,41,42	15,348,831,058	27,327,922,257
Financial assets measured at amortized cost	7,41,42	200,265,421	25,771,295
Property, plant and equipment	13	132,190,317,364	132,053,783,359
Investment property	14	355,282,381,719	357,255,572,692
Intangible assets	15	35,292,263,674	39,310,321,147
Right-of-use assets	18	95,903,908,077	111,822,541,423
Derivative assets	7,30,41,42	2,878,816,943	12,804,586
Lease receivables	7,12,41,42	1,169,125,376	1,623,262,089
Net-defined benefit assets	5,21	26,383,919,048	-
Deferred tax assets	36	412,748,454,891	499,920,688,905
Other non-current assets	10	34,715,678,771	33,001,313,347
TOTAL ASSETS		8,974,717,444,285	8,701,690,202,744
LIABILITIES			
CURRENT LIABILITIES:		3,210,693,538,872	3,136,739,509,756
Trade and other current payables	7,19,38,41,42	1,311,753,112,150	1,253,457,251,413
Contract liabilities	6,38	1,079,903,646,980	984,397,351,312
Short-term borrowings and current portion of long-term borrowings	7,20,41,42	261,212,192,561	196,552,100,620
Lease liabilities	7,24,41,42	55,914,488,157	51,210,273,976
Income taxes payable		87,990,030,663	160,199,547,730
Other current provisions	23	222,112,899,099	301,110,528,486
Financial guarantee contract liabilities	7,29,41	13,562,011,236	16,530,258,088
Provision for construction warranties		32,659,140,215	40,243,894,397
Derivative liabilities	7,30,41,42	3,782,862,758	2,257,188,015
Other current liabilities	22	141,803,155,053	130,781,115,719
NON-CURRENT LIABILITIES:		1,071,547,395,985	1,067,803,526,952
Long-term trade and other non-current payables	7,19,38,41,42	14,595,538,917	13,092,568,369
Borrowings and debentures	7,20,41,42	836,782,251,836	810,330,082,097

	Notes	Korean won	
		2022	2021
Lease liabilities	7,24,41,42	76,728,769,245	100,469,258,836
Net defined benefit liabilities	5,21	-	6,998,655,964
Provision for construction warranties		90,782,196,244	101,589,677,639
Other non-current provisions	23	721,176,967	697,075,630
Financial guarantee contract liabilities	7,29,41	2,786,841,406	2,068,144,247
Derivative liabilities	7,30,41,42	-	810,972,098
Deferred tax liabilities	36	47,175,686,490	27,121,163,836
Other non-current liabilities	22	1,974,934,880	4,625,928,236
TOTAL LIABILITIES		4,282,240,934,857	4,204,543,036,708
SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:		4,349,675,334,517	4,167,944,097,862
Capital stock	25	214,597,295,000	107,363,115,000
Other paid-in capital	26	3,461,571,059,294	3,606,913,471,103
Retained earnings	27	858,083,898,891	580,286,638,489
Accumulated other comprehensive income	28	(184,576,918,668)	(126,619,126,730)
NON-CONTROLLING INTERESTS		342,801,174,911	329,203,068,174
TOTAL SHAREHOLDERS' EQUITY		4,692,476,509,428	4,497,147,166,036
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,974,717,444,285	8,701,690,202,744

See accompanying notes to consolidated financial statements.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	Korean won	
		2022	2021
I. SALES	6,31,38	7,496,823,679,468	7,631,650,898,582
II. COST OF SALES	32,38	6,565,498,442,410	6,245,280,043,968
III. GROSS PROFIT		931,325,237,058	1,386,370,854,614
Selling and administrative expenses	32,33,38	434,360,006,978	429,112,871,700
IV. OPERATING INCOME:		496,965,230,080	957,257,982,914
Other income	34,38	170,771,594,660	104,711,032,901
Other expense	34,38	167,508,257,246	183,970,511,562
Financial income	35,38	141,704,837,887	117,128,356,688
Financial expense	35,38	57,222,959,983	69,279,395,408
Share of profits of associates and joint ventures	17	10,763,023,477	(16,596,285,238)
V. INCOME BEFORE INCOME TAX EXPENSE		595,473,468,875	909,251,180,295
INCOME TAX EXPENSE	36	163,915,602,982	273,415,226,658
VI. NET INCOME		431,557,865,893	635,835,953,637
VII. NET INCOME ATTRIBUTABLE TO:			
Owners of the Group		413,165,585,504	577,044,183,539
Non-controlling interests		18,392,280,389	58,791,770,098
VIII. NET EARNINGS PER SHARE:	37		
Basic and diluted earnings per common share		10,130	13,452
Basic and diluted earnings per preference share		5,770	13,452

See accompanying notes to consolidated financial statements.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	Korean won	
		2022	2021
I. NET INCOME		431,557,865,893	635,835,953,637
II. OTHER COMPREHENSIVE INCOME (LOSS):		(140,945,725,813)	8,833,896,527
Items not to be reclassified subsequently to profit or loss:		13,589,100,383	2,795,449,280
Remeasurement of defined benefit plan	21,28,36	17,926,278,003	3,855,897,636
Tax effects on the items not to be reclassified to profit or loss	36	(4,337,177,620)	(1,060,448,356)
Items to be reclassified subsequently to profit or loss:		(154,534,826,196)	6,038,447,247
Loss on valuation of financial assets measured at FVTOCI	8,28,36	(681,487,707)	(564,729,122)
Loss on overseas operations translation	28	(179,125,605,327)	(19,977,488,914)
Changes in other comprehensive income of associates and joint ventures	17,28,36	83,896,330,465	27,997,570,724
Tax effects on the items to be reclassified to profit or loss	36	(58,624,063,627)	(1,416,905,441)
III. COMPREHENSIVE INCOME		290,612,140,080	644,669,850,164
IV. COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Group		271,052,762,593	586,353,594,948
Non-controlling interests		19,559,377,487	58,316,255,216

See accompanying notes to consolidated financial statements.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital stock	Other paid-in capital			Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Treasury stock				
I. Balance as of January 1, 2021	107,363,115,000	3,610,124,452,098	-	-	-	(132,686,083,189)	275,258,411,508	3,860,059,895,417
Dividends	-	-	-	-	-	-	(4,371,598,550)	(4,371,598,550)
Net income	-	-	-	-	577,044,183,539	-	58,791,770,098	635,835,953,637
Loss on valuation of financial assets at FVTOCI	-	-	-	-	-	(389,192,924)	(28,509,212)	(417,702,136)
Loss on overseas operations translation	-	-	-	-	-	(19,977,488,914)	-	(19,977,488,914)
Changes in other comprehensive gain on associates and joint ventures	-	-	-	-	-	26,433,638,297	-	26,433,638,297
Remeasurement of defined benefit plan	-	-	-	-	3,242,454,950	-	(447,005,670)	2,795,449,280
Acquisition of treasury stock	-	-	-	(3,210,980,995)	-	-	-	(3,210,980,995)
Summary of shareholders' equity gain (loss)	-	-	-	(3,210,980,995)	580,286,638,489	6,066,956,459	53,944,656,666	637,087,270,619
II. Balance as of December 31, 2021	107,363,115,000	3,610,124,452,098	-	(3,210,980,995)	580,286,638,489	(126,619,126,730)	329,203,068,174	4,497,147,166,036
III. Balance as of January 1, 2022	107,363,115,000	3,610,124,452,098	-	(3,210,980,995)	580,286,638,489	(126,619,126,730)	329,203,068,174	4,497,147,166,036
Change in functional currency	-	-	(6,798,760,621)	-	(89,680,587,818)	96,479,348,439	-	-
Dividends	-	-	-	-	(58,012,054,750)	-	(5,961,270,750)	(63,973,325,500)
Net income	-	-	-	-	413,165,585,504	-	18,392,280,389	431,557,865,893
Loss on valuation of financial assets at FVTOCI	-	-	-	-	-	(415,507,015)	(97,685,819)	(513,192,834)
Loss on overseas operations translation	-	-	-	-	-	(179,125,605,327)	-	(179,125,605,327)
Changes in other comprehensive gain on associates and joint ventures	-	-	-	-	-	25,103,971,965	-	25,103,971,965
Remeasurement of defined benefit plan	-	-	-	-	12,324,317,466	-	1,264,782,917	13,589,100,383
Increase (decrease) of capital stock without consideration	107,234,180,000	(107,957,449,810)	-	-	-	-	-	(723,269,810)
Acquisition of treasury stock	-	-	-	(28,994,527,800)	-	-	-	(28,994,527,800)

	Korean won							
	Capital stock	Other paid-in capital			Retained earnings	Accumulated other comprehensive income	Non-controlling interest	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Treasury stock				
Others	-	(1,591,673,578)	-	-	-	-	-	(1,591,673,578)
Summary of shareholders' equity gain (loss)	107,234,180,000	(109,549,123,388)	(6,798,760,621)	(28,994,527,800)	277,797,260,402	(57,957,791,938)	13,598,106,737	195,329,343,392
IV. Balance as of December 31, 2022	214,597,295,000	3,500,575,328,710	(6,798,760,621)	(32,205,508,795)	858,083,898,891	(184,576,918,668)	342,801,174,911	4,692,476,509,428

See accompanying notes to consolidated financial statements.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Notes	Korean won	
		2022	2021
I. CASH FLOWS FROM OPERATING ACTIVITIES:		151,964,571,116	580,428,921,799
1. Net income		431,557,865,893	635,835,953,637
2. Adjustments	39	379,808,577,700	517,372,706,464
3. Changes in assets and liabilities from operating activities	39	(481,895,583,923)	(509,286,169,241)
4. Interest income received		63,921,146,390	35,050,750,603
5. Interest expense paid		(34,967,499,460)	(29,633,712,988)
6. Dividend income received		2,755,875,569	1,057,604,670
7. Income taxes paid		(209,215,811,053)	(69,968,211,346)
II. CASH FLOWS FROM INVESTING ACTIVITIES		(385,734,321,290)	(337,950,703,004)
1. Decrease in short-term financial instruments		393,289,154,503	177,898,115,425
2. Decrease in short-term loans		146,687,830,810	135,149,046,214
3. Decrease in Current Lease Deposit		13,303,847,697	-
4. Decrease in long-term financial instruments		492,633,000	32,500,000
5. Decrease in long-term loans		43,616,012,929	90,739,600,698
6. Decrease in deposits		252,354,629,586	137,442,231,035
7. Disposal in capital stock of associates		216,322,966	65,861,332
8. Disposal of FVTOCI		23,588,410,000	3,095,095,000
9. Disposal of FVTPL		6,661,814,539	561,084,236
10. Disposal of land		176,320,465	2,908,699,231
11. Disposal of buildings		493,584,489	463,830,769
12. Disposal of machinery		244,376,220	1,761,542,071
13. Disposal of vehicles		36,948,635	91,862,836
14. Disposal of other tangible assets		252,591,075	199,829,306
15. Disposal of investment properties		2,880,223,900	1,760,589,577
16. Disposal of intangible assets		-	242,868,667
17. Increase in short-term financial instruments		(688,411,820,017)	(231,570,061,840)
18. Increase in short-term loans		(88,046,938,591)	(195,347,465,743)
19. Increase in liquidity lease deposit		(1,674,568,881)	-
20. Increase in long-term financial instruments		(3,374,361,200)	(455,633,000)
21. Increase in long-term loans		(98,732,584,856)	(185,849,837,575)
22. Increase in deposits		(247,023,290,270)	(155,410,746,688)
23. Acquisition of investments in associates		(75,340,488,549)	(79,756,866,064)
24. Acquisition of non-current assets held for sale		-	(106,841,100)
25. Acquisition of FVTOCI		(14,461,800,000)	(6,668,512,700)
26. Acquisition of FVTPL		(29,200,487,855)	(14,225,527,447)
27. Acquisition of land		(5,076,222,000)	(119,037,429)
28. Acquisition of buildings		-	(616,854,035)
29. Acquisition of structures		(20,548,374)	(42,121,822)

30. Acquisition of machineries		(6,516,100,420)	(875,690,264)
31. Acquisition of vehicles		(139,322,400)	(887,075,745)
32. Acquisition of other tangible assets		(3,757,730,744)	(2,914,721,343)
33. Acquisition of tangible assets under construction		(2,039,145,770)	(8,867,544,821)
34. Acquisition of investment properties		-	(1,846,857,622)
35. Acquisition of intangible assets		(6,213,612,177)	(4,802,064,163)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		(64,770,341,386)	113,616,603,188
36. Proceeds from short-term borrowings		2,517,831,300,000	2,931,300,000,000
37. Proceeds from long-term borrowings		100,393,120,801	164,322,628,575
38. Proceeds from debenture		-	354,000,000,000
39. Increase in leasehold deposits		217,136,519	728,552,550
40. Repayment of short-term borrowings		(2,488,373,475,000)	(2,905,000,000,000)
41. Repayment of current portion of long-term liabilities		(40,252,113,180)	(320,252,100,620)
42. Repayment of long-term borrowings		-	(39,448,500,000)
43. Repayment of debenture		-	(10,551,900,000)
44. Debenture issue costs		(351,718,000)	(1,069,761,600)
45. Stock issue cost		(723,269,810)	-
46. Acquisition of treasury stock		(28,994,527,800)	(3,210,980,995)
47. Repayment of lease liabilities		(60,324,424,416)	(52,724,336,172)
48. Decrease in leasehold deposits		(219,045,000)	(105,400,000)
49. Payment of dividends		(63,973,325,500)	(4,371,598,550)
IV. NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (I + II + III)		(298,540,091,560)	356,094,821,983
V. CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,044,760,806,307	1,682,144,834,342
VI. CHANGES IN CASH AND CASH EQUIVALENTS DUE TO FOREIGN CURRENCY TRANSLATION		6,178,004,447	6,521,149,982
VIII. CASH AND CASH EQUIVALENTS, END OF YEAR		1,752,398,719,194	2,044,760,806,307

See accompanying notes to consolidated financial statements.

DL E&C CO., LTD. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. GENERAL INFORMATION:

DL E&C Co., Ltd. (the "Company"), which is a controlling company in accordance with Korean International Financial Reporting Standards ("K-IFRSs") 1110, *Consolidated Financial Statements*, 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 ₩21,129 million, amounted to ₩214,597 million as of December 31, 2022. The largest shareholder of common stock as of December 31, 2022, is DL Co., Ltd., with 23.15% ownership.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of preparation

The Company and its subsidiaries (collectively, the "Group") have prepared the consolidated financial statements in accordance with the K-IFRSs.

Major accounting policies used for the preparation of the consolidated financial statements are stated below.

Consolidated financial statements are prepared on the basis of historical cost, except for certain non-current assets and financial assets measured at the revalued amount or at fair value at the end of each reporting period as explained in the accounting policy below. Historical costs are generally measured at the fair value of the consideration paid to acquire an asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116 Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

Management has a reasonable expectation that at the time of approval of the consolidated financial statements, the Group will have sufficient resources to survive as a going concern for the foreseeable future period. Therefore, the management prepared the consolidated financial statements on the premise of the going-on company.

These consolidated financial statements have been approved by the board of directors on February 22, 2023, and will be finalized at the shareholders' meeting on March 23, 2023.

1) Newly introduced K-IFRSs and interpretations for the current year and their effects on the accounting policies are following:

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

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.

- 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 of selling items produced before that asset is available in the manner intended by management. Consequently, the entity recognizes such sales proceeds and related costs in profit or loss, and measures the cost of those items in accordance with K-IFRS 1002 Inventories.

If the sales amount and cost included in profit or loss are not separately presented in the statement of comprehensive income because the goods produced are not the output of the group's ordinary activities, the size of such sales proceeds and costs, and the accounts in the statement of comprehensive income that include these sales proceeds and costs, must be disclosed.

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 beginning balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

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.

- Annual Improvements to K-IFRSs 2018-2020 Cycle

The annual improvements include amendments to K-IFRS 1101 First-Time Adoption, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases, and K-IFRS 1041 Agriculture.

① K-IFRS 1101 First-Time Adoption

The amendments provide additional exemptions regarding the accounting for cumulative translation differences in subsidiaries that become first-time adopters later than the parent company. A subsidiary applying the exemption in paragraph D16(1) of K-IFRS 1101 may choose to measure the cumulative conversion difference between all foreign operations at the carrying amount included in the parent's consolidated financial statements on the basis of the parent's transition date. However, this excludes the effectiveness of business combinations in which a parent acquires a subsidiary and adjustments to the consolidation procedures. A similar choice may be made if an associate or joint venture applies the exemption in paragraph D16(1) of K-IFRS 1.

② K-IFRS 1109 Financial Instruments

The amendments clarify that when applying the '10%' test to assess the derecognition of a financial liability, it includes only fees received or paid between the entity (borrower) and the lender, including fees paid or received on behalf of another party. The amendment is applied prospectively to changes and exchanges that occurred after the date of the initial application.

③ K-IFRS 1116 Leases

The amendment deleted the details of the lease improvement reimbursement in Example 13 of IFRS 16.

④ K-IFRS 1041 Agriculture

The amendments deleted requirements that exclude tax-related cash flows when measuring the fair value of biological assets. This aligns with the requirements of K-IFRS 1113 to use internally consistent cash flows and discount rates with fair value measurements in K-IFRS 1041 and allows an entity to choose whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurements.

The Group does not expect that the application of the amendments will have a significant impact on its consolidated financial statements.

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

At the date of authorization of these consolidated financial statements, the Group 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 (Enactment)

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 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 should be applied retrospectively, unless the amended retrospective method or the fair value method is applied because K-IFRS 1117 is impracticable.

For the purpose of the transitional provisions, 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 (Amendment)

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the 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 and 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 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendments)

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 and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability. In addition, the amendments explain that the right exists if the borrowing agreement is complied with at the end of the reporting period, and clarify the definition of settlement as the transfer of cash, equity instruments, other assets or services to the counterparty.

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.

In addition, guidelines and examples have been developed to explain and apply 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 1001 Presentation of Financial Statements - Disclosure of valuation gains and losses for financial liabilities with a condition for adjustment of the exercise price (Amendments)

The amendments require disclosure of the fair value changes of the conversion rights or share preemptive rights (or financial liabilities that include these rights) during the reporting period, including any gains or losses resulting from fair value changes (limited to those included in current income), if any or all financial products containing conditions in which the exercise price is adjusted based on the fluctuations of the issuer's share price are classified as financial liabilities (according to definition (2) of financial liabilities in paragraph 11 of K-IFRS 1032 "Financial Instruments: Presentation")

This amendment will be applied from the first fiscal year starting on or after January 1, 2023, with early application permitted.

-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."

Although the definition of a change in accounting estimate has been deleted, the concept of a change in accounting estimate has been maintained in the standard by clearly stating the following:

- A change in an accounting estimate may arise from the development of new information or new circumstances and should not be regarded as a correction of an error.
- A change in an accounting estimate resulting from a change in the inputs or measurement techniques used to develop an accounting estimate should be accounted for as a change in accounting estimate unless it arises from a prior period error correction.

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(Amendment)

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 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 apply to transactions that occurred after the start date of the earliest comparison period presented. We also recognize the following items at the beginning of the earliest period presented for comparison.

- Deferred tax assets (limited to cases where it is probable that taxable income will be available against which the deductible temporary difference can be used) and deferred tax liabilities for all deductible temporary differences and taxable temporary differences related to:
 - Right-of-use assets and lease liabilities
 - Liabilities related to postprocessing and recovery, and the amount recognized as part of the cost of related assets in response to these liabilities;
- The cumulative effect of the initial application of the amendment is recognized as an adjustment to the opening balance of retained earnings (or other items of equity, if appropriate) at the beginning of the earliest period presented for comparison.

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

The Group does not anticipate that the application of the enactment and amendments will have a significant impact on the Group's consolidated financial statements.

(2) Consolidated accounting standards

The consolidated entity prepares consolidated financial statements by consolidating the financial statements of the parent and other entities controlled by the parent (or its subsidiaries).

The consolidated entity determines that control exists when all three factors are satisfied: 1) power over an investee, 2) exposure or rights to fluctuating profits due to involvement in the investee and 3) the ability to use its power against an investee to affect the investor's profit. In addition, if there are facts and circumstances that indicate that there is a change in one or more of the three elements of control, the entity reassesses whether it controls the investee.

Although the consolidated entity holds less than a majority of the voting rights of the investee, it believes that it has power over the investee if it has enough voting rights to have the practical ability to unilaterally direct the relevant activities of the investee. When assessing whether the voting rights held by the consolidated entity are sufficient to grant the power over the investee, all relevant facts and circumstances, including the following, are considered:

- The relative size of voting rights and the degree of share dispersion among shareholders
- Potential voting rights held by the consolidated entity, other voting rights holders or other parties
- Rights arising from contractual arrangements
- Additional facts and circumstances that indicate whether the consolidated entity has the current ability to direct the relevant activities at the time the decision is to be made, including voting patterns at past shareholders' meetings

The consolidation of subsidiaries begins when the parent acquires control of the subsidiary and ceases when the parent loses control of the subsidiary. In particular, the revenues and expenses related to subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the acquisition is virtually completed or until the date the disposal is substantially completed. The components of net profit and loss and other comprehensive income are attributed to the owners of the parent and the non-controlling interests, and total comprehensive income is attributed to the owners of the parent and the non-controlling interests, even if the non-controlling interests have a negative balance.

If an entity that comprises the consolidated entity uses a different accounting policy from the one adopted in the consolidated financial statements for the same transactions or events that occurred in similar circumstances, the consolidated financial statements are prepared by amending the financial statements.

All intragroup transactions, related assets and liabilities, and income and expenses are eliminated in the preparation of consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the consolidated entity's equity. If the element of a non-controlling interest in the acquiree at the acquisition date is its current interest and entitles the holder to a proportionate share of the entity's net assets at liquidation, such non-controlling interest can be measured either at fair value or by a proportionate share of the equity instruments currently recognized for the acquiree's identifiable net assets at the acquisition date. The choice of these metrics is made for each acquisition transaction. All other non-controlling interests are measured at their fair value at the acquisition date. The carrying amount of the non-controlling interest after the acquisition is the amount initially recognized and reflects the proportionate interest of the non-controlling interest in the changes in equity since the acquisition. Total comprehensive income is attributable to non-controlling interests even if the non-controlling interests have negative balances.

Changes in ownership interests in subsidiaries that do not lose control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interests of the consolidated entity is adjusted to reflect the relative changes in interest in the subsidiaries. The difference between the adjustment amount of the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

If the parent loses control of the subsidiary, it accounts for the difference between (i) the consideration received and the fair value of the equity interests held and (ii) the subsidiary's assets (including goodwill) and liabilities and the carrying amount of the non-controlling interests in disposal profit or loss. The consolidated entity accounts for the amounts previously recognized in other comprehensive income in relation to its subsidiaries on the same basis as if the related assets or liabilities were directly disposed of (i.e., reclassified to profit or loss or replaced directly with retained earnings). The fair value of an investment in a subsidiary before the date of loss of control is regarded as the fair value at initial recognition of a financial asset in accordance with K-IFRS 1109 'Financial Instruments' or, where appropriate, as a cost at initial recognition of an investment in an associate or a joint venture.

(3) Business combination

Acquisitions of subsidiaries or businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 Share-Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's PHI in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's PHIs in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if those interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(4) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence, which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated into these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use or fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date, and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture are included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, if part of an investment in an associate or a joint venture meets the criteria for classification as held for sale, K-IFRS 1105 applies.

If an investment in an associate becomes a joint venture investment or vice versa, the Group continues to apply the equity method and does not remeasure the remaining retained interest.

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

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or a joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

(5) Joint Arrangements

Joint arrangements are joint arrangements in which the parties having joint control of the arrangement have rights to the assets of the arrangement and obligations for its liabilities, Joint control is a contractually agreed share of control of an arrangement that exists only when decisions about the relevant activities require the consent of all the parties sharing control.

When the Group carries out its activities under a joint operation, the Group recognizes the following in relation to its interest in the joint operation as a joint operator:

- Own assets include own share of jointly held assets
- Own liabilities include own share of jointly accrued liabilities
- Profits from the sale of one's share of the output from the joint arrangements
- Own share of the proceeds from the sale of the output of the joint arrangement
- Own expense includes own share of jointly incurred expenses

The Group accounts for its assets, liabilities, income and expenses corresponding to its interest in joint operations in accordance with the standard applying to specific assets, liabilities, income and expenses

When the Group, which is a joint operator, enters into a transaction, such as a sale or investment of assets in a joint operation, it is considered to be carrying out a transaction with the other party of the joint operation, and the Group shares the profit or loss resulting from the transaction to the other parties.

(6) 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 Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. 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 the 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.

(7) Non-current assets held for sale

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

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable, and the asset (or 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment in an associate, or a portion of an investment in an associate, the investment or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

(8) Revenue recognition

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

The Group recognizes revenue from the following major sources:

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

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

The Group performs the construction of civil work, housing and plant under long-term contracts agreed upon with clients ahead of the construction service's beginning. The directors reviewed the terms of the contracts by individual contracts and viewed them 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 Group 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 work 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 Group recognizes the difference as a contract liability.

2) Construction for apartment sales

The Group performs the construction of residential real estate under long-term contracts agreed upon with clients ahead of the construction service's beginning. Under the terms of the agreement, it is limited to transfer of property to others. If the Group 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 Group 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 Group does not have an entitlement to enforceable payment for the services already performed.

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

3) Rendering of services and operation

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

4) Others

The Group recognizes revenue other than the above-mentioned when the revenue recognized from sales is not a revenue deferral due to the distribution of the period and when other services and goods are delivered to the client. The Group recognizes revenue at the date of acquisition and, therefore, applies the revenue standard of delivery with respect to other revenue.

(9) Lease

1-1) The Group as lessee

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group 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 Group 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 using the rate implicit in the lease. If this rate cannot be readily determined, the Group 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
- Group-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 group and the lease does not receive benefits from the guarantee of the group, 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 statements 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 Group 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 Group 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 K-IFRS 1037. To the extent that the costs relate 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 Group 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 statements of financial position.

The Group 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 of 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 Group has used this practical expedient.

1-2) The Group as lessor

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

Leases for which the Group 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 Group 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 Group'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 Group's net investment outstanding in respect of the leases.

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

(10) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated 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 consolidated financial statements.

In preparing the consolidated 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation (i.e., disposal of the Group's entire interest in a foreign operation, disposal involving loss of control over a subsidiary that includes a foreign operation or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests in equity and is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of accumulated exchange differences is reclassified to profit or loss.

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.

(11) 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.

(12) Government grants

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

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 the 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 consolidated 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 Group 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 Group 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 from the related expense.

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

(13) Retirement benefit costs and termination benefits

For defined 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 consolidated statement of financial position with a charge or credit to the consolidated statement of comprehensive income in the period in which they occur. Remeasurements recognized in the consolidated 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 Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on the 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; and
- 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 consolidated statement of financial position represents the actual deficit or surplus in the Group'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 costs 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.

(14) 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 consolidated statement of income and consolidated 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 Group'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 Group 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 consolidated 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 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 Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized, 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 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 Group 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 Group 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 taxes 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 Group, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

(15) 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 Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group 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:

(In the case of a machine, the economic useful lives may vary depending on the special conditions.)

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 Group 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.

(16) 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 Group 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 4 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.

(17) 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 Group 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)
Development costs	5
Industrial property rights	5–10
Software	4–5
Others	5–9

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) 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.

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

At the end of each reporting period, the Group 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 Group 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.

(19) 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.

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

1) Loss-incurred contracts

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

2) Provision for restoration

In accordance with the terms of the lease agreement, expenses owed by the Group when restoring leased assets to their original condition are recognized as provisions on the lease commencement date or during a specific period in which the liability becomes liable as a result of using the assets. The provision is measured as the best estimate of the expenditure required to restore the asset, which is reviewed regularly and adjusted to suit new circumstances.

3) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with K-IFRS 1037 and the amount recognized initially, less cumulative amount of income recognized in accordance with the principles of K-IFRS 1115.

(21) Cash and cash equivalents

In the consolidated statements of financial position, cash and bank balances are composed of cash (i.e., cash on hand and demand deposits) and cash equivalents. Cash equivalents are highly liquid, short-term (generally with maturities of three months or less) investments that are easily convertible into predetermined amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents are held to meet short-term cash needs, not for investment or other purposes.

Bank balances restricted from the Group's use by third-party contracts are included as a part of cash, unless such restrictions prevent the bank balance from further meeting the definition of cash. Contractual restrictions affecting the use of bank balances are described in Note 5. If contractual restrictions on the use of cash exceed 12 months beyond the reporting period, the related amount is classified as non-current assets in the consolidated statements of financial position.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents are composed of cash and cash equivalents as defined above and the net amount of bank overdrafts that are part of the Group's cash management and must be immediately repaid according to the demands of financial institutions. Such bank overdrafts are presented as short-term borrowings in the consolidated statements of financial position

(22) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured at fair value upon initial recognition, excluding trade receivables that do not contain a significant financial component. 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.

(23) 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 Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group 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 Group 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 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, considering ECL, 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 Group 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 "financial 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 Group 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.

Investments in equity instruments that fall under other comprehensive income and fair value items are recognized at fair value, plus transaction costs. Subsequently, it is measured at fair value, and gains or losses arising from changes in fair value are recognized as other comprehensive income and accumulated as accumulated valuation gains or losses. At the time the equity instrument is disposed of, the accumulated gain or loss is not reclassified to profit or loss and is transferred to profit or loss.

If dividends on investments in equity instruments do not clearly indicate the recovery of investment costs, such dividends are recognized in profit or loss in accordance with K-IFRS 1109.

At the time of initial recognition, the Group has designated all investments in equity instruments that are not short-term trading items as other comprehensive income-fair value items.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Group 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 to be 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 'financial 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 Group 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.

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. On the other hand, meanwhile, interest income from FVTPL is recognized in financial income.

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 Group 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 Group 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 Group'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.

3-1) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group'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 Group's core operations.

In particular, the following information is taken into account when assessing whether the 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.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.
- 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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group 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; and
- (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 Group 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 Group 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 contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, if there is 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 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 Group 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. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice, where appropriate.

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 Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

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

For a financial guarantee contract, as the Group 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 Group expects to receive from the holder, the debtor or any other party.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, 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 investments' revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

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

(24) Financial liabilities and equity instruments

1) Classification as financial liabilities 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 Group are recognized as the proceeds are received, net of direct issue costs.

Repurchase of the Group'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 Group'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 Group, 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 upon initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- 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 Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 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 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 Group that are designated by the Group 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 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 instrument. 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); or
- the amount recognized initially, less, where appropriate, cumulative amortization recognized in accordance with K-IFRS 1115.

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 for financial liabilities that are not part of a designated hedging relationship. For those that 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 in 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 Group derecognizes financial liabilities when, and only when, the Group'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 Group 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 Group 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.

(25) Derivative financial instruments

The Group 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 consolidated financial statements, unless the Group has both legally enforceable right and intention to offset. 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 due 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 a 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 Group 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 Group actually hedges and the quantity of the hedging instrument that the Group 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 Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge), so that it meets the qualifying criteria again.

The Group 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 Group 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 Group 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 Group 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 related to ineffective hedges is recognized in profit or loss.

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 the non-financial liability. This transfer does not affect other comprehensive income.

Furthermore, if the Group 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 Group 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.

The Group enters into currency forward contracts and currency swap derivative contracts to manage the exchange rate risk of foreign currency transactions.

(26) Change of functional currency

DL INSAAT GELISTIRME A.S., a consolidated entity, changed its functional currency from Turkish Lira to Euro as of January 1, 2022, due to the transition from a construction corporation to an operating corporation with the opening of the Canakkale Bridge. The effect of the change in functional currency was applied forward and accounted for.

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

In the application of the Group's accounting policies described in Note 2, 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 the current and future periods.

(1) Defined benefit plan

The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. In order to apply this actuarial valuation method, it is necessary to estimate assumptions about the discount rate, expected wage growth rate and mortality rate. Due to the long-term nature of retirement benefit plans, these estimates contain significant uncertainties.

(2) Useful lives of property, plant and equipment

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

(3) Fair value evaluation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The management of the Group 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 circumstances and the nature of the long-term construction projects, including the uncertainty of exact estimation of the exact completion date.

(5) Change of Applied Exchange Rate for Iranian Rial ("IRR")

The Group has been restricted from overseas remittance of deposits held in Iran for a long time due to U.S. economic sanctions, and the existing official exchange rate does not reflect the market exchange rate of the actual transactions, so the possibility of currency exchange is lacking for a long time. In this respect, the Group determined that the existing official exchange rate does not meet the definition of the closing exchange rate, and therefore, changed the spot exchange rate to the SANA exchange rate in order to reflect the Iranian branch's business performance and financial status, estimating the exchange rate when the possibility of exchange exists again. The effect of the change in the applied exchange rate for IRR was accounted for by prospective application.

4. SEGMENT INFORMATION:

Management of the Group, which makes strategic decision, decides the line of business. Management makes decisions about resources to be allocated to segments and reviews segment operating profits to evaluate segment performance. Segment information for the years ended December 31, 2022 and 2021, is as follows:

(1) Operating results by reportable segment for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)						
	Civil engineering	Housing	Plant	Common	Adjustment or elimination	Total
I. Sales	1,337,185	5,294,836	883,145	5,043	(23,385)	7,496,824
II. Cost of sales	(1,215,776)	(4,688,194)	(695,824)	(3,287)	37,583	(6,565,498)
III. Gross profit	121,409	606,642	187,321	1,756	14,198	931,326
Selling and administrative expenses	(52,714)	(169,381)	(52,678)	(160,905)	1,317	(434,361)
IV. Operating income (loss)	68,695	437,261	134,643	(159,149)	15,515	496,965
Other income	37,509	13,804	113,752	20,566	(14,859)	170,772
Other expense	(32,913)	(96,883)	(68,861)	(18,594)	49,743	(167,508)
Financial income	6,232	51,507	49,349	51,816	(17,199)	141,705
Financial expense	(2,723)	(34,680)	(52,413)	(32,427)	65,020	(57,223)
Share of profits of associates and joint ventures	438	10,000	(496)	821	-	10,763
V. Income (loss) before income tax expense (benefit)	77,238	381,009	175,974	(136,967)	98,220	595,474
Depreciation	(7,365)	(44,256)	(1,413)	(21,410)	(2)	(74,446)
Amortization	(1,051)	(5,266)	(2,370)	(1,548)	751	(9,484)

For the year ended December 31, 2021

Korean won (in millions)						
	Civil engineering	Housing	Plant	Common	Adjustment or elimination	Total
I. Sales	1,504,333	5,077,348	1,058,229	5,798	(14,057)	7,631,651
II. Cost of sales	(1,300,904)	(4,080,986)	(875,039)	(3,066)	14,715	(6,245,280)
III. Gross profit	203,429	996,362	183,190	2,732	658	1,386,371
Selling and administrative expenses	(50,602)	(192,298)	(32,941)	(149,193)	(4,079)	(429,113)
IV. Operating income (loss)	152,827	804,064	150,249	(146,461)	(3,421)	957,258
Other income	20,756	24,686	62,519	29,678	(32,928)	104,711
Other expense	(117,780)	(53,337)	(42,090)	(37,534)	66,770	(183,971)
Financial income	21,425	50,707	40,636	24,164	(19,804)	117,128
Financial expense	(34,992)	(34,015)	(38,822)	(28,755)	67,305	(69,279)
Share of profits of associates and joint ventures	(15,535)	484	(2)	(1,543)	-	(16,596)
V. Income (loss) before income tax expense (benefit)	26,701	792,589	172,490	(160,451)	77,922	909,251
Depreciation	(6,065)	(30,284)	(917)	(21,131)	(2)	(58,399)
Amortization	(1,360)	(4,647)	(1,157)	(1,721)	(6,748)	(15,633)

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

The policies of segments are same as the Group's policies explained above in Note 2. Segment profit is a measure reported to the chief operating decision maker to allocate resources and evaluate a segment's performance.

(2) Assets and liabilities, by reportable segments, as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)						
	Civil engineering	Housing	Plant	Common	Adjustment or elimination	Total
Investments in associates and joint ventures	262,471	77,751	43,253	267,744	(201,709)	449,510
Non-current assets (*1)	133,646	398,090	3,956	358,824	(50)	894,466
Other assets	873,772	3,961,478	775,127	2,556,571	(536,207)	7,630,741
Total assets	1,269,889	4,437,319	822,336	3,183,139	(737,966)	8,974,717
Total liabilities	809,221	2,360,791	1,376,545	1,023,510	(1,287,826)	4,282,241
Impairment of assets and reversal of impairment of assets (*2)	520	(26,395)	-	-	-	(25,875)

(*1) Excludes the rights from financial instruments, post-employment benefit assets and insurance contracts, etc.

(*2) The impairment of assets and reversal of impairment of assets recognized by each reportable segment as of December 31, 2022.

As of December 31, 2021

Korean won (in millions)						
	Civil engineering	Housing	Plant	Common	Adjustment or elimination	Total
Investments in associates and joint ventures	76,338	37,407	10,205	264,409	(98,209)	290,150
Non-current assets (*1)	5,250	255,859	1,667	263,692	2,152	528,620
Other assets	933,559	4,056,253	756,161	2,669,130	(532,183)	7,882,920
Total assets	1,015,147	4,349,519	768,033	3,197,231	(628,240)	8,701,690
Total liabilities	769,638	2,328,970	1,217,168	1,091,674	(1,202,907)	4,204,543
Impairment of assets and reversal of impairment of assets (*2)	-	-	-	33	-	33

(*1) Excludes the rights from financial instruments, post-employment benefit assets, insurance contracts, etc.

(*2) The impairment of assets and reversal of impairment of assets recognized by each reportable segment as of December 31, 2021.

(3) Information of areas

The Group operates its business in four main areas. Operating results from external customers by geographical areas for the years ended December 31, 2022 and 2021, are as follows:

As of/For the year ended December 31, 2022

Korean won (in millions)							
	Korea	Middle East	Asia	Europe	Other	Adjustment or elimination	Total
Total assets	8,332,225	431,400	288,288	437,796	222,974	(737,966)	8,974,717
Non-current assets (*1)	884,708	415	8,986	358	49	(50)	894,466
Sales from external customers	6,665,663	171,343	212,318	366,596	104,289	(23,385)	7,496,824

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

As of/For the year ended December 31, 2021

Korean won (in millions)							
	Korea	Middle East	Asia	Europe	Other	Adjustment or elimination	Total
Total assets	8,247,286	553,422	255,325	207,599	66,298	(628,240)	8,701,690
Non-current assets (*1)	523,030	1,020	1,600	757	61	2,152	528,620
Sales from external customers	6,885,285	297,991	137,076	303,208	22,148	(14,057)	7,631,651

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

(4) Information of key customers

The Group has no key customers who occupied more than 10% of the Group's sale for the year ended December 31, 2022.

5. FINANCIAL INSTRUMENTS WITH RESTRICTIONS ON USE:

Details of restricted deposits as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)				
Sortation	Institution	December 31, 2022	December 31, 2021	Restriction
Cash and cash equivalents	Woori Bank	102	102	Provisional seizure and pledged as collateral
Short-term financial instruments	Woori Bank and others	617	882	Restriction on withdrawal and pledged as collateral
Long-term financial instruments	Woori Bank and others	581	520	Pledged as collateral and others
Total		1,300	1,504	

6. CONTRACT ASSETS AND CONTRACT LIABILITIES:

(1) Details of construction revenue recognized for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	Construction revenue recognized	
	December 31, 2022	December 31, 2021
Civil engineering	1,288,091	1,459,200
Housing (*1)	5,193,969	5,027,743
Plant	890,963	988,565
Total	7,373,023	7,475,508

(*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 Group as of December 31, 2022, is ₩26,527,974 million, while it was ₩24,247,482 million as of December 31, 2021.

(2) Details of changes in accumulated construction profit or loss, contract assets and liabilities as of December 31, 2022 and 2021, are as follows. The contracts are that remain contract assets, withholding and others after completion by the terms of contracts:

As of December 31, 2022

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	5,830,821	5,295,998	534,823	241,063	219,023	6,933	21,713
Housing	6,982,155	6,034,236	947,919	581,187	336,956	12,952	287
Plant	3,463,981	3,131,887	332,094	1,220	523,910	23,632	253,160
Total	16,276,957	14,462,121	1,814,836	823,470	1,079,889	43,517	275,160

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

Korean won (in millions)				
	Beginning balance	Collective assessment	Individual assessment	Ending balance
Contract asset	2,912	(920)	-	1,992

(*2) The Company recognized the gain on construction contracts amounting to ₩525,305 million during the current year as the balance of contract liabilities carried forward.

As of 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	7,211,811	6,563,551	648,260	228,295	229,510	9,562	16,685
Housing	6,333,667	5,070,774	1,262,893	667,883	387,855	513	269
Plant	4,033,062	4,051,700	(18,638)	72,229	367,032	27,932	236,967
Total	17,578,540	15,686,025	1,892,515	968,407	984,397	38,007	253,921

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

Korean won (in millions)				
	Beginning balance	Collective assessment	Individual assessment	Ending balance
Contract asset	6,521	(907)	(2,702)	2,912

(*2) The Company recognized the gain on construction contracts amounting to ₩370,537 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 on construction profit and loss		Changes in contract asset (*1)	Changes in contract liability (*1)
			Current period	Future period		
Civil engineering	345,660	353,675	(30,463)	22,448	(28,420)	2,043
Housing	475,438	704,980	(155,882)	(73,660)	(152,365)	3,517
Plant	82,117	(13,589)	83,930	11,776	(1,203)	(85,133)
Total	903,215	1,045,066	(102,415)	(39,436)	(181,988)	(79,573)

(*1) Contains changes in the provision for construction loss.

- (4) Details of major contracts in which the contract amount is more than 5% of the sales of the prior year of the consolidated entity are as follows.

Korean won (in millions)							
Project (*1)	Contract date	Completion date on contracts (*2)	Completion rate	Contract asset		Construction work receivables	
				Total	Loss allowance(*3)	Total	Loss allowance(*3)
GTX-A5	2019-03-20	2024-06-29	43.87%	10,853	-	-	-
e-Pyeonhangesang Geumbit Grand Maison	2014-09-26	2023-05-31	97.36%	58,492	-	-	-
e-Pyeonhangesang Bupyeong Grand Hills	2019-04-18	2023-10-31	64.96%	19,904	-	-	-
Hyundai Chemical HPC Project PKG-3	2019-11-05	2023-06-30	100.00%	-	-	2,236	-
LG Chemical ABS reconstruction	2022-08-16	2024-11-30	2.69%	-	-	44,468	-
e-Pyeonhangesang Geoje Euro Island	2019-11-18	2022-06-30	100.00%	8,660	-	-	-
e-Pyeonhangesang Geoje Euro Sky	2021-05-21	2023-11-29	46.99%	2,466	-	-	-
Singapore TTP1	2015-02-13	2024-07-27	99.93%	2,966	-	71	-
Vietnam Thai Binh2 PP	2012-05-22	2025-06-30	92.91%	-	-	46,408	-
Russia Baltic PE/LAO	2021-12-29	2025-04-30	10.51%	-	-	24,694	-
Singapore PROJECT SPRING	2022-04-08	2024-05-31	15.46%	-	-	7,102	-
Brunei Temburong CC2	2015-02-04	2022-09-30	100.00%	-	-	-	-
Kuwait KNPC SHFP	2013-05-28	2022-05-31	100.00%	-	-	28,649	-
Saudi Maaden Ammonia III Project	2018-10-22	2023-12-31	89.83%	-	-	119,454	-
Türkiye DIG Canakkale	2018-03-16	2023-12-31	94.66%	-	-	8,309	-

(*1) No closed contracts exist.

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

(*3) There are no individual loss on receivables by each project at the end of the current year, and the amount of collective loss by each sector has been excluded.

(5) Details of major joint arrangement projects as of December 31, 2022, are as follows:

Korean won (in millions)				
Project	Total contract amount	The Group's attributed contract amount	The Group's ownership	Lead company
Türkiye DIG Canakkale	3,263,912	815,978	25.00%	Joint operation
GTX-A5	574,351	476,596	82.98%	The Group
GTX-A6	441,924	357,252	80.84%	The Group
Philippines MCRP	694,490	347,245	50.00%	Acciona
Rei County	1,134,216	340,265	30.00%	Samsung C&T Corporation
Algeria Kais CCPP	673,617	336,808	50.00%	GS Engineering & Construction Corp.
e-Pyeonhansesang Pyeongchon Centum First	665,564	332,782	50.00%	The Group
Anyang Naengcheon-District Residential Environment Improvement	451,083	315,758	70.00%	The Group
Kyung Hee University Kaya Medical Center	394,521	276,165	70.00%	The Group
Busan New Port North Container Second Phase Port Hinterland Shaping	575,389	241,663	42.00%	The Group

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

(6) Details of the contract cost as of December 31, 2022, are as follows:

Korean won (in millions)	
	Amount
Contract execution cost	55,209

Contract execution costs are capitalized as other assets as costs to be incurred prior to the start of construction and during construction. There is no impairment loss recognized in the current year related to the cost of the asset.

7. FINANCIAL INSTRUMENTS:

(1) Details of the Group's financial assets by categorization as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)			
		December 31, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Fair value measurement of financial assets	Financial assets at FVTPL	174,835	174,835	132,935	132,935
	Financial assets at FVTOCI	15,807	15,807	33,788	33,788
	Derivative assets	5,750	5,750	777	777
Financial assets at amortized cost	Cash and cash equivalents	1,752,399	1,752,399	2,044,761	2,044,761
	Short-term financial instruments	517,330	517,330	218,224	218,224
	Trade receivables	585,883	585,883	485,612	485,612
	Short-term loans	98,014	98,014	111,179	111,179
	Current accounts receivable	415,641	415,641	314,014	314,014
	Accrued income	44,545	44,545	33,015	33,015
	Deposits (current)	65,156	65,156	35,602	35,602
	Financial assets at amortized cost	200	200	26	26
	Long-term financial assets	3,401	3,401	520	520
	Long-term trade receivables	300,203	300,203	273,658	273,658
	Long-term loans	625,913	625,913	614,486	614,486
	Non-current accounts receivable	447,189	447,189	446,045	446,045
	Long-term accrued income	14,303	14,303	12,752	12,752
	Deposits (non-current)	455,839	455,839	374,446	374,446
	Other assets	Current lease receivables	480	480	410
Non-current lease receivables		1,169	1,169	1,623	1,623
Total		5,524,057	5,524,057	5,133,873	5,133,873

(2) Details of financial liabilities by categorization as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
		December 31, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Fair value measurement of financial liabilities	Derivative liabilities	3,783	3,783	3,068	3,068
Financial liabilities at amortized cost	Trade payables	993,059	993,059	908,022	908,022
	Accounts payable	263,874	263,874	305,331	305,331
	Leasehold deposit received	2,283	2,283	1,552	1,552
	Accrued expenses	52,537	52,537	38,552	38,552
	Short-term borrowings	185,758	185,758	156,300	156,300
	Current portion of long-term liabilities	75,454	75,454	40,252	40,252
	Current financial guarantee contract liabilities	13,562	13,562	16,530	16,530
	Non-current financial guarantee contract liabilities	2,787	2,787	2,068	2,068
	Debentures	427,380	427,380	446,652	446,652
	Long-term borrowings	409,402	409,402	363,678	363,678
	Long-term trade payable	8,686	8,686	8,137	8,137
	Long-term accounts payable	288	288	275	275
	Long-term leasehold deposits received	5,622	5,622	4,681	4,681
Other liabilities	Current lease liabilities	55,914	55,914	51,210	51,210
	Non-current lease liabilities	76,729	76,729	100,470	100,470
Total		2,577,118	2,577,118	2,446,778	2,446,778

8. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS:

(1) Details of fair value measurement of financial assets as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)		
	2022	2021
Financial assets at FVTPL		
Debt instruments (PFV)	563	563
Debt instruments (capital investments)	113,684	110,232
Debt instruments (beneficiary certificate and others)	20,678	14,951
Debt instruments (social overhead capital ("SOC"))	31,286	7,189
Debt instruments (start-up)	400	-
Debt instruments (others)	8,224	-
Subtotal	174,835	132,935
Financial assets at FVTOCI	-	-
Equity instruments (non-marketable)	9	9
Debt instruments (government bonds)	5,548	33,779
Debt instruments (corporate bonds)	10,250	-
Subtotal	15,807	33,788
Total	190,642	166,723

9. TRADE AND OTHER ACCOUNTS RECEIVABLE:

(1) Details of trade and other accounts receivable as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)					
		Gross amount	Allowance for credit loss	Discount on present value	Net amount
Current	Trade receivables	621,003	(35,120)	-	585,883
	Short-term loans	99,686	(1,672)	-	98,014
	Accounts receivable	461,191	(57,153)	(14)	404,024
	Accrued income	48,136	(3,591)	-	44,545
	Short-term deposit	65,340	(184)	-	65,156
	Total	1,295,356	(97,720)	(14)	1,197,622
Non-current	Trade receivables	648,923	(348,720)	-	300,203
	Long-term loans	974,547	(341,033)	(7,601)	625,913
	Accounts receivable	672,016	(224,761)	(66)	447,189
	Accrued income	45,941	(31,638)	-	14,303
	Deposits	457,698	(1,814)	(45)	455,839
	Total	2,799,125	(947,966)	(7,712)	1,843,447

As of December 31, 2021

		Korean won (in millions)			
		Gross amount	Allowance for credit loss	Discount on present value	Net amount
Current	Trade receivables	527,438	(41,826)	-	485,612
	Short-term loans	134,308	(23,129)	-	111,179
	Accounts receivable	373,747	(59,719)	(14)	314,014
	Accrued income	36,608	(3,593)	-	33,015
	Short-term deposit	35,786	(184)	-	35,602
	Total	1,107,887	(128,451)	(14)	979,422
Non-current	Trade receivables	688,437	(414,779)	-	273,658
	Long-term loans	955,017	(332,930)	(7,601)	614,486
	Accounts receivable	670,711	(224,595)	(71)	446,045
	Accrued income	45,941	(33,189)	-	12,752
	Deposits	376,816	(2,370)	-	374,446
	Total	2,736,922	(1,007,863)	(7,672)	1,721,387

(2) Credit risk and loss allowance for trade and other receivables:

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

ECLs on trade receivables are determined taking 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 Group will write off trade receivables when there is any 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 (reversal of) provisions for credit losses for the years ended December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		Korean won (in millions)					
		Beginning balance	(Reversal of) provisions for credit losses		Write-off	Other (*2)	Ending balance
			Individual assessment	Collective assessment (*1)			
Current	Trade receivables	41,826	(421)	(6,730)	-	445	35,120
	Short-term loans	23,129	(181)	(73)	(20,971)	(232)	1,672
	Accounts receivable	59,719	(1,396)	(7,743)	(714)	7,287	57,153
	Accrued income	3,593	-	(2)	-	-	3,591
	Short-term deposits	184	-	-	-	-	184
	Total	128,451	(1,998)	(14,548)	(21,685)	7,500	97,720
Non-current	Trade receivables	414,779	(2,844)	80	(63,267)	(28)	348,720
	Long-term loans	332,930	(878)	(536)	-	9,517	341,033
	Accounts receivable	224,595	(744)	773	-	137	224,761
	Accrued income	33,189	(1,551)	-	-	-	31,638
	Deposits	2,370	-	(1,552)	-	996	1,814
	Total	1,007,863	(6,017)	(1,235)	(63,267)	10,622	947,966

(*1) The Group 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 of age.

(*2) Includes liquidity reclassifications and changes by the foreign currency translation.

As of December 31, 2021

		Korean won (in millions)					
		Beginning balance	(Reversal of) provisions for credit losses		Write-off	Other (*2)	Ending balance
			Individual assessment	Collective assessment (*1)			
Current	Trade receivables	63,249	3,010	(23,876)	-	(557)	41,826
	Short-term loans	24,224	(1,309)	214	-	-	23,129
	Accounts receivable	78,018	4,741	11,599	(4,750)	(29,889)	59,719
	Accrued income	3,223	360	10	-	-	3,593
	Short-term deposits	120	76	-	(12)	-	184
		Total	168,834	6,878	(12,053)	(4,762)	(30,446)
Non-current	Trade receivables	450,360	(1,547)	(5,769)	(31,715)	3,450	414,779
	Long-term loans	326,008	(1,430)	581	(6,137)	13,908	332,930
	Accounts receivable	194,697	135	-	(133)	29,896	224,595
	Accrued income	33,189	-	-	-	-	33,189
	Deposits	1,915	(175)	627	-	3	2,370
		Total	1,006,169	(3,017)	(4,561)	(37,985)	47,257

(*1) The Group 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 of age.

(*2) Includes liquidity reclassifications and changes by the foreign currency translation.

(4) Details of the Group's term structures of trade and other receivables past due, but not impaired, as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		Korean won (in millions)				
		6 months-1 year	1 year-2 years	2 years-3 years	More than 3 years	Total
Current	Trade receivables	35,828	21,865	5,997	12,521	76,211
	Short-term loans	37,021	389	3,524	2,050	42,984
	Accounts receivable	14,631	36,558	26,133	20,524	97,846
	Accrued income	-	528	-	-	528
		Total	87,480	59,340	35,654	35,095

As of 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	35,678	24,014	4,742	14,036	78,470
	Short-term loans	21,215	17,608	2,050	-	40,873
	Accounts receivable	29,376	50,605	12,739	13,111	105,831
	Accrued income	5	-	-	-	5
		Total	86,274	92,227	19,531	27,147

(5) Details of term structures of trade and other receivables impaired as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

		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	-	28	6,279	8,540	7,266	22,113
	Short-term loans	-	-	-	1,510	-	1,510
	Accounts receivable	863	-	5,495	196	20,169	26,723
	Accrued income	-	-	360	-	3,220	3,580
	Short-term deposits	-	-	-	-	331	331
	Total	863	28	12,134	10,246	30,986	54,257
Non-current	Trade receivables	-	-	-	167,401	326,491	493,892
	Long-term loans	16,448	15,065	4,774	221,957	1,169,393	1,427,637
	Accounts receivable	-	-	235,097	55,963	327,126	618,186
	Accrued income	-	-	-	1,491	31,698	33,189
	Deposits	-	-	-	40	1,599	1,639
	Total	16,448	15,065	239,871	446,852	1,856,307	2,574,543

As of 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	4,493	-	8,540	2	7,919	20,954
	Short-term loans	-	-	1,891	-	27,147	29,038
	Accounts receivable	6,913	1	199	228	22,934	30,275
	Accrued income	360	-	-	130	3,090	3,580
	Short-term deposits	-	-	-	-	333	333
	Total	11,766	1	10,630	360	61,423	84,180
Non-current	Trade receivables	-	-	168,619	2,783	380,629	552,031
	Long-term loans	15,900	629	221,957	203,063	626,372	1,067,921
	Accounts receivable	60	235,235	56,846	338	323,754	616,233
	Accrued income	-	-	1,491	18,952	12,746	33,189
	Deposits	-	-	40	88	1,511	1,639
	Total	15,960	235,864	448,953	225,224	1,345,012	2,271,013

(6) The maximum exposures to credit risk as of December 31, 2022, are fair value of trade and other accounts receivable as mentioned above. Meanwhile, the Group's trade and other accounts receivable are measured at amortized cost and their fair values are the same as their carrying values.

10. OTHER ASSETS:

Details of other assets as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)	
		December 31, 2022	December 31, 2021
Current	Prepaid payments	138,395	71,207
	Prepaid expenses	37,199	52,485
	Prepaid construction expenses	35,949	27,952
	Subtotal	211,543	151,644
Non-current	Prepaid expenses	15,457	15,860
	Prepaid construction expenses	19,259	17,141
	Subtotal	34,716	33,001
Total		246,259	184,645

11. INVENTORIES:

(1) Details of inventories as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)						
	December 31, 2022			December 31, 2021		
	Acquisition cost	Allowance	Carrying value	Acquisition cost	Allowance	Carrying value
Merchandise	124	-	124	53	-	53
Raw materials	-	-	-	23	-	23
Supplies	26,782	-	26,782	15,213	-	15,213
Land	863,741	(55,651)	808,090	914,393	(31,146)	883,247
Residual construction	11,524	-	11,524	272	-	272
Unfinished housing	5,318	-	5,318	39,835	-	39,835
Materials	937	-	937	913	-	913
Total	908,426	(55,651)	852,775	970,702	(31,146)	939,556

(2) Details of impairment and reversal of the loss by revaluing the inventory to its net realizable value for the year ended December 31, 2022, are as follows:

Korean won (in millions)	
2022	
Losses on inventory valuations	24,519
Reversal of losses on inventory valuations	14

12. FINANCIAL LEASE RECEIVABLE:

(1) Details of the Group's lease receivables as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Current	Non-current	Current	Non-current
Lease receivable	492	1,221	421	1,713
Present value discounts	(12)	(52)	(11)	(90)
Total	480	1,169	410	1,623

The Group has signed an agreement to provide offices, stores, etc., with a lease. The average duration of the leases is 6 years. Lease agreements do not normally include extension or termination options. All leases are signed in won and we are not exposed to foreign exchange risk due to lease agreements.

(2) Details of the Group's lease receivables as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Within a year	492	421
One year over and within two years	501	492
Two years over and within three years	447	375
Three years over and within four years	255	767
Four years over and within five years	18	61
More than five years	-	18
Total lease fee	1,713	2,134
Gross lease investment	1,713	2,134
Unrealized interest income	(64)	(101)
Present value of total cash flows	1,649	2033
Net lease investment	1,649	2033

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

	Korean won (in millions)	
	2022	2021
Financial lease net investment financial profit	38	44

(4) Management estimates that the loss allowance for lease receivables as of the end of the reporting period is equivalent to lifetime ECL. Lease receivables are not overdue as of the end of the current term, and the management concludes there is no impaired lease receivables in the consideration of default history, forecast of the lessee's industry, and collateral value for the receivables. In addition, the management did not record the loss allowance in the consolidated financial statements because it is determined that the amount of the loss allowance for the lease receivable was not important.

13. PROPERTY, PLANT AND EQUIPMENT:

(1) Details of property, plant and equipment as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Acquisition cost	33,254	126,318	2,568	9,909	3,595	57,466	1,612	234,722
Accumulated depreciation	-	(41,355)	(1,106)	(2,521)	(2,639)	(39,890)	-	(87,511)
Accumulated impairment	(2,438)	(12,583)	-	-	-	-	-	(15,021)
Carrying value	30,816	72,380	1,462	7,388	956	17,576	1,612	132,190

As of December 31, 2021

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Acquisition cost	28,768	126,821	2,542	4,996	4,916	56,178	984	225,205
Accumulated depreciation	-	(38,843)	(839)	(2,502)	(3,504)	(32,441)	-	(78,129)
Accumulated impairment	(2,438)	(12,583)	-	-	-	-	-	(15,021)
Carrying value	26,330	75,395	1,703	2,494	1,412	23,737	984	132,055

(2) Details of changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Beginning balance	26,330	75,395	1,703	2,494	1,412	23,736	984	132,054
Acquisition	5,076	-	21	6,516	139	3,758	2,039	17,549
Transfer	-	-	2	1	-	-	(1,411)	(1,408)
Disposal	(590)	(347)	-	(419)	(1)	(138)	-	(1,495)
Depreciation	-	(2,668)	(271)	(1,005)	(641)	(9,834)	-	(14,419)
Effect of foreign currency translation	-	-	5	(200)	47	54	-	(94)
Others	-	-	2	1	-	-	-	3
Ending balance	30,816	72,380	1,462	7,388	956	17,576	1,612	132,190

For the year ended December 31, 2021

Korean won (in millions)								
Sortation	Land	Buildings	Structures	Machinery	Vehicle	Others	Construction in progress	Total
Beginning balance	28,047	77,775	2,121	4,911	954	22,050	1,822	137,680
Acquisition	119	617	42	876	887	2,915	8,868	14,324
Transfer	45	-	-	-	-	6,701	(9,706)	(2,960)
Disposal	(1,881)	(294)	-	(2,354)	(3)	(44)	-	(4,576)
Depreciation	-	(2,703)	(237)	(742)	(499)	(7,821)	-	(12,002)
Effect of foreign currency translation	-	-	(223)	(197)	73	(64)	-	(411)
Others	-	-	-	-	-	-	-	-
Ending balance	26,330	75,395	1,703	2,494	1,412	23,737	984	132,055

14. INVESTMENT PROPERTY:

(1) Details of investment property as of December 31, 2022 and 2021, are as follows:
As of December 31, 2022

Korean won (in millions)					
Sortation	Land	Buildings	Others	Right-of-use assets	Total
Acquisition cost	253,344	113,636	9,573	21,041	397,594
Accumulated depreciation	-	(17,069)	(6,911)	(5,977)	(29,957)
Accumulated impairment	(6,479)	(5,875)	-	-	(12,354)
Carrying value	246,865	90,692	2,662	15,064	355,283

As of December 31, 2021

Korean won (in millions)					
Sortation	Land	Buildings	Others	Right-of-use assets	Total
Acquisition cost	249,293	114,563	9,573	21,041	394,470
Accumulated depreciation	-	(14,548)	(6,703)	(3,108)	(24,359)
Accumulated impairment	(6,846)	(6,009)	-	-	(12,855)
Carrying value	242,447	94,006	2,870	17,933	357,256

(2) Details of changes in investment property for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)					
Sortation	Land	Buildings	Others	Right-of-use assets	Total
Beginning balance	242,447	94,006	2,870	17,933	357,256
Acquisition	-	-	-	-	-
Disposal	(1,354)	(697)	-	-	(2,051)
Transfer (*1,*2)	5,772	-	-	-	5,772
Depreciation	-	(2,617)	(208)	(2,869)	(5,694)
Impairment loss/reversal	-	-	-	-	-
Ending balance	246,865	90,692	2,662	15,064	355,283

(*1) The account of the seventh block of Agok urban development apartment in Namsa, Yongin was transferred to an inventory asset due to the change in the purpose of use.

(*2) The account of the third Yongin Mabuk business site was transferred to investment real estate due to unsatisfying conditions for classification of assets held for sale for more than one year.

For the year ended December 31, 2021

Korean won (in millions)					
Sortation	Land	Buildings	Others	Right-of-use assets	Total
Beginning balance	231,137	96,120	3,066	21,828	352,151
Acquisition	1,304	531	12	-	1,847
Disposal	(899)	(18)	-	-	(917)
Transfer	10,871	-	-	(955)	9,916
Depreciation	-	(2,627)	(208)	(2,940)	(5,775)
Impairment loss/reversal	34	-	-	-	34
Ending balance	242,447	94,006	2,870	17,933	357,256

(3) Details of gain and loss from investment property for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
Sortation	2022	2021
Rental income	13,951	8,203
Expenses on operating investment property	(7,677)	(94)
Total	6,274	8,109

(4) The maturity analysis of operating lease contracts for the years ended December 31, 2022 and 2021, is as follows:

Korean won (in millions)		
Sortation	December 31, 2022	December 31, 2021
Within 1 year	14,712	1,515
1 year–2 years	8,674	1,560
2 years–3 years	7,905	1,551
3 years–4 years	3,659	1,593
4 years–5 years	1,844	1,081
More than 5 years	637	89
Total	37,431	7,389

(5) Details of fair value of investment property as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)				
Sortation	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Land	246,865	287,463	242,447	287,099
Buildings	90,692	92,460	94,006	90,154
Others	2,662	2,662	2,870	3,188
Right-of-use assets	15,064	15,064	17,933	17,933
Total	355,283	397,649	357,256	398,374

The fair value of the Group's investment property has been arrived at on the basis of a valuation carried out by independent appraisers not related to the Group. They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The investment properties are categorized into Level 3 of the fair value hierarchy based on inputs used in the valuation technique.

15. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)					
Sortation	Industrial property rights	Software	Membership	Others	Total
Acquisition cost	4	58,004	15,011	13,298	86,317
Accumulated amortization	(2)	(43,394)	-	(6,904)	(50,300)
Accumulated impairment	-	-	(726)	-	(726)
Carrying value	2	14,610	14,285	6,394	35,291

As of December 31, 2021

Korean won (in millions)					
Sortation	Industrial property rights	Software	Membership	Others	Total
Acquisition cost	4	51,470	15,011	14,403	80,888
Accumulated amortization	(1)	(36,697)	-	(4,154)	(40,852)
Accumulated impairment	-	-	(726)	-	(726)
Carrying value	3	14,773	14,285	10,249	39,310

(2) Details of changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)					
Sortation	Industrial property rights	Software	Membership	Others	Total
Beginning balance	3	14,773	14,285	10,249	39,310
Acquisition	-	5,195	-	2,221	7,416
Transfer	-	1,410	-	(203)	1,207
Disposal	-	(20)	-	(1,000)	(1,020)
Amortization	(1)	(6,748)	-	(4,873)	(11,622)
Ending balance	2	14,610	14,285	6,394	35,291

For the year ended December 31, 2021

Korean won (in millions)					
Sortation	Industrial property rights	Software	Membership	Others	Total
Beginning balance	4	13,381	14,259	16,996	44,640
Acquisition	-	4,542	260	-	4,802
Transfer	-	3,005	-	-	3,005
Disposal	-	(14)	(234)	-	(248)
Amortization	(1)	(6,141)	-	(6,747)	(12,889)
Ending balance	3	14,773	14,285	10,249	39,310

16. INVESTMENTS IN SUBSIDIARIES:

(1) Details of the Group's investments in subsidiaries as of December 31, 2022 and 2021, are as follows:

Company	Location	Main business	Term-end date	Ownership (%)	
				December 31, 2022	December 31, 2021
DL Construction Co., Ltd. (*1)	Korea	General construction	12.31	63.94	63.94
Osan Landmark project Co., Ltd. (*2)	Korea	Real estate property development	12.31	48.00	48.00
Incheon Dohwa1 NEWSTAY REIT Co., Ltd.	Korea	Real estate property development	12.31	100.00	100.00
DL Saudi Arabia Co., Ltd.	Saudi Arabia	Industrial plant construction	12.31	100.00	100.00
PT. DLENC UTAMA CONSTRUCTION	Indonesia	Industrial plant construction	12.31	100.00	100.00
DALIN (Nanjing) Construction	China	Industrial plant construction	12.31	100.00	100.00
DL USA, Inc.	USA	General architecture construction	12.31	100.00	100.00
DL INSAAT GELISTIRME A.S.	Turkiye	Civil engineering	12.31	100.00	100.00
Daelim RUS LLC	Russia	Industrial plant construction	12.31	100.00	100.00
CARBONCO PTE. Ltd. (*3)	Singapore	professional science and technology services	12.31	100.00	-

(*1) The Group'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 Group possesses 67% stake in voting rights through contracts with other shareholders.

(*3) The Group newly invested in CARBONCO PTE. Ltd. during the current term.

(2) Summary of financial position of the major subsidiaries as of and for the years ended December 31, 2022 and 2021, is as follows:

As of December 31, 2022

Company	Korean won (in millions)				
	Assets		Liabilities		Equity
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	
DL Construction Co., Ltd.	1,351,939	393,472	598,910	147,805	998,696
Osan Landmark project co., Ltd.	436,348	-	828,638	-	(392,290)

As of December 31, 2021

Company	Korean won (in millions)				
	Assets		Liabilities		Equity
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	
DL Construction Co., Ltd.	1,240,959	428,642	556,639	155,071	957,891
Osan Landmark project co., Ltd.	452,122	-	792,897	-	(340,775)

The above summarized financial positions are calculated after adjusting the differences in the accounting policies between the parent and the subsidiaries, but the adjustments for goodwill and fair value recognized at the time of the business acquisition and the adjustments for internal transactions are not eliminated.

(3) Summary of financial performance of the major subsidiaries as of and for the years ended December 31, 2022 and 2021, is as follows:

For the year ended December 31, 2022

Korean won (in millions)					
Company	Sales	Operating income	Net income	Other comprehensive income (loss)	Comprehensive income
DL Construction Co., Ltd.	1,962,419	81,073	55,421	3,421	58,842
Osan Landmark project co., Ltd.	-	(3,575)	(50,975)	-	(50,975)

For the year ended December 31, 2021

Korean won (in millions)					
Company	Sales	Operating income	Net income	Other comprehensive income (loss)	Comprehensive income
DL Construction Co., Ltd.	2,010,344	229,634	175,561	(1,394)	174,167
Osan Landmark project co., Ltd.	-	(2,269)	(34,989)	-	(34,989)

The above summarized financial performances are calculated after adjusting the differences in the accounting policies between the parent and the subsidiaries, but the adjustments for goodwill and fair value recognized at the time of the business acquisition and the adjustments for internal transactions are not eliminated.

(4) Summary of cash flows of the major subsidiaries as of and for the years ended December 31, 2022 and 2021, is as follows:

For the year ended December 31, 2022

Korean won (in millions)							
Company	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Net (decrease) increase in cash and cash equivalents	Cash and cash equivalents, beginning of year	Changes in cash and cash equivalents due to foreign currency translation	Cash and cash equivalents, end of year
DL Construction Co., Ltd.	27,724	(5,738)	23,856	45,842	578,224	-	624,066
Osan Landmark project co., Ltd.	(8,528)	-	9,100	572	1,111	-	1,683

For the year ended December 31, 2021

Korean won (in millions)							
Company	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Net (decrease) increase in cash and cash equivalents	Cash and cash equivalents, beginning of year	Changes in cash and cash equivalents due to foreign currency translation	Cash and cash equivalents, end of year
DL Construction Co., Ltd.	80,350	(73,954)	8,446	14,842	563,382	-	578,224
Osan Landmark project co., Ltd.	348	-	400	748	363	-	1,111

The above summarized cash flows are calculated after adjusting the differences in the accounting policies between the parent and the subsidiaries, but the adjustments for goodwill and fair value recognized at the time of the business acquisition and the adjustments for internal transactions are not eliminated.

- (5) Ownership held by non-controlling interests and financial position, the amount of dividend, and financial performance belonging to non-controlling interest for the years ended December 31, 2022 and 2021, are as follows:

As of/For the year ended December 31, 2022

Korean won (in millions)					
Company	Ownership held by non-controlling interests (%)	Cumulative non-controlling interests	Income attributable to non-controlling interests	Comprehensive income attributable to non-controlling interests	Dividends paid to non-controlling interests
DL Construction Co., Ltd.	36.06	340,794	18,392	19,559	(5,961)

As of/For the year ended December 31, 2021

Korean won (in millions)					
Company	Ownership held by non-controlling interests (%)	Cumulative non-controlling interests	Income attributable to non-controlling interests	Comprehensive income attributable to non-controlling interests	Dividends paid to non-controlling interests
DL Construction Co., Ltd.	36.06	329,203	58,792	58,316	(4,372)

Ownership interests held by non-controlling interests are the shares that are not attributable directly or indirectly to the owner of the controlled entities. Therefore, it may be different to the shareholding ratio calculated by subtracting the simple sum of the direct ownership of the entities in the Group to the subsidiary from 100% in each subsidiary.

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of the Group's investments in associates and joint ventures as of December 31, 2022 and 2021, are as follows:

Company	Location	Main business	Term-end date	Korean won (in millions)			
				December 31, 2022		December 31, 2021	
				Ownership (%)	Carrying value	Ownership (%)	Carrying value
Godeok Gangil 10 PFV Co., Ltd.	Korea	Real estate/ property management	12.31	25.10	3,718	25.10	-
Hyoje PFV Co., Ltd. (*3)	Korea	Real estate/ property management	12.31	66.00	14,441	66.00	14,916
UlsanUijeongbuproject PFV Co., Ltd. (*1)	Korea	Real estate/ property management	12.31	50.00	5,927	50.00	5,829
Luoma Inc. (*4)	Korea	Financial investment	12.31	28.79	19,279	28.79	18,457
Daejeonmunwha PFV Co., Ltd. (*1)	Korea	Real estate/ property management	12.31	50.00	2,630	50.00	2,498
IncheonInha PFV Co., Ltd. (*1)	Korea	Real estate/ property management	12.31	50.00	2,544	50.00	2,480
JeonJuWansan PFV Co., Ltd. (*1)	Korea	Real estate/ property management	12.31	50.00	3,221	50.00	2,682
Gwacheon Jisan One PFV Co., Ltd. (*2)	Korea	Real estate/ property management	12.31	0.67	37	0.67	34
DLENC Philippines, Inc.	Philippines	Construction of industrial plants	12.31	40.00	6,643	40.00	5,432
DL Engineering & Construction Malaysia Sdn. Bhd.	Malaysia	Construction of industrial plants	12.31	25.00	-	25.00	-
DIAP-DAELIM JOINT VENTURE PTE. LTD.	Singapore	Civil engineering	12.31	49.00	6,579	49.00	6,119
OMZ-Daelim LLC	Russia	Construction of industrial plants	12.31	48.00	2,399	48.00	2,302
Samho Citron City CO., Ltd. (*5)	Korea	Real estate/ property development	12.31	23.33	-	30.00	23
Namwon Thema Park CO., Ltd. (*5)	Korea	Real estate/ property development	12.31	25.00	136	25.00	385
Wonju Buron general industrial complex CO., Ltd.	Korea	Real estate/ property development	12.31	25.71	23	25.71	26
Pebblestone MD PFV CO., Ltd. (*2)	Korea	Real estate/ property development	12.31	13.64	1,232	14.46	1,404
Sau Bukbyeon CO., Ltd.	Korea	Real estate/ property development	12.31	34.90	604	34.90	662
Asan Dogo Industrial Complex Development Co., Ltd. (*6)	Korea	Real estate/ property development	12.31	20.00	53	20.00	60
KB Development Blind General Private Equity Investment Trust No. 2 (*8)	Korea	Real estate fund	12.31	39.00	3,335	-	-
Hwaseong JDC, LLC. (*8)	Korea	Other specialized services	12.31	28.00	-	28.00	3
Koramco Private Real Estate Equity Fund No.112	Korea	Real estate fund	12.31	44.80	5,955	44.40	5,355
Together Daejeon-Munhwa PFV Co.,Ltd (*7)	Korea	Real estate/ property development and supply	12.31	43.48	12,970	-	-
Songpa Bokjeong Station Layered City PFV Co., Ltd. (*10)	Korea	Real estate/ property development and supply	12.31	42.10	19,902	-	-

Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 (*11)	Korea	Collective investment (Real estate)	2.28	33.33	3,010	-	-
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	Turkiye	Civil engineering	12.31	25.00	322,839	25.00	221,483
NeuRizer Ltd. (*9)	Australia	Ammonia and urea production	6.30	8.82	12,033	-	-
Total						449,510	290,150

- (*1) Its share of voting rights is 50%, and the share including preferred shares without voting rights is 47.50%.
- (*2) Although the Group's share of voting rights is less than 20%, it is classified as an associate because it has a significant influence by holding the right to appoint investee's members of the board of directors.
- (*3) It is classified as a joint venture as the board of directors, which decided important financial and business policies by joint agreements between shareholders, decided by unanimity and similar methods.
- (*4) The Group's share of voting rights is 28.79%, but decisions about the relevant activities require the unanimous consent of the parties sharing control, so it is classified as joint ventures
- (*5) Its share is fully pledged. (see Note 29).
- (*6) The related activities of private real estate investment trust assets are carried out in the form of unanimous consent of all beneficiaries and share control, so it was judged that they have joint control and classified as joint investment shares. During the current term, the consolidated entity received KRW 36 million in dividends from class 2 beneficiary certificates under Koramco Private Real Estate Equity Fund No.112
- (*7) Its share of voting rights is 43.48%, and the share including preferred shares without voting rights is 56.57%.
- (*8) The Group newly invested in KB Development Blind General Private Equity Investment Trust No. 2 during the current term.
- (*9) The Group newly invested NeuRizer Ltd. during the current term. Its share of voting rights is 8.82% but it classifies the investment as an associate because it has a significant influence by holding the right to appoint investee's members of the board of directors
- (*10) The Group newly invested Songpa Bokjeong Station Layered City PFV Co., Ltd. Its share of voting rights is 42.10%, and the share including preferred shares without voting rights is 50%.
- (*11) The Group newly invested Igis Haeundae General Private Equity Real Estate Investment Trust No. 1. It is classified as an joint ventures because major decisions require the unanimous consent of the parties as a whole and share control.

(2) As of December 31, 2022 and 2021, there are shares of associates or joint ventures for which market prices exist.

Company	Korean won (in millions)	
	December 31, 2022	December 31, 2021
NeuRizer Ltd.	8,206	-

(3) Changes in the associates and joint ventures for the year ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Company	Korean won (in millions)						
	Beginning balance	Acquisition or disposal	Share of profits (losses)	Share of other comprehensive profits (losses)	Dividend received	Others	Ending balance
Godeok Gangil 10 PFV Co., Ltd.	-	-	3,718	-	-	-	3,718
Hyoje PFV Co., Ltd.	14,916	-	(475)	-	-	-	14,441
UlsanUijeongbuproject PFV Co., Ltd.	5,829	-	1,075	-	(977)	-	5,927
Luoma Inc.	18,457	-	822	-	-	-	19,279
Daejeonmunwha PFV Co., Ltd.	2,498	-	244	-	(112)	-	2,630
IncheonInha PFV Co., Ltd.	2,480	-	159	-	(95)	-	2,544
JeonJuWansan PFV Co., Ltd.	2,682	-	816	-	(277)	-	3,221
Gwacheon Jisan One PFV Co., Ltd.	34	-	3	-	-	-	37
DLENC Philippines, Inc.	5,432	-	2,440	(1,229)	-	-	6,643
DL Engineering & Construction Malaysia Sdn. Bhd.	-	-	-	-	-	-	-
DIAP-DAELIM JOINT VENTURE PTE. LTD.	6,119	-	-	460	-	-	6,579
OMZ-Daelim LLC	2,302	-	(196)	293	-	-	2,399
Samho Citron City CO., Ltd.	23	(5)	(18)	-	-	-	-
Namwon Thema Park CO., Ltd.	385	-	(249)	-	-	-	136
Wonju Buron general industrial complex CO., Ltd.	26	-	(3)	-	-	-	23
Pebblestone MD PFV CO., Ltd.	1,404	-	(172)	-	-	-	1,232
Sau Bukbyeon CO., Ltd.	662	-	(58)	-	-	-	604
Asan Dogo Industrial Complex Development Co., Ltd.	60	-	(7)	-	-	-	53
KB Development Blind General Private Equity Investment Trust No. 2	-	3,510	1	-	(176)	-	3,335
Hwaseong JDC, LLC.	3	-	(3)	-	-	-	-
Koramco Private Real Estate Equity Fund No.112	5,355	600	8,831	-	(36)	(8,795)	5,955
Together Daejeon-Munhwa PFV Co.,Ltd	-	17,000	(4,030)	-	-	-	12,970
Songpa Bokjeong Station Layered City PFV Co., Ltd.	-	20,000	(98)	-	-	-	19,902
Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	-	3,000	10	-	-	-	3,010
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	221,483	18,241	(1,550)	84,665	-	-	322,839

Korean won (in millions)							
Company	Beginning balance	Acquisition or disposal	Share of profits (losses)	Share of other comprehensive profits (losses)	Dividend received	Others	Ending balance
NeuRizer Ltd.	-	12,979	(497)	(449)	-	-	12,033
Total	290,150	75,325	10,763	83,740	(1,673)	(8,795)	449,510

For the year ended December 31, 2021

Korean won (in millions)							
Company	Beginning balance	Acquisition or disposal	Share of profits (losses)	Share of other comprehensive profits (losses)	Dividend received	Others	Ending balance
Hyoje PFV Co., Ltd.	15,984	-	(1,068)	-	-	-	14,916
UlsanUijeongbuproject PFV Co., Ltd.	-	4,750	1,079	-	-	-	5,829
Luoma Inc.	-	20,000	(1,543)	-	-	-	18,457
Daejeonmunwha PFV Co., Ltd.	-	2,375	105	-	-	-	2,480
IncheonInha PFV Co., Ltd.	-	2,375	123	-	-	-	2,498
JeonJuWansan PFV Co., Ltd.	-	2,375	307	-	-	-	2,682
Gwacheon Jisan One PFV Co., Ltd.	-	30	4	-	-	-	34
DLENC Philippines, Inc.	-	-	-	5,432	-	-	5,432
DIAP-DAELIM JOINT VENTURE PTE. LTD.	5,738	-	(2)	383	-	-	6,119
OMZ-Daelim LLC	1,787	-	725	(210)	-	-	2,302
Samho Citron City CO., Ltd.	23	-	-	-	-	-	23
Namwon Thema Park CO., Ltd.	500	-	(115)	-	-	-	385
Wonju Buron general industrial complex CO., Ltd.	26	-	-	-	-	-	26
Pebblestone MD PFV CO., Ltd.	1,500	-	(96)	-	-	-	1,404
Sau Bukbyeon CO., Ltd.	698	-	(36)	-	-	-	662
Asan Dogo Industrial Complex Development Co., Ltd.	-	60	-	-	-	-	60
Hwaseong JDC, LLC.	-	3	-	-	-	-	3
Koramco Private Real Estate Equity Fund No.112	5,355	-	66	-	(66)	-	5,355
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	159,017	56,219	(16,146)	22,393	-	-	221,483
Total	190,628	88,187	(16,597)	27,998	(66)	-	290,150

(4) Summary of financial position of the major associates and joint ventures as of and for the year ended December 31, 2022 and 2021, is as follows:

As of December 31, 2022

Korean won (in millions)					
Company	Assets		Liabilities		Shareholders' equity
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	674,704	3,938,031	214,823	2,935,064	1,462,848

As of December 31, 2021

Korean won (in millions)					
Company	Assets		Liabilities		Shareholders' equity
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	61,638	3,982,376	90,122	2,864,699	1,089,193

Adjustments for the fair value at the equity acquisition and the accounting policy differences to the Group are reflected in the above summary of financial position. However, goodwill and intercompany transactions are not eliminated.

(5) Summary of financial performance of the major associates and joint ventures as of and for the year ended December 31, 2022 and 2021, is as follows:

For the year ended December 31, 2022

Korean won (in millions)					
Company	Sales	Operating income	Net income	Other comprehensive income	Comprehensive income
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	142,108	11,222	(37,961)	(332,356)	(370,317)

For the year ended December 31, 2021

Korean won (in millions)					
Company	Sales	Operating income	Net income	Other comprehensive income	Comprehensive income
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	768,218	68,810	(20,957)	89,846	68,889

Adjustments for the fair value at the equity acquisition and the accounting policy differences to the Group are reflected in the above summary of financial performance. However, goodwill and intercompany transactions are not eliminated.

- (6) Main items in the summary of financial statements of the major associates and joint ventures as of and for the year ended December 31, 2022 and 2021, is as follows:

As of/For the year ended December 31, 2022

Korean won (in millions)	
Company	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION
Cash and cash equivalents	217,892
Current financial liabilities (*1)	212,943
Non-current financial liabilities (*1)	2,935,064
Depreciation	331
Amortization	298
Interest income	197,421
Interest cost	204,702
Income tax expense	37,156

(*1) Current and non-current financial liabilities exclude trade and other accounts payable from financial liabilities.

As of/For the year ended December 31, 2021

Korean won (in millions)	
Company	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION
Cash and cash equivalents	19,284
Current financial liabilities (*1)	89,233
Non-current financial liabilities (*1)	2,864,699
Depreciation	159
Amortization	267
Interest income	358
Interest cost	-
Income tax expense	(64,014)

(*1) Current and non-current financial liabilities exclude trade and other accounts payable from financial liabilities.

- (7) Details of adjustments from investees' equity to carrying value as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Korean won (in millions)						
Company	Equity (A)	Ownership (%) (B)	Attributed equity (A x B)	(+) Goodwill	(-) Internal transaction	Carrying value
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	1,462,848	25.00	365,712	-	(42,873)	322,839

As of December 31, 2021

Korean won (in millions)						
Company	Equity (A)	Ownership (%) (B)	Attributed equity (A x B)	(+) Goodwill	(-) Internal transaction	Carrying value
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	1,089,193	25.00	272,298	-	(50,815)	221,483

- (8) Details of the accumulated unrecognized changes in the interest due to discontinuing the equity method as of December 31, 2022 and 2021, are as follows:

As of December 31, 2022

Investee	Korean won (in millions)	
	Unrecognized equity changes in this year	Accumulated unrecognized equity changes
DL Engineering & Construction Malaysia Sdn. Bhd.	152	3,390
Hwaseong JDC, LLC.	34	34

As of December 31, 2021

Investee	Korean won (in millions)	
	Unrecognized equity changes in this year	Accumulated unrecognized equity changes
DL Engineering & Construction Malaysia Sdn. Bhd.	(6)	3,238
Godeok Gangil 10 PFV Co., Ltd.	(1,246)	1,108

18. RIGHT-OF-USE ASSETS:

The Group leases several assets, including real estate (land and buildings), vehicle and machinery, and 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, 2022 and 2021, are as follows:

As of December 31, 2022

	Korean won (in millions)				
	Real estate	Vehicle	Machinery	Others	Total
Acquisition cost	124,779	10,107	42,206	6,800	183,892
Accumulated amortization	(58,480)	(4,071)	(19,185)	(6,251)	(87,987)
Carrying value	66,299	6,036	23,021	549	95,905

As of December 31, 2021

	Korean won (in millions)				
	Real estate	Vehicle	Machinery	Others	Total
Acquisition cost	117,385	9,987	33,948	6,796	168,116
Accumulated amortization	(36,676)	(3,954)	(12,674)	(2,989)	(56,293)
Carrying value	80,709	6,033	21,274	3,807	111,823

(2) Details of changes in the right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Beginning balance	80,709	6,033	21,274	3,807	111,823
Acquisition	12,770	3,644	27,779	4	44,197
Transfer	-	-	-	-	-
Disposal	(546)	(814)	(4,355)	-	(5,715)
Depreciation	(26,626)	(2,875)	(21,679)	(3,262)	(54,442)
Effects of foreign currency translation	(8)	48	2	-	42
Others	-	-	-	-	-
Ending balance	66,299	6,036	23,021	549	95,905

For the year ended December 31, 2021

Korean won (in millions)					
	Real estate	Vehicle	Machinery	Others	Total
Beginning balance	100,476	6,222	11,935	320	118,953
Acquisition	11,048	3,505	33,333	6,796	54,682
Transfer	(2,068)	-	-	-	(2,068)
Disposal	(2,956)	(770)	(7,457)	-	(11,183)
Depreciation	(26,168)	(2,937)	(16,537)	(3,309)	(48,951)
Effects of foreign currency translation	377	13	-	-	390
Others	-	-	-	-	-
Ending balance	80,709	6,033	21,274	3,807	111,823

(3) The amounts recognized in profit and loss for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Depreciation expense on right-of-use assets (*1)	57,312	51,891
Interest expense on lease liabilities	3,214	3,454
Expense relating to short-term leases	112,805	33,292
Expense relating to leases of low-value assets	1,317	1,220
Profit from relending lease of the right-of-use asset	3,167	833

(*1) The depreciation cost of ₩2,869 and ₩2,940 million of investment property is included in depreciation cost of right-of-use assets in the current and prior terms.

The total amount of cash outflows from leases for the years ended December 31, 2022 and 2021, was ₩174,259 million and ₩90,691 million, respectively.

19. TRADE AND OTHER ACCOUNTS PAYABLES:

Details of the Group's trade and other payables as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)	
		December 31, 2022	December 31, 2021
Current	Trade payables	993,059	908,022
	Accounts payable	263,874	305,331
	Accrued expenses	52,537	38,552
	Leasehold deposits received	2,283	1,552
	Subtotal	1,311,753	1,253,457
Non-current	Long-term trade payables	8,686	8,137
	Long-term accounts payable	288	275
	Long-term leasehold deposits received	5,622	4,681
	Subtotal	14,596	13,093
Total		1,326,349	1,266,550

20. BORROWINGS:

(1) Details of the Group's borrowings as of December 31, 2022 and 2021, are as follows

Korean won (in millions)				
	Creditor	Term-end interest rate (%)	December 31, 2022	December 31, 2021
Short-term borrowings				
General loans	Standard chartered and others	1.10~5.43	185,758	156,300
Total			185,758	156,300
Long-term borrowings				
General loans	Woori Hansoup and others	2.24~5.53	332,373	317,029
Operating loans	Korea Housing & Urban Guarantee and others	0.00~1.85	137,584	91,655
Subtotal			469,957	408,684
Less: Current maturities of long-term debt (par value)			(55,596)	(40,252)
Present value discount (current maturities of long-term debt)			142	-
Current maturities of long-term debt (book value)			(55,454)	(40,252)
Less: Present value discount (long-term borrowings)			(4,959)	(4,754)
Total			409,402	363,678

(2) Details of the Group's debentures as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)						
Description	Issued date	Maturity date	Term-end interest rate (%)	December 31, 2022	December 31, 2021	Guarantee
1-1 public	2021-06-16	2024-06-14	1.70	200,000	200,000	Nonguaranteed
1-2 public	2021-06-16	2026-06-16	2.14	95,000	95,000	Nonguaranteed
265 private	2020-08-05	2027-08-05	2.44	30,000	30,000	Nonguaranteed
266 private	2020-08-10	2027-08-10	2.45	50,000	50,000	Nonguaranteed
33 private	2010-12-14	2027-12-31	3.50	4,116	4,116	Nonguaranteed
34 private	2011-03-29	2027-12-31	3.50	5,487	5,487	Nonguaranteed
35 public	2011-07-04	2027-12-31	3.50	6,859	6,859	Nonguaranteed
DL Construction 1-1 public	2021-09-10	2023-09-08	2.47	20,000	20,000	Nonguaranteed
DL Construction 1-2 public	2021-09-10	2024-09-09	2.81	39,000	39,000	Nonguaranteed
Subtotal				450,462	450,462	
Less: Current maturities of long-term debt (par value)				(20,000)	-	
Discounts on current debentures				-	-	
Current maturities of long-term debt (book value)				(20,000)	-	
Less: Discounts on non-current debentures				(3,082)	(3,810)	
Total				427,380	446,652	

(3) The repayment schedule of long-term borrowings and debentures outstanding as of December 31, 2022, is as follows:

Korean won (in millions)			
Years ending December 31	Long-term borrowings	Debentures (par value)	Total
2024.01.01–2024.12.31	188,368	239,000	427,368
2025.01.01–2025.12.31	50,252	-	50,252
2026.01.01–2026.12.31	623	95,000	95,623
thereafter	175,118	96,462	271,580
Total	414,361	430,462	844,823

21. RETIREMENT BENEFIT PLAN:

(1) Defined Contribution Retirement Pension

The Group joins a defined contribution plan for qualified employees, under which the Group is obligated to make payments to third-party funds operated independently of the group's assets. The contribution of the Group is reduced by losing contributions when employees retire before meeting the vesting condition.

The Group recognized ₩13,024 million and ₩11,884 million of contribution portion under its defined contribution plan in the consolidated statements of income for the year ended December 31, 2022 and 2021, respectively.

(2) Defined Benefits Retirement Pension

The Group operates a defined benefit plan for qualified employees. Employees receive retirement allowance, which is calculated by average wages of final three months at the time of retirement under the defined benefit plan. The Group is exposed to investment risk, interest risk and wage risk. The valuation of related plan assets and 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 are measured using the projected unit credit method.

1) As of December 31, 2022, amounts recognized in the consolidated statements of financial position related to retirement benefit obligations are as follows:

Korean won (in millions)	
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	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	198,144	216,888
Fair value of plan assets	(224,528)	(209,889)
Net defined benefit liabilities/assets	(26,384)	6,999

2) Changes in present value of net defined benefit liabilities(assets) for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

	Korean won (in millions)		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	216,889	(209,890)	6,999
Current service cost	29,210	-	29,210
Interest cost (income)	5,877	(5,835)	42
Subtotal	35,087	(5,835)	29,252
Remeasurement components:			
Return on plan assets (excluding the amount included in above interest income)	-	900	900
Actuarial gain/loss(Demographic)	(85)	-	(85)
Actuarial gain/loss(Financial)	(28,703)	-	(28,703)
Actuarial gain/loss(Empirical)	9,962	-	9,962
Subtotal	(18,826)	900	(17,926)
Employer's contribution	-	(38,600)	(38,600)
Benefit paid	(37,046)	30,739	(6,307)
Consolidated range variation	-	-	-
Others	2,040	(1,842)	198
Ending balance	198,144	(224,528)	(26,384)

For the year ended December 31, 2021

	Korean won (in millions)		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	221,368	(194,335)	27,033
Current service cost	29,571	-	29,571
Interest cost (income)	4,656	(4,206)	450
Subtotal	34,227	(4,206)	30,021
Remeasurement components:	-	-	-
Return on plan assets (excluding the amount included in above interest income)	-	1,268	1,268
Actuarial gain/loss(Demographic)	(4,258)	-	(4,258)
Actuarial gain/loss(Financial)	(10,446)	-	(10,446)
Actuarial gain/loss(Empirical)	9,580	-	9,580
Subtotal	(5,124)	1,268	(3,856)
Employer's contribution	-	(39,400)	(39,400)
Benefit paid	(33,498)	26,610	(6,888)
Consolidated range variation	-	-	-
Others	(85)	174	89
Ending balance	216,888	(209,889)	6,999

The Group has invested full amount of plan assets in time deposit and the equivalent for securing stable finance.

3) Gain and loss related to defined benefit plan for the year ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Current service cost	29,210	29,571
Interest cost	5,877	4,656
Interest income	(5,835)	(4,206)
Total cost included in employee benefits	29,252	30,021

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

	December 31, 2022	December 31, 2021
Discount rate	5.40%~6.33%	2.81%~3.38%
Expected salary increase rate (including inflation)	3.34%~4.38%	2.90%~4.37%

The Group 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 net defined benefit liabilities derived from the changes in actuarial assumptions to a reasonable extent of influence are as follows:

Korean won (in millions)				
	2022		2021	
	Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
1% change in discount rate	(10,937)	10,188	(12,591)	13,738
1% change in future salary increase rate	10,470	(11,357)	13,728	(12,812)

Because of their correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis does not represent actual changes in defined benefit obligation. The present value of defined benefit obligation in the above sensitivity analysis also is measured using the projected unit credit method aligned to the consolidated statement of the financial position.

Meanwhile, the Group is expecting to contribute ₩5,506 million to defined benefit plan in subsequent period of December 31, 2023.

22. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2022 and 2021, are as follows:

		Korean won (in millions)	
		December 31, 2022	December 31, 2021
Current	Advances received	57,024	36,171
	Unearned revenue	3,454	2,569
	Withholdings	81,325	92,041
	Subtotal	141,803	130,781
Non-current	Long-term unearned revenue	936	3,845
	Withholdings	1,039	781
	Subtotal	1,975	4,626
Total		143,778	135,407

23. OTHER PROVISIONS:

Details of changes in other provisions and classification by liquidity as of December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

		Korean won (in millions)						
	Beginning balance	Changes					Liquidity	
		Additional provisions	Utilization	Reversal	Other	Ending balance	Current	Non-Current
Litigations (*1)	40,419	35,425	(57,992)	(625)	-	17,227	17,227	-
Completion cost, etc. (*2, *3)	222,685	135,354	(145,465)	(43,208)	(7,997)	161,369	161,369	-
Restoration (*4)	697	24	-	-	-	721	-	721
Construction loss provisions	38,007	16,090	(10,037)	(657)	114	43,517	43,517	-
Total	301,808	186,893	(213,494)	(44,490)	(7,883)	222,834	222,113	721

For the year ended December 31, 2021

Korean won (in millions)								
	Changes					Liquidity		
	Beginning balance	Additional provisions	Utilization	Reversal	Other	Ending balance	Current	Non-Current
Litigations (*1)	12,947	52,291	(17,236)	(7,583)	-	40,419	40,419	-
Completion cost, etc. (*2, *3)	285,528	137,214	(126,564)	(73,424)	(69)	222,685	222,685	-
Restoration (*4)	1,129	-	(131)	(301)	-	697	-	697
Construction loss provisions	54,797	908	(15,376)	(2,319)	(3)	38,007	38,007	-
Total	354,401	190,413	(159,307)	(83,627)	(72)	301,808	301,111	697

(*1) The Group recognized anticipated losses as provisions as per the outcome of the latest trial as of December 31, 2022.

(*2) The Group recognized anticipated completion cost, which the Company estimates to be incurred after completion of construction as provisions as of December 31, 2022.

(*3) The Company recognized anticipated losses from the obligation to supplement funds to Deoksong Expressway Co., Ltd. as provisions amount of ₩33.1 billion as of December 31, 2022 (₩45.5 billion as of December 31, 2021).

(*4) The Company recognized anticipated expenses for restoration of long-term leased office building as of December 31, 2022.

24. LEASE LIABILITIES:

(1) Lease contract

On an average, the Group 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, 2022 and 2021, is as follows:

Korean won (in millions)				
	December 31, 2022		December 31, 2021	
	Total cash outflow	Present value of total cash outflow	Total cash outflow	Present value of total cash outflow
Within 1 year	56,701	55,914	51,750	51,210
1 year to 5 years	78,685	74,772	100,480	95,271
More than 5 years	2,215	1,957	5,937	5,199
Total	137,601	132,643	158,167	151,680

(3) The liquidity classification of lease liabilities as of December 31, 2022 and 2021, is as follows:

Korean won (in millions)		
	December 31, 2022	December 31, 2021
Current liabilities	55,914	51,210
Non-current liabilities	76,729	100,470
Total	132,643	151,680

25. CAPITAL STOCK:

Details of capital stock as of December 31, 2022 and 2021, are as follows:

	Korean won	
	December 31, 2022	December 31, 2021
① Authorized shares of capital stock	120,000,000 shares	120,000,000 shares
② Par value	5,000	5,000
③ Issued shares of common stock:		
Common stock	38,693,623 shares	19,358,738 shares
Preferred stock (*1)	4,225,836 shares	2,113,885 shares
④ Capital stock:		
Common stock	193,468 million	96,794 million
Preferred stock	21,129 million	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.

26. OTHER PAID-IN CAPITAL:

(1) Details of other paid-in capital as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Additional paid-in capital	3,500,575	3,610,124
Treasury stock	(32,206)	(3,211)
Other capital surplus	(6,798)	-
Total	3,461,571	3,606,913

(2) Details of changes in other paid-in capital as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Beginning balance	3,606,913	3,610,124
Acquisition of treasury stock	(28,995)	(3,211)
Bonus issue	(107,957)	-
Effect of changing functional currency	(8,390)	-
Ending balance	3,461,571	3,606,913

(3) Dividends for the year ended December 31, 2022, are as follows:

	Korean won (in millions, except the amount per share)			
	Issued shares	Dividend shares	Amount per share	Total
Common stock	19,358,738 shares	19,334,885 shares	2,700	52,204
Preferred stock	2,113,885 shares	2,111,951 shares	2,750	5,808
Total				58,012

27. RETAINED EARNINGS:

(1) Details of retained earnings as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Legal reserve:		
Earned surplus reserve	5,801	-
Voluntary reserve:		
Personal information protection damage liability reserve	1,000	-
Unappropriated retained earnings	851,283	580,287
Total	858,084	580,287

(2) Details of changes in retained earnings for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Beginning balance	580,287	-
Net income attributable to shareholders' equity of the parent company	413,166	577,044
Dividend	(58,012)	-
Remeasurement of defined benefit plan	12,324	3,243
Effect of changing functional currency	(89,681)	-
Ending balance	858,084	580,287

28. ACCUMULATED OTHER COMPREHENSIVE INCOME:

(1) Details of other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Gain (loss) on valuation of FVTOCI debt instruments	(2,444)	(2,028)
Gain (loss) on overseas operations translation	(184,411)	(101,765)
Equity changes in other comprehensive income on associates and joint ventures	2,278	(22,826)
Total	(184,577)	(126,619)

(2) Details of changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Beginning balance	(126,619)	(132,686)
Gain (loss) on valuation of FVTOCI debt instruments	(415)	(389)
Gain (loss) on valuation	(554)	(527)
Tax effect	139	138
Gain(loss) on overseas operations translation	(179,126)	(19,978)
Equity changes in other comprehensive income on associates and joint ventures	25,104	26,434
Gain (loss) on valuation	83,896	27,998
Tax effect	(58,792)	(1,564)
Effects of changing functional currency	96,479	-
Ending balance	(184,577)	(126,619)

29. COLLATERALS AND GUARANTEES:

(1) Collaterals

1) The Group's assets pledged as collateral to financial institutions for the Group's borrowings as of December 31, 2022, 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 and others	72,412	72,412	Borrowing	55,758	Guarantee and loan commitment
Standard Chartered Bank Korea Limited.	Land	434,657	120,000	Borrowing	100,000	-
Total		507,069	192,412		155,758	

2) As of December 31, 2022, the Group's equity securities, including fair value measurement of financial assets (carrying value: ₩73,616 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 Group

1) As of December 31, 2022, in connection with the Group's current partners, the Group provides joint guarantee for "Korea Housing & Urban Guarantee Corporation, Construction Guarantee, etc." in the amount of ₩7,930,527 million. In connection with companies that were established pursuant to the Act on Private Participation in Infrastructure, the Group has provided payment guarantees up to ₩152,612 million and provided supplemental funding agreement (₩413,900 million converted to total share).

2) As of December 31, 2022, the Group agreed to provide supplemental funding agreement on projects. The Group guarantees the amount of ₩47,000 million (the maximum amount of the loan balance: ₩61,100 million, concluded in June 2022) for Hyoje development project and the amount of ₩35,000 million (the maximum amount of the loan balance: ₩45,500 million, concluded in May 2022) for Daejeon Say department store site development project. Furthermore, the Group has entered into a loan agreement in the amount of ₩375,542 million (group's share: ₩355,817 million) in relation to its housing development projects, including the Jeondogwan district residential redevelopment project.

- 3) As of December 31, 2022, the Group provides payment guarantees of 23 cases, ₩1,068,733 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: ₩1,276,056 million and the maximum amount of the loan limit: ₩2,187,489 million). In addition, the Group provides payment guarantees of ₩689,394 million in connection with the interim loan of the dependents (the maximum amount of bonds with the loan limit: ₩816,293 million).
- 4) The Group has set up for financial guarantee contract liabilities as of December 31, 2022, and provided for the current enforcer of the PF loan guarantees by reliably estimating possible loss on the business of ₩16,349 million.
- 5) As of December 31, 2022, the Group 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 60 cases of loans amounting to ₩6,215,634 million). In addition, the Group provides a commitment to complete construction to Korea Housing & Urban Guarantee Corporation of some of the Group'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 company (the Company and DL Chemical Co., Ltd.) and surviving company (DL Holdings Co., Ltd.) by division, as from January 1, 2021, shall be jointly and severally responsible for the repayment of the liabilities owed by the divided company before the division.
- 7) Payment guarantees that the Group has provided for related parties are presented in Note 38. (6).

(3) Guarantees provided by others

- 1) Payment guarantees related to domestic construction projects provided by others as of December 31, 2022 and 2021, are as follows

Korean won (in millions)			
	Guarantees		Description
	December 31, 2022	December 31, 2021	
STX Construction Co., Ltd. and others	36,158	52,035	Construction warranty and others
Construction guarantee	585,282	425,003	Guarantee of construction contract
Construction guarantee	968,976	739,290	Construction warranty
Construction guarantee	2,992,859	3,079,588	Guarantee of fulfillment of construction
Construction guarantee	5,367,322	2,364,693	Construction warranty and others
Korea Housing & Urban Guarantee Corporation	2,452,993	3,299,216	Guarantee of lotting out
Korea Housing & Urban Guarantee Corporation	795,941	1,185,006	Construction warranty and others
Seoul Guarantee Insurance Co., Ltd.	694,090	666,087	Guarantee of fulfillment of construction and others
Engineering guarantee	7,481	-	Guarantee of fulfillment of construction and others
Lotte Engineering & Construction Co., Ltd.	24,008	22,806	Joint guarantee of construction
Total	13,925,110	11,833,724	

2) Payment guarantees related to overseas construction projects provided by others as of December 31, 2022, 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	229,882	291,375	Saudi Arabia and others	Guarantee of fulfillment of contract and others
Hana Bank	USD	257	326	Libya and others	Guarantee of fulfillment of contract and others
Woori Bank	USD	41,533	52,597	Indonesia and others	Guarantee of fulfillment of contract and others
HSBC Seoul	USD	108,255	137,248	Philippines and others	Guarantee of fulfillment of contract and others
Arab Bank, S'pore	USD	2,720	3,447	Saudi Arabia and others	Guarantee of fulfillment of contract and others
NBK	USD	9,344	11,842	Kuwait	Other guarantee and others
Mashreq	USD	14	17	UAE	Other guarantee
Zurich, Singapore	USD	5,596	7,091	Singapore	Guarantee of fulfillment of contract
Riyad Bank	USD	96,996	122,923	Saudi Arabia	Guarantee of fulfillment of contract and others
UOB Seoul	USD	9,595	12,159	Singapore	Other guarantee and others
UBAF	USD	280	355	Philippines	Construction warranty and others
Societe Generale	USD	109,814	139,234	Russia	Guarantee of fulfillment of contract and others
Construction guarantee	USD	31,868	40,410	Russia	Guarantee of fulfillment of contract and others
Total		646,154	819,024		

Above currency for guarantee of overseas construction is changed and applied to USD.

30. COMMITMENTS AND CONTINGENCIES:

(1) Promissory note and checks

As of December 31, 2022, the Group has provided 29 checks (26 blank) and 3 promissory notes to the related banks regarding loan payables.

(2) Pending litigations

As of December 31, 2022, the Group is accused in 146 lawsuit cases pending (amount of ₩533,532 million) regarding a claim for damages and filed a complaint with 50 lawsuits pending (amount of ₩710,436 million) regarding completion bill and damages for delay. As the outcomes of the pending lawsuits are unpredictable, influence on the consolidated financial statements cannot be accurately measured. When the Group lost during the first or second trial, it had set up for the provisions (see Note 23).

(3) Payment guarantees for loans to related party

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

	Description
(1) Counterparty	DLENC Philippines, Inc
(2) Loan amount	- USD 8 million
(3) Term of contract	- USD 8 million: 2020.04.15–2023.04.15, 4.6% per year
(4) Date of board of directors' resolution	- 2021.04.07
(5) Method of repayment	Principal and interest bullet payment

The balance of the financial support is ₩10,138 million as of December 31, 2022.

- 2) The Group's board of directors, regarding Deoksong-Naegak Expressway Co., Ltd.'s lack of capital, has executed a subordinated loan in the amount of ₩15,706 million and subrogation in the amount of ₩6,512 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Deoksong-Naegak Expressway Co., Ltd.
(2) Loan amount	- ₩15,706 million (Existing loan: ₩9,847 million + additional loan: ₩3,000 million + second additional loan ₩2,859 million) - Payment by subrogation: ₩6,512 million
(3) Term of contract	[Existing loan] - 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) [Additional loan] Prior to the full repayment of the principal and interest on the existing loan, it is not possible to repay the principal of the additional loan with additional funds, and the repayment priority of additional funds is lower than that of existing loan. [Subrogation] The subrogation rights resulting from this substitution are of lower priority compared to the claims of the main creditor for the principal loan amount and to the claims of the Korea Credit Guarantee Fund for the collateral.
(4) Date of board of directors' resolution	- Existing loan: 2020.04.27 - Additional loan: Approved by chief executive officer ("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 ₩15,706 million and the balance of other receivables related to subrogation payment is ₩6,512 million as of December 31, 2022.

- 3) The Group's board of directors, regarding Hyoje PFV Co., Ltd.'s business operating, has executed a loan in the amount of ₩ 37,000 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Hyoje PFV Co., Ltd.
(2) Loan amount	₩37,000 million
(3) Term of contract	- ₩27,000 million 2020.12.15 ~ PF withdrawal, 4.6% per year - ₩10,000 million 2022.06.15 ~ 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 three months' payment

The balance of the financial support is ₩37,000 million as of December 31, 2022.

- 4) The Company's board of directors, regarding Aegis-Haeundae general private real estate investment trust No. 1's securing investment, has executed a loan in the amount of ₩33,500 million. Details of the main agreements are as follows:

	Description
(1) Counterparty	Aegis-Haeundae general private real estate investment trust No. 1
(2) Loan amount	₩27,500 million
(3) Term of contract	- ₩27,500 million 2022.11.30 – 2028.01.30, 20% per year
(4) Date of board of directors' resolution	- ₩27,500 million: Approval by CEO only
(5) Method of repayment	Principal bullet payment, interest three months' payment

The balance of the financial support is ₩27,500 million as of December 31, 2022.

- (4) Commitments to financial institutions

The major contracts between the Group and financial institutions as of December 31, 2022, are as follows:

Korean won in millions and foreign currencies in thousands					
Description	Financial institution	Credit line		Balance outstanding	
Bank overdrafts (*1)	Woori Bank and others	KRW	108,401	KRW	157
General loans	Nonghyup Bank and others	KRW	562,216	KRW	277,216
	The Export-Import Bank of Korea	EUR	65,000	EUR	65,000
Commercial paper	Korea Investmen & Securities Co., Ltd.	KRW	30,000	KRW	30,000
Other commercial paper discounting	Woori Bank and others	KRW	250,000	KRW	-
Business-to-business commercial paper discounting	Woori Bank and others	KRW	299,140	KRW	25,856
Letter of credit (sight and usance)	Woori Bank and others	USD	100,331	USD	-
Payment guarantee in foreign currency	Woori Bank and others	USD	1,525,967	USD	611,823
Payment guarantee in local currency	Woori Bank and others	KRW	580,749	KRW	580,749
Operating loan	Seoul Housing and Communities Corp.	KRW	28,467	KRW	28,467

- (*1) Bank overdrafts are from Woori Bank, Shinhan Bank, Suhyup Bank, Nonghyup Bank, Hana Bank, Standard Chartered Bank and Korea Development Bank in the amount of ₩19.6 billion, ₩7.5 billion, ₩18.3 billion, ₩10 billion and ₩33 billion, respectively. The aforementioned ₩5 billion overdraft from Woori Bank includes comprehensive credit limit contract.

The Group has made contracts with financial institutions for the comprehensive line of credits and general loan in the amount of ₩205.6 billion and \$13.46 million with Woori Bank and ₩177 with Hana Bank.

(5) Derivatives

1) A currency forward contract

The Group has 51 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, 2022, is as follows:

As of December 31, 2022

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	131,685	USD	101,592	1,296.20	45
Trading	KRW	891	EUR	637	1,398.94	2
Trading	USD	19,772	SGD	27,620	1.40	2
Trading	CNY	82,411	USD	12,413	6.64	1
Trading	EUR	20,000	KRW	27,660	1,383.00	1

As of 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	1.40	3
Trading	CNY	82,411	USD	12,772	6.45	1
Trading	EUR	23,581	KRW	31,905	1,353.03	8

2) Evaluations of derivative financial instruments

As of December 31, 2022

Korean won (in millions)				
	Trade			
	Gain on valuation	Loss on valuation	Asset	Liability
Currency forward	5,737	2,972	5,750	3,783
Option	-	181	-	-
Total	5,737	3,153	5,750	3,783

As of 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	-	-
Total	1,232	2,333	777	3,068

(6) Other commitment

As of the end of 2022, the Company's major other commitments are as follows:

- 1) The Group 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 Group include provisions, such as maintaining financial ratios, restricting security rights, 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) At the end of the current year, the Group has an agreement for put options to sell the shares held by SOC subsidiaries, including Seoul Tunnel Co., Ltd., Sudogwon Expressway Co., Ltd. and Deoksung-Naegok Expressway Co., Ltd., to financial investors.
- 4) As of December 31, 2022, the Group has rights of claim for sale of owned shares of Deoksung-Naegok Expressway Co., Ltd. to financial investor and is providing call options for stock assigner according to stock-transfer contract dated May 31, 2021.

31. REVENUE:

Details of revenue included in operating income for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	Progress basis	Delivery basis	Progress basis	Delivery basis
Construction contract revenue	7,295,178	77,845	7,413,209	62,299
1. Construction revenue	6,915,446	-	6,960,846	-
2. Sales of apartment	379,732	77,845	452,363	62,299
Revenue from the rendering of services	91,077	-	103,871	-
Other revenue	-	32,724	-	52,272
Total	7,386,255	110,569	7,517,080	114,571

32. NATURE OF EXPENSES:

Details of classification of expenses by nature for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cost of raw material	1,739,625	1,517,287
Cost of outsourcing	3,506,432	3,493,498
Salaries	605,260	574,429
Severance benefit	48,015	46,950
Welfare expenses	77,879	67,078
Depreciation	74,446	58,399
Amortization of intangible assets	9,484	15,633
Commission	448,284	431,668
Taxes and dues	120,357	118,442
Other expenses	370,076	351,009
Total	6,999,858	6,674,393

33. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Selling expenses:		
Advertisement	9,258	13,081
Bad debt expenses	(12,998)	(29,285)
Freight	120	108
Commission	167,234	161,930
Warranty	(1,189)	1,712
Subtotal	162,425	147,546
Administrative expenses:		
Salaries	198,333	200,374
Welfare expenses	23,620	19,436
Insurance	13,619	13,595
Rent	24,550	25,813
Others	11,814	22,349
Subtotal	271,936	281,567
Total	434,361	429,113

34. OTHER INCOME AND EXPENSES:

(1) Details of other income for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Dividend income	1,296	1,058
Rental revenue	6	5
Gain on foreign currency transactions	59,914	32,433
Gain on foreign currency translation	59,861	30,080
Gain on disposal of investment assets	3,605	-
Gain on disposal of fair value measurement of financial assets	-	128
Gain on valuation of fair value measurement of financial assets	9,595	2,651
Gain on disposal of tangible assets	693	1,594
Gain on disposal of intangible assets	-	-
Gain on disposal of real estate investment	839	844
Gain on derivative trading	5,033	1,238
Gain on derivatives valuation	5,737	1,232
Reversal of financial guarantee contract liabilities	697	10,671
Reversal of impairment losses on asset	-	33
Reversal of allowance for bad debt	7,920	5,810
Reversal of other provisions	5,767	-
Others	9,809	16,934
Total	170,772	104,711

(2) Details of other expenses for the year ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Donations	10,041	9,306
Bad debt expense	19,526	35,495
Loss on foreign currency transactions	31,780	40,238
Loss on foreign currency translation	26,938	6,612
Loss on disposal of real estate investment	10	-
Loss on disposal of investment assets	2,404	-
Loss on disposal of fair value measurement of financial assets	-	169
Loss on valuation of fair value measurement of financial assets	714	8,239
Loss on disposal of tangible assets	199	747
Loss on disposal of intangible assets	20	5
Loss on derivative trading	4,109	2,325
Loss on derivative valuations	3,153	2,333
Contribution to financial guarantee liabilities	438	3,481
Contribution to other provisions	34,414	45,316
Loss on impairment of assets	25,875	-
Others	7,887	29,705
Total	167,508	183,971

35. FINANCIAL INCOME AND EXPENSES:

(1) Details of the Group's financial income for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Interest income - according to the effective interest method		
Financial assets measured at amortized cost	93,065	56,272
Financial assets measured at FVTOCI	509	447
Subtotal	93,574	56,719
Gain on foreign currency transaction	19,038	25,868
Gain on foreign currency translation	29,093	34,541
Total	141,705	117,128

(2) Details of the Group's financial income categorized for assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cash and cash equivalents	62,148	49,380
Short- and long-term financial instruments	43,686	10,744
Loan and other accounts receivable	33,080	55,903
FVTOCI	509	447
Others	2,282	654
Total	141,705	117,128

(3) Details of the Group's financial expenses for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Interest expense:		
Borrowing	18,068	15,410
Debenture	10,080	12,920
Lease	3,214	3,454
Others	3,072	4,404
Subtotal	34,434	36,188
Less: Amount including in cost of the qualifying asset	-	-
Subtotal	34,434	36,188
Loss on foreign currency transaction	16,289	5,149
Loss on foreign currency translation	6,500	27,942
Total	57,223	69,279

(4) Details of the Group's financial expenses categorized for assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Cash and cash equivalents	5,585	7,112
Borrowing	17,601	15,410
Debenture	10,080	8,209
Others	23,957	38,548
Total	57,223	69,279

36. INCOME TAX EXPENSE:

(1) Details of the Group's income tax expense for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Current income tax expense (including additional income tax and tax refunds)	121,242	221,093
±Changes in temporary differences (*1)	107,227	54,799
±Changes in net deferred tax assets (liabilities) directly charged to shareholders' equity (*2)	(64,553)	(2,477)
Income tax expense	163,916	273,415
(*1) Deferred tax assets from temporary differences, net at the end of year	365,573	472,800
Deferred tax assets from temporary differences, net at the beginning of year	472,800	527,599
Changes in deferred tax from temporary differences	(107,227)	(54,799)

(*2) Changes in net deferred tax assets (liabilities) directly charged to the shareholders' equity for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)					
	December 31, 2022			December 31, 2021		
	Gross	Tax effect	Net amount	Gross	Tax effect	Net amount
Gain on valuation of financial instruments measured at FVTOCI	(1,246)	315	(931)	(565)	147	(418)
Remeasurement of defined benefit plan	21,782	(5,397)	16,385	3,856	(1,060)	2,796
Changes in equity of subsidiaries, associates and joint ventures	111,894	(60,356)	51,538	27,998	(1,564)	26,434
Additional paid-in capital	3,616,433	(1,592)	3,614,841	3,613,249	-	3,613,249
Total	3,748,863	(67,030)	3,681,833	3,644,538	(2,477)	3,642,061

(2) Explanations of the relationship between the income tax expense and the accounting income before income tax expense for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Income before income tax expense	595,473	909,251
Income tax expense (applicable tax rates)	144,044	248,528
Adjustments:		
Non-taxable income	(1,808)	(4,152)
Non-deductible expenses	9,361	15,632
Additional income tax and others	1,225	(11,522)
Non-recycled corporation income tax expense	6,525	8,050
Not recognized as deferred tax assets	9,453	6,643
Others	(4,884)	10,236
Income tax expense	163,916	273,415
Effective tax rate (income tax expense/income before income tax)	27.53%	30.07%

(3) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021, are as follows:

As of/For the year ended December 31, 2022

Korean won (in millions)				
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Investments in subsidiaries, associates and joint ventures	197,210	141,975	339,185	13,570
Valuation of available-for-sale financial assets	31,181	(4,071)	27,110	6,923
Revaluation of property, plant and equipment	(106,918)	14,235	(92,683)	(23,384)
Valuation of derivative instrument	2,284	182	2,466	622
Excess depreciation of property, plant and equipment	19,388	103	19,491	4,918
Provisions	480,186	(139,694)	340,492	83,887
Impairment loss	(18,021)	44,579	26,558	6,692
Excess bad debts expense	1,152,661	(132,195)	1,020,466	255,228
Loss on foreign currency translation	4,677	5,507	10,184	2,569
Accrued income	(84,117)	(10,957)	(95,074)	(23,867)
Others	409,749	(252,920)	156,829	38,415
Total	2,088,280	(333,256)	1,755,024	365,573

As of/For the year ended December 31, 2021

Korean won (in millions)				
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Investments in subsidiaries, associates and joint ventures	188,848	87,963	276,811	152
Valuation of available-for-sale financial assets	108,644	(77,463)	31,181	8,359
Revaluation of property, plant and equipment	(129,284)	22,366	(106,918)	(28,312)
Valuation of derivative instrument	2,184	100	2,284	605
Excess depreciation of property, plant and equipment	18,254	1,134	19,388	5,134
Provisions	632,164	(151,978)	480,186	124,423
Impairment loss	10,727	(28,748)	(18,021)	(4,782)
Excess bad debts expense	1,433,323	(280,662)	1,152,661	302,412

	Korean won (in millions)			
	Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities)
Loss on foreign currency translation	1,015	3,662	4,677	1,238
Accrued income	(77,474)	(6,643)	(84,117)	(22,146)
Tax deficits	14,096	(14,096)	-	-
Others	(19,072)	349,219	330,147	85,717
Total	2,183,425	(95,146)	2,088,279	472,800

(4) Temporary differences from investments in associates and joint ventures not recognized as deferred tax assets (liabilities) as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Investments in associates and joint ventures	284,635	275,420

37. EARNINGS PER SHARE:

The Group's net earnings per share for the years ended December 31, 2022 and 2021, are computed as follows:

(1) Basic earnings per share of common stock

	Korean won	
	2022	2021
Net income attributable to owners	413,165,585,504	577,044,183,539
Dividend on preferred stock and residual income available for preferred shareholders	(24,221,436,341)	(56,823,721,712)
Net income available for common shareholders	388,944,149,163	520,220,461,827
Weighted-average number of common shares outstanding	38,394,338 shares	38,673,298 shares
Basic earnings per common stock	10,130	13,452

(*) The weighted average number of common shares outstanding for the previous year was recalculated by reflecting the effect of bonus issue that occurred in 2022

(2) Basic earnings per share of preferred stock

	Korean won	
	2022	2021
Dividend on preferred stock and residual income available for preferred shareholders	24,221,436,341	56,823,721,712
Weighted-average number of preferred shares outstanding	4,197,690 shares	4,224,188 shares
Basic earnings per preferred stock	5,770	13,452

(*) The weighted average number of common shares outstanding for the previous year was recalculated by reflecting the effect of bonus issue that occurred in 2022

(3) Diluted earnings per share are the same as basic earnings per share as the Group has no dilutive securities.

38. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2022, 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
Associates	Godeok Gangil 10 PFV Co., Ltd., Hyoje PFV Co., Ltd., UlsanUiJeongbuproject PFV Co., Ltd., IncheonInha PFV Co., Ltd., Daejeonmunwha PFV Co., Ltd, JeonJuWansan PFV Co., Ltd, Samho Citron City Co., Ltd., Wonju Buron Industrial Complex Co., Ltd, , Pebblestone MD PFV Co., Ltd., Saubukbyeon Development Co., Ltd., Namwon Thema park Co., Ltd., Asan Dogo Industrial Complex Development Co., Ltd., KB Blind General Private Equity Real Estate Investment Trust No. 2, Gwacheon Jisan One PFV Co., Ltd., , Hwaseong JDC, LLC., Together Daejeon-Munhwa PFV Co.,Ltd., Songpa Bokjeong Station Layered City PFV Co., Ltd., DLENC Philippines, Inc., DL Engineering & Construction Malaysia Sdn. Bhd and NeuRizer LTD.
Joint ventures	Koramco Private Real Estate Equity Fund No.112, Luoma Inc., Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 , DIAP-DAELIM JOINT VENTURE PTE. LTD., OMZ-Daelim LLC., and CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION
Others	DL Chemical, DL Motors Co., Ltd., GLAD Hotels & Resorts Co., Ltd., Songdo Power Co., Ltd., DL Energy Co., Ltd., Chungjin Project Co., Ltd., Chungjin Asset Management Company, DL FnC, A Plus D 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, Epyunse (Shanghai) Trade Agency Co., Ltd., Daelim AMC. 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, DL Energy Global Co., Ltd, OV Co., LTD, Geumo Island Wind Power Co., Ltd., Pocheon Power Co., Ltd., Haeundae Central PFV Co., Ltd., Daelim Vietnam Ltd., 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, Kraton Corporation, DL Energy America, Inc., Infra Equity Power Holdings, LLC, CPV Fairview, LLC etc.
Large business group affiliates (*1)	Deoksong-Naegak Expressway Co., Ltd., Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd., Humphreys SLQ ONE Co., Ltd., Jeju Aero Space Hotel Co., Ltd., Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd. etc.

(*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 companies, according to the resolution of the Securities and Futures Commission, that correspond to substantial related parties of K-IFRS 1024:10.

- (*2) Please refer to the notes '17. INVESTMENTS IN 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, 2022, are as follows.

	Name	Reason for change
Inclusion	Kraton Corporation and affiliates	In March 2022, it was newly incorporated as a surviving company after merging with DLC US, Inc.
	Infra Equity Power Holdings, LLC	In March 2022, it was newly incorporated as a subsidiary of DL Energy America, Inc.
	CPV Fairview, LLC	In March 2022, it was newly incorporated as an Infra Equity Power Holdings, LLC joint venture.
	Together Daejeon-Munhwa PFV Co.,Ltd.	In May 2022, the company invested in Together Daejeon-Munhwa PFV Co.,Ltd.
	Geumo Island Wind Power Co.	As it was incorporated as a subsidiary of DL Energy Co., Ltd. in June 2022, it was newly incorporated as other related party of the company.
	NeuRizer LTD.	In July 2022, the company invested in NeuRizer LTD.
	KB Blind General Private Equity Real Estate Investment Trust No. 2	In November 2022, DL Construction Co., LTD. invested in KB Blind General Private Equity Real Estate Investment Trust No. 2
	Songpa Bokjeong Station Layered City PFV Co., Ltd.	In October 2022, the company invested in Songpa Bokjeong Station Layered City PFV Co., Ltd.
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	In November 2022, the company invested in the trust.
	Haeundae Central PFV Co., Ltd.	In November 2022, Igis Haeundae General Private Equity Real Estate Investment Trust No. 1 invested in Haeundae Central PFV Co., Ltd.
Exclusion	Ecosulihall Co., Ltd.	In January 2022, the Company was liquidated
	Chemtech Co., Ltd.	In March 2022, It was excluded due to independent management of relatives.
	DLC US, Inc.	In March 2022, It was excluded due to the merger of Kraton Corporation.
	Daelim No. 6 Busan Uam Newstay REIT Co., Ltd.	In July 2022, the Company was liquidated.
	Gimhae Dongseo Tunnel Co., Ltd.	In October 2022, the company was liquidated.
	Poseung Green Power Co., Ltd.	Excluded due to stake sale in October 2022.
Re-Classification	Pocheon Power Co., Ltd.	In September, It has been reclassified from affiliated companies to other affiliates according to DL Holdings CO.,LTD's resolution to dispose of the equity.

(2) Transactions between the Company and subsidiaries were eliminated for consolidation and not disclosed.

Transactions between the Group and other related parties are as follows:

1) Major transactions between the Group and other related parties for the years ended December 31, 2022 and 2021 are as follows:

Korean won (in millions)					
Company	Name of the related party	Sales and others (*1)		Purchases and others (*1)	
		2022	2021	2022	2021
DL E&C CO.,LTD	Daelim Co.,LTD.	2,476	452	126,536	103,131
	DL Holdings CO.,LTD	4,879	10,689	11,479	13,167
	DL Chemical	19,320	6,406	139	174
	DL Motors Co., Ltd	-	-	-	3
	GLAD Hotels & Resorts Co., Ltd	3,139	1,995	3,223	996
	Yeochun NCC Co., Ltd	-	38,901	-	-
	Poly Mirae Co., Ltd	-	-	3	3
	Songdo Power Co., Ltd	20	18	-	-
	Deoksong-Naegak Expressway Co., Ltd.	7,128	3,377	60	-
	DL Energy Co., Ltd	44	31	1	11
	Chungjin Project Co., Ltd.	9,475	-	-	-
	Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd.	65	-	-	-
	Daelim P&P Co., Ltd (*3)	-	46	-	4
	Daelim AMC. Co., Ltd	2	-	-	-
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	467	-	-	-
	Luoma Inc.	-	-	-	-
	Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd.	307	302	-	-
	Godeok Gangil 10 PFV Co., Ltd (*2)	60,110	12,601	-	-
	Hyoje PFV Co., Ltd.	1,493	1,041	-	-
	Luoma Inc.	-	12	-	-
DLENC Philippines, Inc.	368	1,012	-	-	
DL Engineering & Construction Malaysia Sdn. Bhd.	1,198	2,416	-	-	
DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	2,533	7,215	253	462	

	OMZ-Daelim LLC. (*2)	440	2,449	-	46
	D-REX POLYMER LLC	94,728	29,021	-	-
	Gwacheon Jisan One PFV Co., Ltd.	23,006	-	-	-
	OV Co., LTD.	3	-	-	-
	CARIFLEX PTE. LTD	102,969	7,513	-	-
	NeuRizer LTD.	20,577	-	-	-
DL Construction Co.	Daelim Co.,LTD.	123,402	86,502	23,598	29,082
	Samho Citron City Co., Ltd (*2)	15,426	7,917	-	-
	Namwon Thema park Co., Ltd (*2)	12,146	16,630	3	-
	Pebblestone MD PFV Co., Ltd (*2)	61,531	12,418	-	1,315
	DL Holdings CO., LTD	65	69	4,042	3,361
	DL Chemical	4,923	-	-	-
	GLAD Hotels & Resorts Co., Ltd	-	-	6	25
	KB Blind General Private Equity Real Estate Investment Trust No. 2	175	-	-	-
	Koramco Private Real Estate Equity Fund No.112	36	-	-	-
DL INSAAT GELISTIRME A.S.	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION (*2)	34,276	136,232	-	-
CARBONCO PTE. LTD.	Daelim Co.,LTD.	-	-	124	-
	DL Holdings CO.,LTD	-	-	5	-

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

(*2) Progress sales amounted to ₩(-)53,721 million and ₩49,493 million for the years ended December 31, 2022 and 2021, respectively, and are excluded due to the application of stage of completion method and foreign currency transaction gains/losses.

Korean won (in millions)			
company	Name of the related party	2022	2021
DL E&C CO.,LTD	Godeok Gangil 10 PFV Co., Ltd	11,825	2,806
	Gwacheon Jisan One PFV Co., Ltd.	(611)	2,349
	D-REX POLYMER LLC.	9,863	(18,099)
	DL Chemical	924	(1,454)
	DIAP-DAELIM JOINT VENTURE PTE. LTD.	1,579	2,072
	NeuRizer LTD.	(2,425)	-
	CARIFLEX PTE. LTD	(24,257)	-
	OMZ-Daelim LLC.	(485)	2,566
DL Construction Co	Samho Citron City Co., Ltd	968	4,809
	Namwon Thema park Co., Ltd	(6,279)	5,277
	Pebblestone MD PFV Co., Ltd	819	13,304
	DL Chemical	(359)	-
DL INSAAT GELISTIRME A.S.	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	(45,283)	35,863
Total		(53,721)	49,493

(*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.

2) Outstanding balances as of December 31, 2022 and 2021, are as follows:

Korean won (in millions)					
Type	Name of the related parties	account receivable (*1)		account payable (*1)	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
DL E&C CO.,LTD	Daelim Co.,LTD.	1,779	44	16,322	9,917
	DL Holdings CO.,LTD	346	4,075	3,851	4,047
	DL Chemical	57	2,627	16	13
	GLAD Hotels & Resorts Co., Ltd	1,143	701	325	166
	Poly Mirae Co., Ltd	-	-	-	1

Songdo Power Co., Ltd	3	9	-	-
Deoksong-Naegak Expressway Co., Ltd.	26,313	16,186	-	-
DL Energy Co., Ltd	4	3	-	1
Chungjin Project Co., Ltd.	965	-	-	-
Daelim No. 5 Cheonan-Wonseong-dong Newstay REIT Co., Ltd.	13	-	-	-
Daelim No.7 Masan Hoewon Newstay REIT Co., Ltd.	43	25	-	-
Hyoje PFV Co., Ltd.	37,075	27,054	-	-
Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	27,967	-	-	-
DLENC Philippines, Inc.	11,490	15,031	174	1,158
DL Engineering & Construction Malaysia Sdn. Bhd.	8,537	12,178	1,061	1,870
DIAP-DAELIM JOINT VENTURE PTE. LTD. (*2)	124	1,475	91	87
D-REX POLYMER LLC	1,245	11,808	-	-
OV Co., LTD.	1	-	-	-
CARIFLEX PTE. LTD.	10,305	1,008	-	-
NeuRizer LTD.	17,805	-	-	-

DL Construction Co	Daelim Co.,LTD.	15,461	14,334	4,721	6,948
	DL Chemical	1,011	-	-	-
	Samho Citron City Co., Ltd (*2)	-	3,163	-	-
	Namwon Thema park Co., Ltd (*2)	562	693	-	-
	DL Holdings CO., LTD	-	-	1,523	1,455
	GLAD Hotels & Resorts Co., Ltd	-	-	3	-
	Hwaseong JDC, LLC.	2,517	-	-	-
DL INSAAT GELISTIRME A.S.	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION(*2)	161	151	-	-
CARBONCO PTE. LTD.	Daelim Co.,LTD.	-	-	68	-
	DL Holdings CO.,LTD	-	-	6	-

(*1) Loans and borrowings were included.

(*2) The contract assets amounted to ₩27,297 million and ₩37,161 million for the years ended December 31, 2022 and 2021, respectively, and the contract liabilities that amounted to ₩86,320 million and ₩19,553 million for the years ended December 31, 2022 and 2021, respectively, are excluded due to the application of stage of completion method.

Korean won (in millions)					
Type	Name of the related parties	Contract assets		Contract liabilities	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
DL E&C CO.,LTD	Godeok Gangil 10 PFV Co., Ltd	-	2,806	9,019	-
	Gwacheon Jisan One PFV Co., Ltd.	1,738	2,349	-	-
	D-REX POLYMER LLC.	-	-	8,236	18,099
	DL Chemical	-	-	530	1,454
	DIAP-DAELIM JOINT VENTURE PTE. LTD.	2,966	1,387	-	-
	NeuRizer LTD.	-	-	2,425	-
	CARIFLEX PTE. LTD	-	-	24,257	-
	OMZ-Daelim LLC.	-	485	-	-
DL Construction Co	Samho Citron City Co., Ltd	8,090	7,121	-	-
	Namwon Thema park Co., Ltd	-	6,279	-	-

	Pebblestone MD PFV Co.	14,124	13,304	-	-
	DL Chemical	379	-	-	-
DL INSAAT GELISTIRME A.S.	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	-	3,430	41,853	-
Total		27,297	37,161	86,320	19,553

Details of changes in the provisions for credit losses on above related parties for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)						
Type	Name of the related parties	Account	Beginning balance	(Reversal of) provisions for credit losses	Other(*1)	Ending balance
Associates	DLENC Philippines, Inc.	Trade receivables	2,323	63	157	2,543
		Loans	9,484	-	654	10,138
		Other accounts receivable	2,068	150	136	2,354
	DL Engineering & Construction Malaysia Sdn. Bhd.	Trade receivables	10,258	(2,920)	766	8,104
		Other accounts receivable	-	-	-	-
Large business group affiliates	Deoksong-Naegak Expressway Co., Ltd.	Loans	9,847	5,859	-	15,706
		Other accounts receivable	-	6,512	-	6,512

For the year ended December 31, 2021

Korean won (in millions)						
Type	Name of the related parties	Account	Beginning balance	(Reversal of) provisions for credit losses	Other(*1)	Ending balance
Associates	DLENC 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.

(3) Major changes in loans to related parties for the years ended December 31, 2022 and 2021, are as follows:

For the year ended December 31, 2022

Korean won (in millions)						
Type	Name of the related parties	Beginning balance	Rent	Repayment	Other (*1)	Ending balance
DL E&C CO.,LTD	Hyoje PFV Co., Ltd.	27,000	10,000	-	-	37,000
	DLENC Philippines, Inc.	9,484	-	-	654	10,138
	Deoksong-Naegak Expressway Co., Ltd.	12,847	2,859	-	-	15,706
	Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	-	27,500	-	-	27,500
DL Construction Co	Hwaseong JDC, LLC.		2,517	-	-	2,517

For the year ended December 31, 2021

Korean won (in millions)						
Type	Name of the related parties	Beginning balance	Rent	Repayment	Other (*1)	Ending balance
DL E&C CO.,LTD	Hyoje PFV Co., Ltd.	27,000	-	-	-	27,000
	Daelim Philippines, Inc.	8,704	-	-	780	9,484
	Deoksong-Naegak Expressway Co., Ltd.	9,847	3,000	-	-	12,847

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

(4) Major equity transactions to related parties for the years ended December 31, 2022 and 2021, are as follows:

Description	Company	Name of the related party	Transactions	Korean won (in millions)	
				2022	2021
Investment	DL E&C Co., Ltd.	Ulsan Uijeongbu Project PFV	Cash investment due to new establishment	-	4,750
		Luoma Limited	Additional cash investment, Debt-to-equity swap	-	20,000
		DL Incheon Inha PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		DL Daejeon Munhwa PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		DL Jeonju Wansan PFV Co., Ltd.	Cash investment due to new establishment	-	2,375
		Gwacheon Jisanwon PFV Co., Ltd.	Cash investment due to new establishment	-	30
		Together Daejeon-Munhwa PFV Co.,Ltd.	Cash investment due to new establishment	17,000	-
		NeuRizer Ltd.	Capital increase by issuing new stocks	12,979	-
		Songpa Bokjeong Station Layered City PFV Co., Ltd.	Cash investment due to new establishment	20,000	-
		Igis Haeundae General Private Equity Real Estate Investment Trust No. 1	Cash investment due to new establishment	3,000	-
	DL Construction Co., LTD.	Asan Dogo Industrial Complex Development Co., Ltd.	Cash investment due to new establishment	-	60
		Hwaseong JDC, LLC.	Cash investment due to new establishment	-	3
		KB Development Blind General Private Equity Investment Trust No. 2	New investment	3,510	-
		Koramco Private Real Estate Equity Fund No.112	Additional investment	600	-
		Samho Citron City CO., Ltd.	Disposal of shares	(5)	-
DL INSAAT GELISTIRME A.S.	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION	Capital increase by issuing new stocks	18,241	56,219	
Purchase	DL E&C Co., Ltd.	DL Holdings CO.,LTD.	SOC Stock Purchasing	16,497	(5,617)

(5) Key management personnel compensation for the years ended December 31, 2022 and 2021, is as follows:

	Korean won (in millions)	
	2022	2021
Short-term benefits	26,766	26,792
Provision for severance indemnities	3,466	3,142
Total	30,232	29,934

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

(6) The Group is contingently liable for construction performance guarantees and payment guarantees of its associated companies. The details of guarantees as of December 31, 2022 and 2021, are as follows:

Associate	Guarantee		Project	Period of guarantee
	December 31, 2022	December 31, 2021		
	U.S. dollars (in thousands)			
DLENC Philippines, Inc.	9,521	28,496	Philippines SBPL 500MW CFPP, etc.	2014.05.22 - Obligation completed
DL Engineering & Construction Malaysia Sdn. Bhd.	11,225	56,302	Malaysia Petron ULSADO	2021.03.15 - Obligation completed
DIAP-DAELIM JOINT VENTURE PTE.	53,358	68,371	Singapore Tuas Terminal Phase 1	2015.02.13 - Obligation completed
OMZ-DAELIM LLC	-	1,626	Russia Omsk DCC	2016.04.04 - Obligation completed
CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION(*1)	1,444	2,050	Turkey Canakkale Bridge	2017.03.09 - Obligation completed

(*1) The Group 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.

(*2) According to Article 530-9 (1) of the Commercial Act, the consolidated entity 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.

(7) Details of collaterals (included the guarantees described on Note 29(1) Collaterals -1), 2)), which the Group has provided for related parties as of December 31, 2022 and 2021, are as follows::

Korean won (in millions)					
Related Party	Pledged assets	December 31, 2022	December 31, 2021	Purpose	Lender
Deoksong-Naegak Expressway Co., Ltd.(*1)	Stock	-	-	Borrowed capital financing commitment	Industrial Bank of Korea and others
Namwon Thema Park CO., Ltd.	Stock	136	385	Borrowed capital financing commitment	South Hill Monorail 1 st Ltd. and others
Samho Citron City CO., Ltd.	Stock	-	23	Borrowed capital financing commitment	Korea Federation of Community Credit Cooperatives of Korea and others

Korean won (in millions)					
Related party	December 31, 2022	December 31, 2021	Project	Purpose	Financial institutions
Hyoje PFV Co., Ltd.	61,100	49,400	New construction of Hyoje-dong officetel	Borrowed capital financing commitment	Lotte Capital
Together Daejeon-Munhwa PFV Co.,Ltd.	45,500	-	Daejeon Say Department Store Site Development Project	Borrowed capital financing commitment	

In addition to the above details, the consolidated entity 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.

39. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Adjustments to reconcile net income to net cash provided by operating activities for the years ended December 31, 2022 and 2021, are as follows:

Korean won (in millions)		
	2022	2021
Adjustments:		
1. Tax expense	163,916	273,415
2. Interest expense	34,434	36,188
3. Interest income	(93,574)	(56,719)
4. Loss on foreign currency translation	33,438	34,554
5. Gain on foreign currency translation	(88,954)	(64,622)
6. Dividend income	(1,296)	(1,058)
7. Depreciation	74,559	66,726
8. Amortization of intangible assets	11,622	12,890
9. Severance benefits	29,393	30,301
10. Bad debts expense	(12,998)	(29,285)
11. Other bad debts expense	13,759	35,495
12. Loss on disposal of FVTOCI	2,404	169
13. Gain on disposal of FVTOCI	(3,605)	(128)
14. Loss on disposal of tangible assets	199	747
15. Gain on disposal of tangible assets	(693)	(1,594)

16. Gain on disposal of investment property	(839)	(844)
17. Loss on disposal of investment property	10	-
18. Loss on disposal of intangible assets	20	5
19. Loss on disposal of lease assets	6	1,478
20. Reversal of impairment of lease assets	(42)	(121)
21. Loss on derivative valuations	3,153	2,333
22. Gain on derivative valuations	(5,737)	(1,232)
23. Inventory asset valuation loss (reversal)	17,462	-
24. Reversal of provision for construction loss	15,433	(1,292)
25. Contribution to provision for construction warranties	73,452	59,182
26. Contribution to other provision	126,946	106,785
27. Contribution to financial guarantee contract liabilities	(259)	(7,399)
28. Loss on valuation of FVTOCI	714	8,239
29. Gain on valuation of FVTOCI	(9,595)	(2,651)
30. Impairment loss on assets	8,414	-
31. Reversal of asset impairment loss	-	(33)
32. Loss using equity method	511	19,005
33. Gain using equity method	(11,274)	(2,409)
34. Miscellaneous gain(loss) and other	(1,170)	(752)
Total	379,809	517,373

(2) Cash flows from net working capital for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
Changes in Net Working Capital:		
1. Decrease (increase) in trade receivables	(37,809)	45,211
2. Decrease (increase) in contract assets	149,881	(94,150)
3. Decrease (increase) in other accounts receivable	(99,304)	319,404
4. Decrease (increase) in accrued income	273	1,809
5. Decrease (increase) in advance payments	(68,041)	(14,274)
6. Decrease (increase) in prepaid expenses	7,839	(58,193)
7. Decrease (increase) in prepaid construction expenses	11,253	3,557
8. Decrease (increase) in inventories	88,399	91,062
9. Decrease (increase) in financial lease receivables	384	365
10. Decrease (increase) in long-term trade receivables	52,751	(34,941)
11. Decrease (increase) in long-term accounts receivables	(139)	(290,604)
12. Decrease (increase) in long-term prepaid expenses	13,142	7,399
13. Decrease (increase) in long-term prepaid construction expenses	(19,690)	(13,633)
14. Decrease (increase) in deposits	(150,242)	(211,287)
15. Decrease (increase) in derivative assets	764	522
16. Increase (decrease) in trade payables	95,797	15,847
17. Increase (decrease) in accounts payable	(44,869)	(22,934)
18. Increase (decrease) in advances from customers	36,163	23,972
19. Increase (decrease) in unearned revenue	-	(310)
20. Increase (decrease) in contract liabilities	5,823	89,645
21. Increase (decrease) in withholdings received	(6,154)	(4,724)
22. Increase (decrease) in accrued expenses	(1,924)	(87,223)
23. Increase (decrease) in long-term advances from customers	(2,909)	(2,521)
24. Increase (decrease) in other provisions	(211,227)	(159,372)
25. Increase (decrease) in financial guarantee liabilities	-	(3,107)
26. Decrease in pension benefit obligation	(37,046)	(34,298)
27. Decrease (increase) in pension plan assets	(7,860)	(11,985)
28. Increase (decrease) in provision for construction warranties	(92,316)	(102,055)
29. Increase (decrease) in derivative liabilities	(2,257)	(392)
30. Increase (decrease) in overseas operations translation	(162,561)	37,907
31. Decrease (increase) in other assets	(17)	17
Total	(481,896)	(509,286)

(3) Major non-cash transactions of investment activities and financial activities for the years ended December 31, 2022 and 2021, are described as follows:

	Korean won (in millions)	
	2022	2021
Conversion of investment in loans, etc.	-	8,400
Reclassification of assets under construction	1,410	3,452
New lease	(14,991)	54,294
Reclassification of the current portion of lease liabilities	36,902	41,175
Reclassification to assets held for sale	-	(10,871)
Reclassification of the current portion of long-term borrowings	55,596	40,155
Reclassification of the current portion of debenture	20,000	-
Reclassification of the current portion of rental deposits	16,423	10,632
Reclassification of the current portion of long-term loans	18,330	28,534

(4) Adjustments of liabilities in financial activities for the year ended December 31, 2022, are described as follows:

For the year ended December 31, 2022

	Korean won (in millions)							
	Beginning of year	Cash flows	Non-cash transactions				Change in scope of consolidation	End of year
			Changes due to foreign currency translation	Amortization	Lease	Reclassification		
Short-term borrowings	156,300	29,458	-	-	-	-	-	185,758
Current portion of long-term liabilities	40,252	(40,252)	-	-	-	75,454	-	75,454
Long-term borrowings	363,678	100,393	(20,229)	41,187	-	(75,628)	-	409,401
Long-term debenture	446,652	-	-	(19,272)	-	-	-	427,380
Leasehold deposits	6,232	(2)	-	-	-	1,676	-	7,906
Lease liabilities	58,791	(60,190)	(16)	1,983	37,147	94,929	-	132,644
Total liabilities in financial activities	1,071,905	29,407	(20,245)	23,898	37,147	96,431	-	1,238,543

40. ADJUSTED OPERATING INCOME:

Other income and expense that are not classified as operating income and expense in the consolidated statements of income occur on Group's own business circumstances. Details of the adjusted results of operations included in the income and expenses for the year ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	2022	2021
OPERATING INCOME	496,965	957,258
Dividend income	1,296	1,058
Donation	(10,041)	(9,306)
Other bad debt expense	(13,759)	(35,495)
Gain (loss) on foreign currency transactions	28,134	(7,805)
Gain (loss) on foreign currency translation	32,923	23,468
Gain (loss) on disposal of other investment assets	1,201	(41)
Gain (loss) on disposal of investment property	829	844
Gain (loss) on valuations of other investment assets	8,881	(5,588)
Gain (loss) on disposal of tangible asset	494	847
Gain (loss) on disposal of intangible assets	(20)	(5)
Gain (loss) on derivative transaction	924	(1,087)
Gain (loss) on derivative valuations	2,584	(1,101)
Impairment loss on assets	(25,875)	33
Contribution (reversal) of financial guarantee contract liabilities	259	7,190
Contribution (reversal) to other provisions	(26,494)	(39,506)
Gain (loss) on disposal of leased assets	36	(1,357)
Others	1,892	(11,408)
ADJUSTED OPERATING INCOME	500,229	877,999

41. RISK MANAGEMENT:

(1) Capital risk management

The main purpose of the Group's capital management is to maintain a high credit rating and healthy capital ratio in order to sustain the Group's operations and maximize shareholder value. The Group revises its capital structure according to changes in the economic environment and adjusts its dividend policy accordingly, or considers capital reduction or issuance of new shares. There are no changes to the purpose, policies and procedures of capital management during this period.

In addition, the Group uses the net debt ratio of equity capital as a capital management indicator. This ratio is calculated by dividing net borrowings by total equity. The items managed as capital by the Group as of December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Total borrowings	1,098,136	1,006,882
Less: Cash and cash equivalents	(1,752,399)	(2,044,761)
Borrowings, net	(654,263)	(1,037,879)
Total shareholders' equity	4,692,477	4,497,147
Net borrowings-to-equity ratio	-13.94%	-23.08%

(2) Financial risk management

The Group is exposed to various financial risks, such as credit, liquidity and market (interest rate risk, price risk and exchange rate risk), associated with financial instruments. The Group's risk management aims to identify potential risks that affect our financial performance and reduce, eliminate or avoid them to an acceptable level. The Group uses derivative financial instruments to hedge certain risks, such as exchange risk.

1) Market risk

The Group's activities are exposed to financial risks, primarily from fluctuations in foreign exchange rates and interest rates. Therefore, the Group uses various derivative financial instruments to manage the risk over interest rate risk and foreign exchange rate fluctuation risk.

Exposure to market risk is measured by Value-at-risk (VaR), supplemented by sensitivity analysis. There are no changes to our exposure to market risk or the way we manage and measure risk.

- Interest rate risk

The Group is exposed to interest rate risk due to its borrowings with floating interest rates. To manage its interest rate risks, the Group, 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, and the optimal risk aversion strategy is applied.

Details of the Group's exposure to interest rate risk due to its borrowings with floating interest rates for the years ended December 31, 2022 and 2021, are as follows:

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Borrowings (floating interest rates) (*1)	338,597	256,548

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

The Group regularly monitors the changes in interest rate risk internally. A sensitivity analysis on the Group's long-term borrowings and debentures assuming a 1% increase and 1% decrease in interest rates (before tax effect) as of December 31, 2022 and 2021, is as follows:

	Korean won (in millions)			
	1% increase		1% decrease	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2022	(3,386)	(3,386)	3,386	3,386
2021	(2,565)	(2,565)	2,565	2,565

- Price risk

The Group is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic, rather than trading, purposes. The Group does not actively trade these investments. Therefore, even if the share price fluctuates, the impact on the current profit or loss will not be significant.

- Foreign currency risk

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

	Korean won (in millions)	
	December 31, 2022	December 31, 2021
Assets	1,200,404	1,138,121
Liabilities	664,471	840,722

The Group regularly monitors the changes in foreign currency internally. A sensitivity analysis on the above assets and liabilities assuming a 10% increase and 10% decrease in foreign currency rates (before tax effect) as of December 31, 2022 and 2021, is as follows:

	Korean won (in millions)			
	10% increase in Korean won against foreign currency		10% decrease in Korean won against foreign currency	
	Net income	Shareholders' equity	Net income	Shareholders' equity
2022	53,593	53,593	(53,593)	(53,593)
2021	29,740	29,740	(29,740)	(29,740)

2) Credit risk

Credit risk represents the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group sets and operates policies to review client's credit and receive sufficient collaterals to reduce the risk. The Group 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. Credit risk is reviewed annually by the Risk Management Committee and controlled by approved transaction limits.

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

Classification of financial instruments	Account	Korean won (in millions)	
		Carrying values	Maximum exposed amounts
Financial assets at fair value	FVTPL	174,835	174,835
	FVTOCI	15,807	15,807
	Derivative assets	5,750	5,750
Financial assets at amortized cost	Cash and cash equivalents	1,752,399	1,752,399
	Short-term financial assets	517,330	517,330
	Trade receivable	585,884	585,884
	Short-term loans	98,014	98,014
	Accounts receivable	415,641	415,641
	Accrued income	44,545	44,545
	Deposit (current)	65,156	65,156
	Lease receivables (current)	480	480
	Financial assets at amortized cost	200	200
	Long-term financial instruments	3,401	3,401
	Long-term trade receivables	300,203	300,203
	Long-term loans	625,913	625,913
	Long-term accounts receivable	447,190	447,190
	Long-term accrued income	14,303	14,303
	Deposits (non-current)	455,839	455,839
Lease receivables (non-current)	1,169	1,169	
Total		5,524,059	5,524,059

Details of the Group's exposure to credit risk from guarantee and the commitment provided by the Group as of December 31, 2022, are as follows:

Classification of financial instruments	Korean won (in millions)	
	Financial guarantee contract liabilities	Maximum exposed amounts
Private enterprise	3,000	3,000
Redevelopment and reconstruction business	4,892	1,040,091
Lotting out and union housing finance personal loan	-	646,772
SOC business	8,457	124,646
Others	4,009	4,009
Total	20,358	1,818,518

3) Liquidity risk

To manage liquidity risk, the Group establishes short- and mid- to long-term fund management plans, and continuously analyzes and reviews the cash outflow budget and actual cash outflow to match the maturity structure of financial liabilities and financial assets. The Group's management believes that it is possible to repay financial liabilities with cash flows generated from operating activities and financial assets held.

The Group's financial assets and liabilities by residual contractual maturity as of December 31, 2022, are classified as follows:

Financial assets

	Korean won (in millions)			
	Less than 1 year	1 year-2 years	More than 2 years	Total
Cash and cash receivables	1,752,399	-	-	1,752,399
Fair value measured financial assets	7,844	610	187,938	196,392
Short-term financial instruments	517,330	-	-	517,330
Trade receivables	621,003	-	-	621,003
Short-term loans	61,026	-	-	61,026
Accounts receivable	474,630	-	-	474,630
Accrued income	48,136	-	-	48,136
Deposit (current)	65,340	-	-	65,340
Lease receivables (current)	491	-	-	491
Financial assets at amortized cost	200	-	-	200
Long-term financial instruments	-	-	3,401	3,401
Long-term trade receivables	330,095	91,752	227,076	648,923
Long-term loans	1,173,833	57,811	(257,097)	974,547
Long-term accounts receivable	357,054	-	314,962	672,016
Long-term accrued income	-	-	45,941	45,941
Deposits (non-current)	29,228	93,900	334,527	457,655
Lease receivables (non-current)	-	491	730	1,221
Total	5,438,609	244,564	857,478	6,540,651

Financial liabilities

	Korean won (in millions)			
	Less than 1 year	1 year-2 years	More than 2 years	Total
Trade payables	993,058	-	-	993,058
Accounts payable	263,874	-	-	263,874
Leasehold deposits received	2,283	-	-	2,283
Accrued expenses	52,537	-	-	52,537
Lease liabilities (current)	56,701	-	-	56,701
Short-term borrowings(*1)	186,052	-	-	186,052
Current portion of long-term liabilities(*1)	75,596	-	-	75,596
Debentures(*1)	10,295	133,006	284,659	427,960
Long-term borrowings(*1)	5,228	21,107	397,381	423,716
Long-term trade payables	-	8,686	-	8,686
Long-term accounts payable	-	-	288	288
Long-term leasehold deposits received	-	246	5,376	5,622
Lease liabilities (non-current)	-	52,275	28,625	80,900
Derivative liabilities	3,783	-	-	3,783
Financial guarantee contract liabilities and supplementary finance agreement	27,734	762,897	771,203	1,561,834
Total	1,677,141	978,217	1,487,532	4,142,890

(*1) Cash flows of interests are included in cash flows of borrowings and debentures.

The above analysis is based on the maturity amount on contracts, except for discount amount before deduction of allowance. Maturity analysis of financial liabilities is based on the earliest maturity date that the Group is obligated to pay based on undiscounted cash flow including interest accruing from the financial liabilities.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS:

(1) The carrying amounts and fair values of the Group's financial assets and financial liabilities as of December 31, 2022 and 2021, are as follows:

Financial assets

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	1,752,399	1,752,399	2,044,761	2,044,761
Short-term financial instruments	517,330	517,330	218,224	218,224
Trade receivables	585,883	585,883	485,612	485,612
Short-term loans	98,014	98,014	111,179	111,179
Current accounts receivable	415,641	415,641	314,014	314,014
Accrued income	44,545	44,545	33,015	33,015
Deposits	65,156	65,156	35,602	35,602
Current lease receivables	480	480	410	410
Financial assets at amortized cost	200	200	26	26
Long-term financial instruments	3,401	3,401	520	520
Long-term trade receivables	300,203	300,203	273,658	273,658
Long-term loans	625,913	625,913	614,486	614,486
Non-current accounts receivable	447,189	447,189	446,045	446,045
Long-term accrued income	14,303	14,303	12,752	12,752
Long-term deposits	455,839	455,839	374,446	374,446
Non-current lease receivables	1,169	1,169	1,623	1,623
Total	5,327,665	5,327,665	4,966,373	4,966,373

Financial liabilities

	Korean won (in millions)			
	December 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Trade payables	993,059	993,059	908,022	908,022
Accounts payable	263,874	263,874	305,331	305,331
Leasehold deposits received	2,283	2,283	1,552	1,552
Accrued expenses	52,537	52,537	38,552	38,552
Current lease liabilities	55,914	55,914	51,210	51,210
Short-term borrowings	185,758	185,758	156,300	156,300
Current portion of long-term liabilities	75,454	75,454	40,252	40,252
Current financial guarantee contract liabilities	13,562	13,562	16,530	16,530
Financial guarantee contract liabilities	2,787	2,787	2,068	2,068
Debentures	427,380	427,380	446,652	446,652
Long-term borrowings	409,402	409,402	363,678	363,678
Long-term trade payables	8,686	8,686	8,137	8,137
Long-term accounts payable	288	288	275	275
Long-term leasehold deposits received	5,622	5,622	4,681	4,681
Non-current lease liabilities	76,729	76,729	100,470	100,470
Total	2,573,335	2,573,335	2,443,710	2,443,710

(2) The Group classified financial instruments measured at fair value in the consolidated financial 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 consolidated statements of financial position at the end of the reporting period is classified as follows:

As of December 31, 2022

	Korean won (in millions)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	-	2,363	172,472	174,835
Financial assets at FVTOCI	-	15,807	-	15,807
Derivative assets	-	5,750	-	5,750
Subtotal	-	23,920	172,472	196,392
Financial liabilities				
Derivative liabilities	-	3,783	-	3,783

As of December 31, 2021

Korean won (in millions)				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	-	7,685	125,250	132,935
Financial assets at FVTOCI	-	33,788	-	33,788
Derivative assets	-	777	-	777
Subtotal	-	42,250	125,250	167,500
Financial liabilities				
Derivative liabilities	-	3,068	-	3,068

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

Korean won (in millions)		
	2022	2021
Beginning balance	125,250	122,494
Effects on gain(loss)		
On net income	7,876	(6,924)
On other comprehensive income	-	-
Acquisition	36,992	12,720
Disposal	(3,397)	(40)
Other gain (loss)	5,751	(3,000)
Ending balance	172,472	125,250

(4) The Group 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	Valuation technique	Input variable	The relationship between non-observable inputs and fair value measurements
Fair value measured financial assets					
SOC stock, PFV, and capital investments	172,472	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.
Beneficial securities,	2,363	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.
Debt securities	15,807	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.
Derivatives (assets)					
Currency forward and others	5,750	2	Market approach	Currency forward exchange rates, etc.	N/A
Derivatives (liabilities)					
Currency forward and others	3,783	2	Market approach	Currency forward exchange rates, etc.	N/A

(5) The Group 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.

- (6) The effect of changes in inputs that are significant, but not observable, in the inputs to the fair value measurement of the Level 3 financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position on profit or loss and other comprehensive income is as follows.

Korean won (in millions)				
	Input variables that are not observable	Variation of input variables	Net income	
			Favorable fluctuation	Adverse fluctuation
Fair value measurement of financial assets	Discount rate	± 1.00%	1,389	(1,293)

43. NON-CURRENT ASSETS HELD FOR SALE:

The Group sold Yongpyeong May Hills (400 million won for land and buildings) and seven rooms for commercial facilities in Gwangju (2,051 million won for land and buildings). Yongin Mabuk 3rd Business Site (26,441 million won), which was classified as assets held for sale according to the land sale plan, was transferred to investment property due to the failure to meet the classification conditions of assets held for sale for more than one year.

Assets held for sale as of the end of December 31, 2022 and 2021, are as follows.

Korean won (in millions)		
Sortation	December 31, 2022	December 31, 2021
Non-current assets held for sale	-	26,441

44. SUBSEQUENT EVENTS:

- (1) In January 2023, the Group approved the participation in a private equity fund for investing in the U.S. X-energy reactor company LLC (XERC) during the financial committee meeting. The investment amount is USD 20 million, approximately ₩25.5 billion.
- (2) In January 2023, the Group has resolved to participate in a capital increase for the affiliate company's (IncheonInha PFV Co., Ltd.) shares during the ESG committee meeting. The participation amount for the capital increase is ₩22.8 billion.
- (3) In January 2023, the Group has resolved to participate in a capital increase for the shares of affiliated company (Daejeonmunwha PFV Co., Ltd.) during the ESG committee meeting. The participation amount for the capital increase is ₩14.25 billion.
- (4) In January 2023, the Group has resolved to participate in a capital increase for the shares of our affiliated company (JeonjuWansan PFV Co., Ltd.) during the ESG committee meeting. The participation amount for the capital increase is ₩8.075 billion.