SK ecoengineering Co., Ltd.

Financial Statements

December 31, 2022

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To the Shareholders of and the Board of Directors of

SK ecoengineering Co., Ltd.

Opinion

We have audited the accompanying financial statements of SK ecoengineering Co., Ltd ("the Company"), which comprise the statement of financial position as of December 31, 2022, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matters

Without modifying our opinion, we draw attention to the following:

A. Related parties transactions

As described in note 29 to the financial statements, the Company's significant transactions with related parties for the period ended December 31, 2022, are KRW 2,857,302,235 thousand in revenues and KRW 44,605,409 thousand in expenses. Also, in concerning with these transactions, outstanding balances with related parties as of December 31, 2022, are KRW 465,946,640 thousand in receivables and KRW 111,289,959 thousand in payables.

B. Business Combinations

As described in note 31 to the financial statements, the Company merged with K-solutions business group, P-solutions business group, Gas & Power business group, Battery business group and Industrial business group divided from SK ecoplant Co., Ltd on February 1, 2022.

Other Matter

The accompanying financial statements as of and for the year ended December 31, 2021 were not audited.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 13, 2023

This report is effective as of March 13, 2023, the independent auditor's audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK ecoengineering Co., Ltd.
Statements of Financial Position

As of December 31, 2022 and 2021

In thousands of Korean won	*Note*		2022	2021(Un-Audited)
Assets				
Current assets:				
Cash and cash equivalents	*4*	₩	410,388,831	2,320,144
Trade and other receivables	*4,5,22,29*		523,802,649	1,067,293
Contract assets	*5,22,29*		178,108,025	-
Other current assets	*6*		42,521,230	-
Current income tax assets	*16*		34,475,435	660
Current derivative instruments assets	*4,14*		1,579,078	-
Total current assets			1,190,875,248	3,388,097
Non-current assets:				
Long-term financial instruments	*4*		2,000	2,000
Financial assets at fair value through profit or loss	*4*		18,349,893	827,283
Long-term trade and other receivables	*4,5*		33,658,417	-
Property, plant and equipment	*7*		5,343,504	-
Right-of-use assets	*8*		13,290,269	-
Intangible assets	*9*		3,269,802	-
Deferred tax assets	*16*		2,599,031	53,293
Non-current derivative instruments assets	*4,14*		9,373	-
Defined benefits assets, net	*15*		19,057,051	-
Total non-current assets			95,579,340	882,576
Total assets		₩	1,286,454,588	4,270,673

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd.
Statements of Financial Position, Continued

As of December 31, 2022 and 2021

In thousands of Korean won	*Note*		2022	2021(Un-Audited)
Liabilities				
Current liabilities:				
Trade and other payables	*4,10,29*	₩	458,976,627	513,701
Short-term borrowings	*4,11*		65,104,809	-
Current lease liabilities	*4,8*		4,251,826	-
Current portion of provisions	*12*		13,820,633	-
Current tax liabilities	*16*		24,312,091	-
Other current liabilities	*13*		2,106,599	149,749
Contract liabilities	*22,29*		423,633,692	-
Current derivative instruments liabilities	*4,14*		8,399,433	-
Total current liabilities			1,000,605,710	663,450
Non-current liabilities:				
Long-term other payables	*4*		1,817,666	-
Non-current lease liabilities	*4,8*		11,521,673	-
Defined benefit liabilities, net	*15*		-	188,098
Non-current derivative instruments liabilities	*4,14*		1,367,255	-
Non-current portion of provisions	*12*		1,046,855	-
Other non-current liabilities	*13*		542,372	-
Total non-current liabilities			16,295,821	188,098
Total liabilities		₩	1,016,901,531	851,548
Equity				
Share capital	*1,17*	₩	75,512,200	2,000,000
Other paid-up capital	*18*		74,087,776	2,000,000
Retained earnings	*19*		128,440,762	(580,875)
Other components of equity	*14,20*		(8,487,681)	-
Total equity			269,553,057	3,419,125
Total liabilities and equity		₩	1,286,454,588	4,270,673

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd.
Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

In thousands of Korean won	*Note*		2022	2021(Un-Audited)
Sales	*21,22,29*	₩	2,894,534,062	970,267
Cost of sales	*22,29*		(2,694,553,359)	-
Gross profit			199,980,703	970,267
Selling, general and administrative expenses	*23,29*		(43,769,225)	(1,464,932)
Operating profit (loss)			156,211,478	(494,665)
Finance income	*26*		44,934,267	3,842
Finance expenses	*26*		(34,604,116)	-
Other income	*25*		1,039,242	-
Other costs	*25*		(4,639)	-
Profit before tax			167,576,232	(490,823)
Income tax expense	*16*		(43,741,594)	53,294
Profit for the year			123,834,638	(437,529)
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Remeasurements of net defined benefit liabilities	*15*		5,187,000	(143,346)
Items that may be reclassified to profit or loss				
Net gain (loss) on cash flow hedges	*14,20*		(3,945,289)	-
Exchange differences on translation of foreign	*20*		(4,542,392)	-
Other comprehensive income (loss) for the year, net of tax			(3,300,681)	(143,346)
Total comprehensive loss for the year		₩	120,533,957	(580,875)

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd.
Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

In thousands of Korean won		Share capital	Other paid-up capital	Retained earnings	Other components of equity	Total
As of October 20, 2021(Un-Audited)	₩	2,000,000	2,000,000	-	-	4,000,000
Comprehensive income:						
Profit for the period		-	-	(437,529)	-	(437,529)
Remeasurement gain (loss) on defined benefit plans		-	-	(143,346)	-	(143,346)
Total comprehensive income for the year		-	-	(580,875)	-	(580,875)
As of December 31, 2021(Un-Audited)	₩	2,000,000	2,000,000	(580,875)	-	3,419,125
As of January 1, 2022(Un-Audited)	₩	2,000,000	2,000,000	(580,875)	-	3,419,125
Comprehensive income:						
Profit for the period		-	-	123,834,638	-	123,834,638
Remeasurement gain (loss) on defined benefit plans		-	-	5,187,000	-	5,187,000
Net gain (loss) on cash flow hedges		-	-	-	(3,945,289)	(3,945,289)
Exchange differences on translation of foreign operations		-	-	-	(4,542,392)	(4,542,392)
Total comprehensive income (loss) for the year		-	-	129,021,638	(8,487,681)	120,533,957
Transaction with owners, recorded directly in equity:						
Business Combinations		73,512,200	73,148,639	-	-	146,660,839
Capital increase registration fee		-	(1,060,864)	-	-	(1,060,864)
Total transaction with owners, recorded directly in equity		73,512,200	72,087,775	-	-	145,599,975
As of December 31, 2022	₩	75,512,200	74,087,775	128,440,763	(8,487,681)	269,553,057

See accompanying notes to the financial statements.

SK ecoengineering Co., Ltd.
Statements of Cash Flows

For the years ended December 31, 2022 and 2021

In thousands of Korean won	*Note*		2022	2021(Un-Audited)
Cash flows from operating activities				
Cash generated from operations				
Profit (loss) for the year		₩	123,834,638	(437,529)
Adjustments	*27*		63,062,380	(12,383)
Change in operating assets and liabilities	*27*		24,290,213	(403,845)
Interest received			2,779,295	3,843
Interest paid			(728,023)	-
Dividends received			10,736	-
Income taxes received (paid)			(55,455,396)	(660)
Net cash inflow (outflow) from operating activities			157,793,843	(850,574)
Cash flows from investing activities				
Proceeds from disposal of derivatives			2,026,503	-
Business combinations	*31*		209,746,762	-
Acquisitions of financial instruments_FVPL			(11,142,582)	(827,282)
Acquisitions of property, plant and equipment			(5,861,241)	-
Acquisitions of intangible assets			(5,241,871)	-
Increase in deposits provided			(3,888,741)	-
Purchase of long-term financial instruments			-	(2,000)
Net cash inflow (outflow) from investing activities			185,638,830	(829,282)
Cash flows from financing activities				
Increase in short-term borrowings			65,435,896	-
Lease incentives received			2,320,392	-
Capital increase registration fee			(1,060,863)	-
Repayment of lease liabilities			(3,275,909)	-
Net cash inflow (outflow) from financing activities			63,419,516	-
Net increase (decrease) in cash and cash equivalents			406,852,189	(1,679,856)
Cash and cash equivalents at the beginning of the year			2,320,144	4,000,000
Effects of exchange rate changes on cash and cash equivalents			1,216,498	-
Cash and cash equivalents at the end of the year		₩	410,388,831	2,320,144

See accompanying notes to the financial statements.

For the years ended December 31, 2022 and 2021

1. General Information

SK ecoengineering Co., Ltd. (the "Company"), a member of the SK group of companies, was incorporated on October 20, 2021 in accordance with the laws of the Republic of Korea to engage in engineering and construction activities in the Republic of Korea as well as in foreign countries, and the head office location of the Company is 6, Yulgok-ro, Jongno-gu, Seoul. the Company merged with K-solutions business group, P-solutions business group, Gas & Power business group, Battery business group and Industrial business group divided from SK ecoplant Co., Ltd on February 1, 2022.

As of December 31, 2022, the Company has 7,551,182 common shares issued amounting to KRW 37,756 million and 7,551,258 preferred shares issued amounting to KRW 37,756 million. The shareholders of the Company are Eco Energy Holdings LLC which has 50.0003% of issued shares, and SK ecoplant Co., Ltd which has 49.9997% of issued shares.

2. Basis of preparation

The financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audit of Stock Companies, Etc. in the Republic of Korea.

The financial statements were authorized for issue by the Board of Directors on February 28, 2023, and are expected to be submitted for approval at the shareholders' meeting to be held on March 17, 2023.

(1) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, as described in the accounting policy below.

(a) Financial instruments measured at fair value through profit or loss
(b) Defined benefit assets and liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets
(c) Provisions for recoveries concerning right-of-use-assets

(2) Functional and presentation currency

These financial statements are presented in KRW, which is the Company's functional currency which is the currency of the primary economic environment in which the Company operates.

(3) Use of estimates and judgments

The preparation of the financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

Management's judgment on the application of our accounting policies and estimated amounts used in the financial statements used the same accounting policies and estimates as the financial statements for the year ended December 31, 2021.

For the years ended December 31, 2022 and 2021

2. Basis of preparation, Continued

1) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

· Note 8 - Right-of-use assets and lease - whether it is fairly certain to exercise the renewable options

2) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in the following notes:

· Note 15 - Retirement benefit plan - the principal actuarial assumptions
· Note 16 - Income taxes - utilizing the temporary differences
· Note 22 - Construction contracts - the uncertainty in connection with the estimated costs

3) Measurement of fair value

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS including the level in the fair value hierarchy in which such valuation techniques should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

• Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
• Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly.
• Level 3 – inputs for the assets or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Information about the assumptions made in measuring fair values is included in the following note:

· Note 4 – Financial Instruments by Category

For the years ended December 31, 2022 and 2021

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its financial statements are included below.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

(2) Non-derivative financial assets

1) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at financial assets measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortized cost, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss.
- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss.
- it is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

For the years ended December 31, 2022 and 2021

2) Classification and subsequent measurement, Continued

All financial assets not classified as measured at amortized cost of fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assessment of the objective of the business Model
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

For the years ended December 31, 2022 and 2021

2) Classification and subsequent measurement, Continued

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including an interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its separate statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

For the years ended December 31, 2022 and 2021

(3) Impairment for financial assets

The Company recognizes loss allowances for expected credit losses on:

- financial assets measured at amortized cost

If credit risk has increased significantly since the initial recognition, a loss allowance for lifetime expected credit loss is required to be measured at the end of every reporting period. If credit risk has not increased significantly since the initial recognition, a loss allowance is measured based on 12-month expected credit loss.

If the financial instrument has low credit risk at the end of the reporting period, the Company may assume that the credit risk has not increased significantly since initial recognition. However, a loss allowance for lifetime expected credit losses is required for trade receivables that do not contain a significant financing component

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effect. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 12 months past due. The Company considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 12 months past due.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of lifetime expected credit losses that result from default that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
ECLs are discounted at the effective interest rate of the financial asset

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the separate statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

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(3) Impairment for financial assets, Continued

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(4) Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks, respectively. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives that is not designated as a hedging instrument are measured at fair value, and changes therein are recognized in profit or loss.

The company designate specific derivative assets and non-derivative financial liabilities as hedging instruments to hedge the volatility of cash flows associated with likely future forecast transactions arising from changes in exchange rates and interest rates.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

For cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment.

(5) Property, Plant and Equipment

Property, plant and equipment is initially measured at its cost and subsequently carried at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises:
- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and

For the years ended December 31, 2022 and 2021

(5) Property, Plant and Equipment, Continued

- 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Useful lives	Depreciation methods
Vehicles	4 – 5 years	the straight-line method
Leasehold improvements	5 – 6 years	the straight-line method
Tools and appliances	5 years	the straight-line method
Equipment	2 – 5 years	the straight-line method

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and the difference is recognized in profit or loss.

(6) Intangible Assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which memberships are expected to be available for use, this intangible asset is determined as an having an indefinite useful life and not amortized.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

The estimated useful lives for current and comparative periods are as follows:

	Useful lives	Amortization methods
Software	1 - 4 years	the straight-line method

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

For the years ended December 31, 2022 and 2021

(7) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than contract assets recognized in accordance with revenue from contracts with customers, assets recognized from the costs to obtain or fulfil a contract, assets arising from employee benefits, inventories, deferred income tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The recoverable amount is estimated for each individual asset or for each cash-generating units("CGUs") to which the asset belongs if the recoverable amount of the individual asset cannot be estimated. The recoverable amount of an asset or CGUs is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGUs for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGUs.

In case of the recoverable amount of the asset or CGUs falls short of the carrying amounts, the carrying amounts of the asset are reduced and immediately recognized in profit or loss.

(8) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations.

1) As a lessee

At inception or reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset of to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 interest rate implicit in the lease or, if that rate cannot be readily determined the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

For the years ended December 31, 2022 and 2021

1) As a lessee, Continued

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

- fixed payments
- variable lease payments that depend on an index or a rate
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company's is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit of loss if the carrying amount of the right-of-use asset has been reduced to zero. The lease liability is remeasured when there is:

- a revised in-substance fixed lease payment,
- a change in future lease payments arising from a change in an index or rate,
- a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or
- a change in the Company's assessment of whether it will exercise a purchase, extension or termination option

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2) As a lessor

At inception or the effective date of a modification that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. The classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies Korean IFRS 1115 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in Korean IFRS 1109 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(9) Financial Liabilities

Financial liabilities are recognized in the separate statement of financial position only when they become a party to a contract of a financial instrument and are classified as FVTPL or other financial liabilities at initial recognition and measured at fair value.

1) Financial liabilities measured at fair value through profit or loss

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

2) Other financial liabilities

Other financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost. At the date of initial recognition, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the acquisition. Other financial liabilities are measured at amortized cost using the effective interest method subsequently to initial recognition.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(10) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss.

2) Other long-term employee benefits

Other long-term employee benefits that will not be paid within 12 months from the end of the reporting period in which the employee provided the services are discounted to the present value from future benefits earned in exchange for the services provided in the current and past periods. Changes resulting from remeasurements are recognized in profit or loss in the period in which they occur.

For the years ended December 31, 2022 and 2021

(10) Employee benefits, Continued

3) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Company recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4) Retirement benefits: Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5) Termination benefits

The Company recognizes costs for termination benefits at the earliest date, when it is no longer possible to withdraw the offer of termination benefits or when it recognizes the costs of restructuring that accompany the payment of termination benefits.

If the payment date of termination benefits arrives after 12 months, the present value is determined by discounting the expected future cash flows.

For the years ended December 31, 2022 and 2021

(11) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the inevitable risks and uncertainties about the events and circumstances involved. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

Provisions shall be used only for expenditures for which the provision was originally recognized.

(12) Foreign currency

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the original transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date fair value is initially determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

(13) Equity Capital

Common stock is classified as equity and the incremental costs arising directly attributable to the issuance of common stock less their tax effects are deducted from equity.

Preferred stocks are classified as equity if they do not have to be repaid or are repaid only at our option and if the payment of dividends is determined at our discretion, and dividends are recognized when dividends are approved at shareholders' meeting.

If the Company reacquires its own equity instruments, the amount of those instruments ("treasury shares") are presented as a contra equity account. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of its own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase to equity, and the resulting surplus or deficit on the transaction is recorded in capital surplus.

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(14) Revenue from contracts with customers

Revenue is measured based on the consideration promised in the contract with the customer. The Company recognizes revenue when the control over a good or service is transferred to the customer.
The following are the revenue recognition policies for performance obligations in the contracts with customers in accordance with K-IFRS No. 1115.

1) Construction contracts

A construction contract is an agreement between a company and a customer, in which the Company creates or inhances the assets which the customer controls as the asset is created or enhanced. The Company fulfills its performance obligations over a time, and the customer makes payments according to the terms of the contract, typically at the time of settlement.

A construction contract is an agreement between a company and a customer, in which the Company creates or inhances the assets which the customer controls as they are created or enhanced. The Company fulfills its performance obligations over a time, and the customer makes payments according to the terms of the contract, typically at the time of settlement. It recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

2) Service

Revenue for the services performance included in the Company's product sales contracts is recognized over the period when in which the services are provided. Revenue is measured by reference to the degree to which the service has been completed. The billing date and payment terms is based on the contract.

(15) Finance income and finance costs

The Company's finance income and finance costs include:

- interest income
- interest expense
- the foreign currency gain or loss on financial assets and financial liabilities
- the net gain or loss on derivative instruments assets and liabilities

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For the years ended December 31, 2022 and 2021

(16) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. The Company recognizes interest and penalties related to corporate tax as if it is applicable to the income taxes, the Company applies K-IFRS 1012 "Income Taxes", if it is not applicable to the income taxes, the Company applies K-IFRS 1037 "Provisions Contingent Liabilities and Contingent Assets".

1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit of future periods, and non-taxable or non-deductible items from the accounting profit.

The Company offsets current tax assets and current tax liabilities if, and only if, the Company:
- has a legally enforceable right to set off the recognized amounts, and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2) Deferred tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

A deferred tax asset is recognized for the carryforward of unused tax losses tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilized. The future taxable profit depends on reversing taxable temporary differences. When there are insufficient taxable temporary differences, the probability of future taxable profit (including the reversal of temporary differences) should be considered.
The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

For the years ended December 31, 2022 and 2021

(17) business combination involving entities or businesses under common control

The Company recognizes assets acquired and liabilities assumes as carrying amount on business combination involving entities or businesses under common control. The company deduct in capital surplus the difference between the transfer consideration and net assets acquired.

(18) New and amended standards adopted by the Company

New and amended standards applied by the Company from 2022 are as follows:

1) K-IFRS No. 1016 "Property, plant and equipment"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the Company is preparing the asset for its intended use. The cumulative effect of the initial adoption of the amendments is recognized by adjusting the beginning balance of retained earnings on the start date of earliest period presented for comparison. The amendments did not have material effect on the beginning balances of the financial statements.

2) K-IFRS No. 1037 "Provisions, Contingent Liabilities and Contingent Assets" — Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The cumulative effect of the first application of the amendment is recognized by adjusting the beginning balance of retained earnings on the date of initial application. The amendments did not have material effect on the beginning balances of the financial statements.

3) K-IFRS No. 1103 "Business Combinations"

The definition of assets and liabilities to be recognized is amended to refer to the revised conceptual framework for financial reporting. However, the amendments add an exception which allows K-IFRS No. 1037 "Provisions, contingent liabilities and contingent assets" and K-IFRS No. 2121 "Levies" to be applied to the liabilities and contingent liabilities included in the scope of these standards. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments did not have material effect on the beginning balances of the financial statements.

4) K-IFRS No. 1116 "Leases"

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The Company can apply the practical expedient if only meet the application requirements. Under similar circumstances, lessee should consistently apply practical expedients to contracts with similar characteristics.

5) Annual Improvements to Korean IFRS 2018 – 2020 Cycle:

Annual Improvements to Korean IFRS 2018 – 2020 Cycle includes K-IFRS No.1101 "First-time Adoption of International Financial Reporting Standards", K-IFRS No.1109 "Financial Instruments", K-IFRS No.1116 "Leases", K-IFRS No.1041 "Agriculture".

For the years ended December 31, 2022 and 2021

(19) New and amended standards not yet adopted by the Company

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted but the Company has not early adopted the new or amended standards in preparing these financial statements.

- K-IFRS No. 1001 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-current
- K-IFRS No. 1001 "Presentation of Financial Statements" - Disclosure of Accounting Policies
- K-IFRS No. 1001 "Presentation of Financial Statements" - Disclosure of gains and losses on valuation of financial liabilities with exercise price adjustment conditions
- K-IFRS No. 1008 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates
- K-IFRS No. 1012 "Income Tax" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- K-IFRS No. 1117 "Insurance Contracts" – Initial recognition of insurance liabilities and evaluation at the end of the reporting period

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4. Financial Instruments by Category

(1) Financial assets

Details of financial assets as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022			
		Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Derivative assets designated for hedging	Total
Current assets:					
Cash and cash equivalents	₩	-	410,388,831	-	410,388,831
Trade receivables		-	459,821,967	-	459,821,967
Non-trade receivables		-	13,379,016	-	13,379,016
Accrued revenues		-	468,927	-	468,927
Rental deposits provided		-	3,671,276	-	3,671,276
Business deposits provided		-	46,461,463	-	46,461,463
Current derivative instruments assets		659,325	-	919,753	1,579,078
Subtotal (Current)		659,325	934,191,480	919,753	935,770,558
Non-current assets:					
Long-term financial instruments		-	2,000	-	2,000
Financial assets at fair value through profit or loss		18,349,893	-	-	18,349,893
Long-term loans		-	2,355,986	-	2,355,986
Rental deposits provided		-	8,590,924	-	8,590,924
Business deposits provided		-	22,711,507	-	22,711,507
Non-current derivative instruments assets		9,373	-	-	9,373
Subtotal (Non-current)		18,359,266	33,660,417	-	52,019,683
	₩	19,018,591	967,851,897	919,753	987,790,241

		2021 (Un-Audited)		
		Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Total
Current assets:				
Cash and cash equivalents	₩	-	2,320,144	2,320,144
Non-trade receivables		-	1,067,293	1,067,293
Subtotal (Current)		-	3,387,437	3,387,437
Non-current assets:				
Long-term financial instruments		-	2,000	2,000
Financial assets at fair value through profit or loss		827,282	-	827,282
Subtotal (Non-current)		827,282	2,000	829,282
	₩	827,282	3,389,437	4,216,719

For the years ended December 31, 2022 and 2021

4. Financial Instruments by Category, Continued

(2) Financial liabilities

Details of financial liabilities as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative liabilities designated for hedging	Total
Current liabilities:					
Trade payables	₩	-	350,787,918	-	350,787,918
Non-trade payables		-	31,344,175	-	31,344,175
Accrued expenses		-	13,024,087	-	13,024,087
Short-term borrowings		-	65,104,809	-	65,104,809
Guarantee deposit withholdings		-	63,820,448	-	63,820,448
Lease liabilities		-	4,251,826	-	4,251,826
Current derivative instruments liabilities		2,520,084	-	5,879,349	8,399,433
Subtotal (Current)		2,520,084	528,333,263	5,879,349	536,732,696
Non-current liabilities:					
Guarantee deposit withholdings		-	1,817,666	-	1,817,666
Non-current lease liabilities		-	11,521,673	-	11,521,673
Non-current derivative instruments liabilities		52,168	-	1,315,087	1,367,255
Subtotal (Non-current)		52,168	13,339,339	1,315,087	14,706,594
	₩	2,572,252	541,672,602	7,194,436	551,439,290

		2021 (Un-Audited)
		Financial liabilities measured at amortized cost
Current liabilities:		
Trade payables	₩	265,824
Non-trade payables		27,658
Accrued expenses		220,219
	₩	513,701

For the years ended December 31, 2022 and 2021

4. Financial Instruments by Category, Continued

(3) Fair value measurement hierarchy

1) The measurements by fair value level for each type of financial instrument measured at fair value as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Financial assets at fair value through profit or loss	₩	-	-	18,349,893	18,349,893
Derivative instruments assets		-	1,588,451	-	1,588,451
	₩	-	1,588,451	18,349,893	19,938,344
Financial liabilities:					
Derivative instruments liabilities	₩	-	9,766,688	-	9,766,688

		2021 (Un-Audited)			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Financial assets at fair value through profit or loss	₩	-	-	827,283	827,283

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 2 as of December 31, 2022 (In thousands of Korean won).

		2022		
		Fair Value	Valuation Technique	Level 2 inputs
Derivative instruments assets	₩	1,588,451	Discounted cash flow	Forward exchange rate, Discount rate, Etc.
Derivative instruments liabilities		9,766,688		

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 3 as of December 31, 2022 (In thousands of Korean won).

		2022		
		Fair Value	Valuation Technique	Level 3 inputs
Financial assets at fair value through profit or loss				
Debt instruments	₩	17,699,816	Net asset valuation method	Fair value of net asset
Others		650,077		
	₩	18,349,893		

For the years ended December 31, 2022 and 2021

4. Financial Instruments by Category, Continued

2) Valuation techniques and inputs

Descriptions of the financial instruments categorized within Level 2 and Level 3 of the fair value hierarchy and the valuation techniques and the inputs used in the fair value measurements of them are as follows.

a. Currency forwards and swap

Fair value of currency forwards and swap is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forwards and swap, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates. The discount rate used to measure the fair value of currency forwards and swap was determined using the yield curve derived from the interest rates quoted in the market as of the end of the reporting period.

b. Debt instruments

Fair value of debt instruments is measured applying Net asset valuation method. It is measured by dividing the total capital of the issuer of debt instruments by the total number of investments.

For the years ended December 31, 2022 and 2021

5. Trade and other receivables

Details of trade and other receivables as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022		2021 (Un-Audited)
		Current	Non-current	Current
Trade receivables:				
Trade receivables and contract assets (*)	₩	637,929,992	-	-
Other receivables:				
Non-trade receivables		13,379,016	-	1,067,293
Accrued revenues		468,927	-	-
Rental deposits provided		3,671,276	8,590,924	-
Business deposits provided		46,461,463	22,711,507	-
Loans		-	2,355,986	-
Sub total		63,980,682	33,658,417	1,067,293
	₩	701,910,674	33,658,417	1,067,293

(*) In the statement of financial position, the contract assets amounting to KRW 178,108,025 thousand are distinct from trade receivables, but due to its nature, it is included in this note.

6. Other assets

Details of other assets as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Current assets:			
Advance payments	₩	41,389,403	-
Pre-paid expenses		626,674	-
Pre-paid construction on costs		505,153	-
	₩	42,521,230	-

For the years ended December 31, 2022 and 2021

7. Property, plant and equipment

(1) Changes in property, plant and equipment ("PP&E") for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022				
		Vehicles	Tools and appliances	Equipment	Leasehold improvements	Total
Beginning balance	₩	-	-	-	-	-
Business Combinations		100,299	5	65,542	-	165,846
Acquisition		-	8,627	1,300	5,851,314	5,861,241
Disposals		-	(6)	(4,154)	-	(4,160)
Depreciation		(18,665)	(387)	(17,661)	(648,522)	(685,235)
Others		(1,796)	(1,004)	-	8,612	5,812
Ending balance	₩	79,838	7,235	45,027	5,211,404	5,343,504
Acquisition cost	₩	98,521	7,616	62,569	5,851,314	6,020,020
Accumulated depreciation		(18,683)	(381)	(17,542)	(639,910)	(676,516)

Meanwhile, there is no change in PP&E for the year ended December 31, 2021(Un-Audited).

(2) As of December 31, 2022, there are no assets being provided as collateral in relation to borrowings.

8. Right-of-use assets and lease liabilities

(1) Details of right-of-use assets and lease liabilities as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Right-of-use assets:			
Properties	₩	12,403,161	-
Vehicles		667,522	-
Others		219,586	-
	₩	13,290,269	-
Lease liabilities:			
Current liabilities	₩	4,251,826	-
Non-current liabilities		11,521,673	-
	₩	15,773,499	-

(2) The amounts recognized in profit or loss relating to lease for the years ended December, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Depreciation expenses of right-of-use assets	₩	4,768,600	-
Interest expenses on lease liabilities		711,759	-
Expense relating to short-term leases		11,210,996	-
Expense relating to leases of low-value assets		745,834	-
	₩	17,437,189	-

For the years ended December 31, 2022 and 2021

8. Right-of-use assets and lease, Continued

(3) Changes in right-of-use assets for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022			
		Properties	Vehicles	Others	Total
Beginning balance	₩	-	-	-	-
Business Combinations		881,950	631,133	37,635	1,550,718
Acquisition		17,025,809	888,761	423,189	18,337,759
Cancellation of contracts		(1,421,898)	(243,423)	(71,871)	(1,737,192)
Depreciation		(4,082,700)	(608,275)	(169,367)	(4,860,342)
Other(*)		-	(674)	-	(674)
Ending balance	₩	12,403,161	667,522	219,586	13,290,269

(*) Other consists of net foreign exchange differences.

Meanwhile, there is no change in right-of-use assets for the year ended December 31, 2021(Un-Audited).

(4) Changes in lease liabilities for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022	
		Current	Non-current
Beginning balance	₩	-	-
Acquisition		-	19,649,161
Business Combinations		739,669	405,795
Payments		(3,275,909)	-
Interest expenses		-	711,759
Payments of Interest		(711,759)	-
Other(*)		-	(677)
Transfer to current liabilities		7,499,825	(7,499,825)
Cancellation of contracts		-	(1,744,540)
Ending balance	₩	4,251,826	11,521,673

(*) Other consists of net foreign exchange differences.

Meanwhile, there is no change in lease liabilities for the year ended December 31, 2021(Un-Audited).

(5) Total cash outflows for lease for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Cash flows from operating activities	₩	12,668,589	-
Cash flows from financing activities		3,275,909	-

(6) Some lease contracts include renewable options which can extend the lease by one year. For the efficiency of our operations, the Company strives to include renewable options for our new lease, if possible. The renewable options can only be exercised by the lessee. The Company evaluates whether it is quite certain to exercise the renewable options on the lease commencement date. The Company re-evaluates whether it is fairly certain to exercise the renewable options when a significant event occurs or there is a significant change in the situation within our control.

For the years ended December 31, 2022 and 2021

9. Intangible Assets

Changes in intangible assets for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022			
		Software	Construction in Progress	Memberships	Total
Beginning balance	₩	-	-	-	-
Acquisition		2,453,540	2,558,334	229,997	5,241,871
Amortization		(1,972,069)	-	-	(1,972,069)
Ending balance	₩	481,471	2,558,334	229,997	3,269,802

Meanwhile, there is no change in intangible assets for the year ended December 31, 2021(Un-Audited).

10. Trade and other payables

Details of trade and other payables as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022		2021 (Un-Audited)	
		Current	Non-current	Current	Non-current
Trade payables	₩	350,787,918	-	265,824	-
Other payables:					
Non-trade payables		31,344,175	-	27,658	-
Accrued expenses		13,024,087	-	220,219	-
Guarantee deposit withholdings		63,820,447	1,817,666	-	-
Sub total		108,188,709	1,817,666	247,877	-
	₩	458,976,627	1,817,666	513,701	-

11. Short-term borrowings

Details of short-term borrowings as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

Type of borrowings	Financial institution	Interest rate	Maturity		2022	2021 (Un-Audited)
BANKER'S USANCE	Standard Chartered Bank Korea Ltd	4.10%	2023-07-17	₩	44,268,202	-
		5.39%	2023-07-17		2,553,238	-
		5.26%	2023-07-17		6,834,663	-
		5.51%	2023-07-17		2,785,826	-
		5.49%	2023-07-17		126,439	-
		5.52%	2023-07-17		3,417,332	-
		5.56%	2023-07-17		5,119,109	-
				₩	65,104,809	-

For the years ended December 31, 2022 and 2021

12. Provisions

Changes in provisions for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022				
		Beginning Balance	Business Combinations	Increase	Decrease	Ending Balance
Current:						
Provision for onerous contracts	₩	-	4,880,611	5,139,846	-	10,020,457
Provision for construction warranties		-	2,052,712	1,974,199	(226,735)	3,800,176
Sub total		-	6,933,323	7,114,045	(226,735)	13,820,633
Non-current:						
Provision for recoveries		-	-	1,046,855	-	1,046,855
	₩	-	6,933,323	8,160,900	(226,735)	14,867,488

Meanwhile, there is no change in provisions for the year ended December 31, 2021(Un-Audited).

13. Other liabilities

Details of other liabilities as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Other current liabilities:			
Withholdings	₩	2,106,599	74,791
Taxes withheld		-	74,958
Total	₩	2,106,599	149,749
Other non-current liabilities:			
Other long-term employee benefits	₩	542,372	-

For the years ended December 31, 2022 and 2021

14. Derivative assets and liabilities

(1) Details of derivative assets and liabilities as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022		2021 (Un-Audited)	
		Current	Non-current	Current	Non-current
Forward and swap contract:					
Assets	₩	1,579,078	9,373	-	-
Liabilities		8,399,433	1,367,255	-	-

(2) The Company enters into derivative transaction such as currency forwards and currency swaps in order to avoid the risk of exchange rate fluctuations of foreign currency assets and liabilities. Details of major derivative instruments held by the Company for trading or hedging purposes as of the end of the current period are as follows:

Purpose of transaction	Type of derivatives	Financial institution
Cash flow hedges	Currency forwards and swaps	KEB Hana Bank, Woori Bank, Standard Chartered Bank Korea Ltd, etc.
Held for trading	Currency forwards and swaps	KEB Hana Bank, HSBC, Standard Chartered Bank Korea Ltd, etc.

(3) The amounts of the effective portion of the hedging instruments as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
The effective portion of gain and loss on the hedging instrument recognized in OCI	₩	(10,758,096)	-
The amount of reclassification adjustment from the cash flow hedge reserve to PL		5,621,001	-
The cash flow hedge reserve (*)		(5,137,095)	-

(*) The amount is before deduction of deferred tax effects.

(4) The amount of the ineffective portion of gain or loss on the hedging instrument recognized as revenue and expense as of December 31, 2022 is KRW 496,785 thousand.

For the years ended December 31, 2022 and 2021

15. Retirement benefit plan

(1) The expenses related to the retirement benefit plan recognized in the statements of profit or loss for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Payment for defined contribution plan	₩	1,783,973	14,599
Termination benefits		1,242	-
Expenses related to the defined benefit plan		7,555,828	44,753
Others		4,651	-
	₩	9,345,694	59,352

(2) The amounts of net defined benefit assets and net defined benefit liabilities recognized in the statements of financial position related to the retirement benefit plans as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Fair value of plan assets	₩	83,744,979	3,213,191
Present value of funded defined benefit obligations		(64,687,928)	(3,401,289)
Net defined benefit assets(liabilities)		19,057,051	(188,098)

(3) Changes in the defined benefit obligations and the fair value of plan assets for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022		
		Defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩	3,401,289	(3,213,191)	188,098
Pension cost charged to profit or loss:				
Current service cost		7,125,470	-	7,125,470
Interest cost(income)		1,714,730	(1,284,372)	430,358
Sub Total		8,840,200	(1,284,372)	7,555,828
Remeasurements:				
Return on plan assets		-	615,197	615,197
Actuarial gains and losses, etc.		(7,371,564)	-	(7,371,564)
Sub Total		(7,371,564)	615,197	(6,756,367)
Benefits paid		(7,110,263)	7,040,147	(70,116)
Contribution by employer		-	(20,000,000)	(20,000,000)
Business Combinations		64,641,633	(64,641,633)	-
Transfer		4,533,890	(4,411,580)	122,310
Others(*)		(2,247,257)	2,150,453	(96,804)
Ending balance	₩	64,687,928	(83,744,979)	(19,057,051)

(*) It consists of the amount that was converted to the Defined Contribution plan.

For the years ended December 31, 2022 and 2021

15. Retirement benefit plan, Continued

		2021 (Un-Audited)		
		Defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩	-	-	-
Pension cost charged to profit or loss:				
Current service cost		43,925	-	43,925
Interest cost(income)		17,861	(17,034)	827
Sub Total		61,786	(17,034)	44,752
Remeasurements:				
Return on plan assets		-	10,870	10,870
Actuarial gains and losses, etc		132,476	-	132,476
Sub Total		132,476	10,870	143,346
Transfer		3,207,027	(3,207,027)	-
Ending balance	₩	3,401,289	(3,213,191)	188,098

(4) Plan assets as of December 31, 2022 and 2021 consist of the following (In thousands of Korean won):

		2022	2021 (Un-Audited)
Insurance product	₩	17,698,270	721,685
Time deposit, etc.		65,985,677	2,491,506
Contribution to national pension plan		61,032	-
	₩	83,744,979	3,213,191

(5) The principal actuarial assumptions as of December 31, 2022 and 2021 are as follows:

Purpose of transaction	2022	2021 (Un-Audited)
Salary growth rate	4.14%	4.02%
Discount rate	5.59%	3.14%

(6) The weighted average maturity of the defined benefit obligations is 5.483 years as of December 31, 2022.

(7) The sensitivity analysis of the defined benefit obligations as of December 31, 2022 to changes in the weighted principal assumptions is as follows (In thousands of Korean won):

		Effect on defined benefit obligations	
	The extent of fluctuations in the assumption	The effects on increasing assumption	The effects on decreasing assumption
Current service cost	0.50%	(1,560,382)	1,641,207
Interest cost(income)	0.50%	1,703,804	(1,632,252)

The above sensitivity analysis is based on an estimate of the impact on defined benefit obligations if major actuarial assumptions change within the reasonable extent possible as of December 31, 2022.

For the years ended December 31, 2022 and 2021

16. Income taxes

(1) The Company calculated corporate income tax expense by adding the current period adjustments to the accumulated tax expense (income), reflecting deferred tax expense (income) due to changes in temporary differences and considering adjustments not related to the profit or loss.

(2) Calculation of income tax expense recognized in the statements of profit or loss for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Current tax expense in respect of the current year	₩	45,292,712	-
Change in deferred tax assets(liabilities) relating to the temporary differences		(2,545,736)	(53,293)
Deferred tax charged directly to equity		994,618	-
Income tax expense(income)	₩	43,741,594	(53,293)

(3) The calculated income tax expense based on statutory rate to the actual amount of taxes recorded by the Company for the years ended December 31, 2022, and 2021 were as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Profit(loss) before income tax	₩	167,576,232	(490,823)
Income tax expense computed at statutory rate		39,672,049	(78,165)
Adjustments :			
Income not subjected to tax		(779)	-
Expenses not deductible for tax purpose		293,982	-
Temporary differences caused by different tax rate level		111,433	-
Temporary differences caused by applicable tax rate		(120,527)	-
Foreign tax credit		1,951,236	-
Others		1,834,200	24,872
Income tax expenses from continuing operations	₩	43,741,594	(53,293)
Effective income tax rate(*)		26.10%	-

(*) As loss before tax was incurred in 2021, the effective tax rate was not calculated.

(4) The Company recognized the deferred tax assets in full, judging that the tax effect could be realized because the sum of the expected taxable income and temporary difference to be added exceeds the deductible temporary difference utilized in each reporting period. Meanwhile, Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the years ended December 31, 2022 and 2021

16. Income taxes, Continued

(5) The movement in deferred income tax assets and liabilities resulting from the tax effect of temporary differences for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022					
		Beginning balance	Effect on profit or loss	Effect on other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Net gain (loss) on valuation of derivatives	₩	-	556,879	-	556,879	556,879	-
Provision for construction warranties		-	2,324,746	-	2,324,746	2,324,746	-
Provisions for onerous contracts		-	881,641	-	881,641	881,641	-
Defined benefit obligation		-	12,049,278	-	12,049,278	12,049,278	-
Plan assets		-	(16,456,355)	-	(16,456,355)	-	16,456,355
Financial assets measured at fair value		-	(64,724)	-	(64,724)	-	64,724
Right-in-use assets		-	(3,083,342)	-	(3,083,342)	-	3,083,342
Lease liabilities		-	3,902,322	-	3,902,322	3,902,322	-
Net gain (loss) on cash flow hedges		-	-	1,191,806	1,191,806	1,191,806	-
Remeasurements of net defined benefit liabilities		-	-	(1,569,369)	(1,569,369)	-	1,569,369
Exchange differences on translation of foreign		-	-	1,372,181	1,372,181	1,372,181	-
Annual allowance		53,293	473,375	-	526,668	526,668	-
Depreciation		-	328,352	-	328,352	328,352	-
Others		-	637,056	-	637,056	5,036,600	4,399,544
Ending balance	₩	53,293	1,549,228	994,618	2,597,139	28,170,473	25,573,334

		2021 (Un-Audited)					
		Beginning balance	Effect on profit or loss	Effect on other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
Annual allowance	₩	-	53,293	-	53,293	53,293	-

(6) There are no unrecognized tax effects resulting from temporary differences that could not be utilized as at December 31, 2022.

For the years ended December 31, 2022 and 2021

17. Share capital

Details of share capital as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Number of shares authorized		160,000,000 shares	160,000,000 shares
Number of ordinary shares issued		7,551,182 shares	199,999 shares
Number of preferred shares issued		7,551,258 shares	200,001 shares
Par value (in KRW)		5,000	5,000
Ordinary share capital	₩	37,755,910	999,995
Preferred share capital (*)		37,756,290	1,000,005

(*) The Company issued preferred shares during the current period. These preferred shares are convertible, redeemable preferred shares with voting rights. The redemption right is held by us, and the convertible right can be exercised at a rate of 1 ordinary share per 1 preferred share after 1-year from the date of issuance. And the conversion ratio may be adjusted according to the conversion price adjustment. These preferred shares are cumulative and participatory and carry preferential dividends according to the dividend rate of 6.35% until one month from the date of the general shareholders' meeting in the fourth year after issuance.

18. Other paid-up capital

Details of other paid-up capital as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Additional paid in capital	₩	74,087,776	2,000,000

For the years ended December 31, 2022 and 2021

19. Retained earnings

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

		2022	2021 (Un-Audited)
Unappropriated retained earnings	₩	123,397,109	(437,529)
Actuarial gains and losses		5,043,653	(143,346)
	₩	128,440,762	(580,875)

(2) The statements of appropriation of retained earnings for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)	
I.Unappropriated retained earnings	₩	128,440,762		(580,875)
1.Unappropriated retained earnings carried over from prior year		(580,875)	-	
2.Profit for the period		123,834,638	(437,529)	
3.Remeasurement gain (loss) on defined benefit plans		5,186,999	(143,346)	
II.Transfer from discretionary reserve		-		-
1.Reserve fund of redemption carried from previous year		-	-	
III.Appropriation of retained earnings		(77,151,396)		-
1.Earned surplus reserve(*)		(2,896,423)	-	
2.Cash dividend for preferred shares		(28,964,233)	-	
3.Reserve fund of redemption		(45,290,740)	-	
IV.Unappropriated retained earnings carried forward to subsequent year (I+II+III)	₩	51,289,366		(580,875)

(*) The Korean Commercial Act requires the Company to appropriate, as an earned surplus reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit.

The retained earnings are expected to be appropriated on March 17, 2023.

For the years ended December 31, 2022 and 2021

20. Other components of equity

Details of other components of equity as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
The cash flow hedge reserve	₩	(3,945,289)	-
Exchange differences on translation of foreign		(4,542,392)	-
	₩	(8,487,681)	-

21. Revenue from contracts with customers

(1) Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2022 and 2021 (In thousands of Korean won):

		2022	2021 (Un-Audited)
1. Total sales	₩	2,894,534,062	970,267
2. Type of goods or service:			
Construction sales		2,888,678,594	-
Service sales		5,855,468	970,267
	₩	2,894,534,062	970,267
3. Timing of revenue recognition:			
Revenue recognized at a point in time	₩	-	-
Revenue recognized over time		2,894,534,062	970,267
	₩	2,894,534,062	970,267

(2) Information about major customers who account for more than 10% of the revenue recognized in their contracts with customers for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022		2021 (Un-Audited)	
		Sales	Ratio	Sales	Ratio
SK on Hungary Kft	₩	882,767,930	30.50%	-	-
Ulsan GPS Corporation		352,633,656	12.18%	-	-
SK hi-tech Battery Materials		316,362,809	10.93%	-	-
SK hynix Inc.		305,099,825	10.54%	-	-
SK ecoplant Co., Ltd.		3,086,096	0.11%	970,267	100%
	₩	1,859,950,316	64.26%	970,267	100%

For the years ended December 31, 2022 and 2021

22. Construction contracts

(1) The amounts recognized as revenue related to construction contracts for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Contract work:			
Plant	₩	2,888,678,594	-

(2) Details of contract assets and liabilities as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Contract assets:			
<Unclaimed construction>			
Plant	₩	178,108,025	-
Contract liabilities:			
<Overclaimed construction>			
Plant	₩	423,633,692	-

(3) Details of construction contracts in progress or completed for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		Accumulated revenue	Accumulated cost	Accumulated profit	Progress billing amount	Retention
Plant	₩	6,506,981,697	5,944,531,321	562,450,376	5,905,239,980	69,207,439

(4) The amount of change in profit or loss due to changes in accounting estimates related to contracts that apply the progress criteria by the cost-based input method for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022
Plant:		
Changes in estimated construction revenues	₩	908,163,171
Changes in estimated construction costs		856,342,769
Impact on current profit and loss		28,216,716
Impact on future profit and loss		23,603,686
Changes in unclaimed construction		2,528,962
Changes in over claimed construction		(25,687,754)
Provision for construction losses		10,020,456

The impact on current and future profit and loss is calculated based on estimates of total construction cost incurred by December 31, 2022 and estimates of total construction revenue as of December 31, 2022. And the estimates of total construction cost and revenue may vary in the future period.

For the years ended December 31, 2022 and 2021

22. Construction contracts, Continued

(5) Among the contracts that apply the progress criteria by the cost-based input method, the construction contracts of which the total contract revenues exceed 5% of current year's revenues are as follows (In thousands of Korean won):

					2022			
					Unclaimed construction		Trade receivables	
Contract	Customer Name	Contract date	Contractual completion deadline	Progress rate (%)	Total	Provision for losses	Total	Provision for losses
SKBA Phase 2 Project	SK Battery America	2020.07	2023.06	99.06%	₩ 4,452,203	-	-	-
SKOH2 Project	SK on Hungary Kft.	2021.04	2023.10	79.69%	54,354,425	-	87,226,822	-
Poland LiBS Project		2019.08	2023.06	95.28%	-	-	-	-
Poland LiBS ph-2 Project	SK hi-tech Battery Materials	2021.02	2023.05	88.44%	-	-	17,057,350	-
Poland LiBS ph-3&4 Project		2021.06	2024.06	45.59%	-	-	26,851,867	-
Ulsan PP Project	ULSAN PP CO., LTD	2018.07	2023.03	99.06%	-	-	-	-
GEP1 Project	IGE Co., Ltd.	2021.05	2023.12	57.89%	-	-	73,346,535	-
Smart energy center construction Project(Icheon)	SK hynix Inc.	2020.01	2023.03	93.79%	-	-	84,761,069	-
Smart energy center construction Project(Cheongju)		2020.01	2024.04	59.59%	-	-	144,126,420	-
Construction of Yeoju Natural Gas Power Plant	Yeoju Energy Service	2019.12	2023.10	92.55%	63,346,640	-	-	-
Boryeong LNG Terminal Project	Boryeong LNG Terminal Co., Ltd.	2013.05	2023.03	99.97%	-	-	-	-
Ulsan GPS CCPP Project	Ulsan GPS Corporation	2022.03	2024.08	54.29%	-	-	691,458	-
Ulsan LNG-Oil Terminal Project	Korea Energy terminal Co.,Ltd.	2020.06	2024.06	58.00%	-	-	-	-
Ulsan SKMU Project	SK multi utility Co., Ltd.	2022.06	2025.06	25.55%	9,275,501	-	-	-
CEC Phase1 Project	SK GAS LTD	2022.09	2024.10	6.84%	-	-	-	-
CEC Phase2 Project		2022.07	2026.12	0.99%	809,833	-	-	-
SK siltron N-Project	SK Siltron Co., Ltd.	2022.08	2024.04	5.15%	-	-	19,546,340	-
					₩ 132,238,602	-	453,607,861	-

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

Contract name	Location	Participatory ratio	Main contractor
Ulsan LNG-Oil Terminal Project	Korea	49.00%	DAEWOO ENGINEERING & CONSTRUCTION CO.,LTD
Boryeong LNG Terminal Project	Korea	45.00%	GS Engineering & Construction Corp

For the years ended December 31, 2022 and 2021

23. Selling, general and administrative expenses

Details of selling, general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Salaries expenses	₩	20,468,591	1,034,729
Severance benefits		2,908,861	59,352
Employee benefits		2,256,851	77,707
Travel expenses		619,803	11,738
Vehicle maintenance expenses		99,264	-
Communication expenses		45,056	2,613
Safety management expenses		34,722	-
Publication expenses		44,805	-
Repairs expenses		28,430	16,220
Taxes and dues		976,390	57,110
Insurance premium		880,147	29,324
Rental expenses		17,289	32,122
Leasing fees		18,308	-
Utilities expenses		459,702	24,922
Commissions		8,836,924	114,996
Training and research expenses		291,197	4,089
Advertising expenses		3,198,598	-
Depreciation expenses of PP&E		639,911	-
Amortization expenses		297	-
Depreciation expenses of right-in-use		982,761	-
Supplies expenses		163,790	10
Entertainment expenses		66,287	-
Conference expenses		69,913	-
Warranty expenses		661,328	-
	₩	43,769,225	1,464,932

For the years ended December 31, 2022 and 2021

24. Expenses classified based on nature of expense

Details of expenses classified based on nature of expense for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Employee benefits	₩	146,872,118	1,094,081
Use of raw materials		714,604,442	-
Outsourcing expenses		1,652,287,098	-
Commissions		140,372,872	114,996
Insurance premium		11,290,941	29,324
Safety management expenses		10,485,699	-
Taxes and dues		5,682,540	57,110
Depreciation, amortization and impairment		7,440,287	-
Advertising expenses		3,208,853	-
Other expenses		46,077,734	169,421
	₩	2,738,322,584	1,464,932

25. Other income and expenses

Details of other income and expenses for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Other income:			
Others	₩	1,039,242	-
Other expenses:			
Losses on disposal of PP&E		4,160	-
Others		479	-
	₩	4,639	-

For the years ended December 31, 2022 and 2021

26. Finance income and expenses

Details of finance income and expenses for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Finance income:			
Interest income	₩	3,508,314	3,842
Dividend income		10,736	-
Gains on foreign currency transaction		28,748,898	-
Gains on foreign currency translation		5,310,180	-
Gains on valuation of derivatives		333,297	-
Gains on derivatives transactions		6,736,510	-
Gains on valuation of FVPL		278,984	-
Gains on lease modification		7,348	-
Total	₩	44,934,267	3,842
Finance expenses:			
Interest expenses	₩	1,000,416	-
Interest expenses on lease liabilities		749,624	-
Losses on foreign currency transaction		21,076,065	-
Losses on foreign currency translation		4,334,368	-
Losses on valuation of derivatives		2,733,636	-
Losses on derivatives transactions		4,710,007	-
Total	₩	34,604,116	-

For the years ended December 31, 2022 and 2021

27. Information on the statement of cash flows

(1) Adjustments to reconcile profit for the period to net cash flows provided by operating activities for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Losses on foreign currency translation	₩	4,334,368	-
Depreciation expenses of PP&E		685,235	-
Amortization expenses		1,972,069	-
Losses on disposal of PP&E		4,160	-
Depreciation expenses of right-in-use		4,860,342	-
Interest expenses		1,000,416	-
Interest expenses on lease liabilities		749,624	-
Contribution to provisions for onerous contracts		5,139,846	-
Contribution to provisions for construction warranties		1,974,199	-
Losses on transaction of derivatives		4,710,007	-
Losses on valuation of derivatives		2,733,636	-
Severance benefits		7,555,828	44,753
Gains on foreign currency translation		(5,310,180)	-
Dividend income		(10,736)	-
Interest income		(3,508,314)	(3,843)
Gains on valuation of derivatives		(333,297)	-
Gains of valuation of FVPL		(278,984)	-
Gains on disposal of lease		(7,348)	-
Gains on transaction of derivatives		(6,736,510)	-
Income tax expenses(revenue)		43,741,594	(53,293)
Other revenues		(213,575)	-
	₩	63,062,380	(12,383)

For the years ended December 31, 2022 and 2021

27. Information on the statement of cash flows, Continued

(2) Working capital adjustments for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Decrease (increase) in trade receivables	₩	(491,763,088)	-
Decrease (increase) in contract assets		15,575,666	-
Decrease (increase) in other current receivables		(12,279,301)	(1,067,293)
Decrease (increase) in prepaid expenses		(4,700,325)	-
Decrease (increase) in advance payments		7,681,401	-
Decrease (increase) in Rental deposits provided		(297,924)	-
Decrease (increase) in business deposits provided		(16,553,936)	-
Decrease (increase) in long-term loans		(1,114,720)	-
Decrease (increase) in derivative instruments from operation activities		640,803	-
Increase (decrease) in trade payables		351,137,298	265,824
Increase (decrease) in contract liabilities		110,314,282	-
Increase (decrease) in other current liabilities		1,785,100	149,748
Increase (decrease) in non-trade payables		31,219,715	27,657
Increase (decrease) in guarantee deposit withholdings		39,275,659	-
Increase (decrease) in accrued expenses		13,544,124	220,219
Increase (decrease) in current portion of provisions		(226,735)	-
Benefits paid from benefit obligations		(7,110,263)	-
Benefits paid from plan assets		7,040,147	-
Contribution to plan assets by employer		(20,000,000)	-
Transfer on Defined benefit obligations		4,533,890	3,207,027
Transfer on plan assets		(4,411,580)	(3,207,027)
	₩	24,290,213	(403,845)

(3) Major non-cash transactions not stated on the statement of cash flows for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022
Acquisition of asset by lease	₩	20,658,152
Increase of assets by business combinations		501,166,199
Increase of liabilities by business combinations		353,505,360
Transfer of lease liabilities to current portion		7,499,825
Transfer of deposits provided to current portion		50,132,739

For the years ended December 31, 2022 and 2021

28. Contingencies and commitments

(1) Guarantees provided by financial institution as of December 31, 2022 are as follows (In thousands of Korean won):

Financial institution	Descriptions		2022
Construction Guarantee	Guarantees for domestic construction	₩	1,150,244
Engineering Guarantee Insurance			162,027
Seoul Guarantee Insurance			7,721
KOOKMIN BANK			10,127
Woori Bank			17,109
Construction Guarantee	Guarantees for overseas construction		26,147
Total		₩	1,373,375

(2) Details of the performance guarantees provided by third parties as of December 31, 2022 are as follows (In thousands of Korean won):

Financial institution	Descriptions		2022
Seoul Guarantee Insurance	Performance guarantee	₩	406,134
Engineering Guarantee Insurance	Performance guarantee		156,046,871

(3) Details of the commitments as of December 31, 2022 are as follows (Each foreign currency unit in thousands and In thousands of Korean won):

	Financial institution		Limited amount	Amount executed
Open L/C	Standard Chartered Bank Korea Ltd		USD 48,626	USD 35,882
Comprehensive foreign acceptances and guarantees	KOOKMIN BANK		EUR 3,801 JPY 303,200 USD 25,000	EUR 3,801 JPY 151,600 USD 9,449
Upper limit of assurance	Construction Guarantee	₩	1,724,383,000	-
Upper limit of financing			10,050,000	-
Limited loan agreement	Woori Bank		30,000,000	-
Accounts receivable mortgage	KEB Hana Bank		20,000,000	9,151,052
Factoring loan			30,000,000	-
Limited loan agreement			10,000,000	-

For the years ended December 31, 2022 and 2021

28. Contingencies and commitments, Continued

(4) Contingencies

1) As of December 31, 2022, the Company provided ordering organization and cooperative with 20 blank check as collateral in relation to the construction contracts.

2) As of December 31, 2022, there are no pending litigation cases as defendants in relation to compensation for damages.

(5) The Company has merged the business division divided from SK ecoplant Co., Ltd. by a special resolution of the general shareholders' meeting pursuant to Article 530-3, paragraph 1 and 2 of The Korean Commercial Act. Accordingly, in accordance with Article 530-9, paragraph 1 of the same Act, the company is responsible for jointly repaying the pre-division debt of SK ecoplant Co., Ltd. before the division.

(6) For some contracts, the Company is obliged to return the pre-paid construction price to a limit of 50% of the total construction contract price if the terms of the contract are not met.

29. Related party disclosures

(1) Parent company, A corporation with significant influence and other company which are in related party relationship with the Company as of December 31, 2022 are as follows:

Relationship	Related parties
Parent Company(*1)	Eco Energy Holdings LLC
A corporation with significant influence(*2)	SK ecoplant Co., Ltd.
Other related parties(*3)	ABSOLICS INC DE, SK Battery America, SK Hi-Tech Battery MATERIALS Poland, SK Hi-Tech Battery Materials(Jiang Su) Co.,Ltd., SK on Hungary Kft., SK GAS LTD, SK multi utility Co., Ltd., SK Energy Co. Ltd., SK Innovation Co., Ltd., Boryeong LNG Terminal Co., Ltd., IGE Co., Ltd., SK E&S Co., Ltd.,SK Enmove Co., Ltd., SK On Co., Ltd., SK Geo Centric Co., Ltd., SK picglobal Co.,LTD., SK hynix Inc., Yeoju Energy Service, Ulsan GPS Corporation, ULSAN PP CO., LTD, Korea Energy terminal Co.,Ltd., KOREA NEXLENE COMPANY, SK Inc., SK Incheon Petrochem Co.,Ltd, SK PINX Co.,Ltd., SKEC Nanjing Ltd., Ko-one energy service co.,ltd., Chungcheong energy service Co.,Ltd, Narae Energy Service Co., SK shieldus Co.,Ltd, SKNetworksCompanyLimited, HAPPYNARAE Co., Ltd., SK Magic Co., Ltd, SK RENT A CAR CO.,LTD, SK TELECOM CO.,LTD, SK Broadband Co., Ltd., SK m&service Co.,Ltd., etc.

(*1) For the year ended December 31, 2022, SK ecoplant Co., Ltd. sold its entire stake in preferred shares to Eco Energy Holdings LLC, causing the parent to change.
(*2) As of December 31, 2022, A corporation with significant influence have a significant influence on the Company by holding more than 20% of the shares.
(*3) Other related parties is not a related party as defined in K-IFRS No.1024 paragraph 9. But they are classified as a related parties by the Securities and Future Commission' resolution that large business group affiliates are the substantial related party as defined in K-IFRS No.1024 paragraph 10.

For the years ended December 31, 2022 and 2021

29. Related party disclosures, Continued

(2) Significant transactions with related parties for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

			2022	
Relationship	**Related parties**		**Revenues**	**Expenses**
A corporation with significant influence	SK ecoplant Co., Ltd.	₩	3,086,096	23,423,918
Other related parties	ABSOLICS INC DE		17,278,198	-
	SK Battery America		269,855,785	-
	SK Hi-Tech Battery MATERIALS Poland		316,362,809	-
	SK Hi-Tech Battery Materials(Jiang Su) Co.,Ltd.		2,069,871	-
	SK on Hungary Kft.		882,767,930	-
	SK GAS LTD		19,202,596	-
	SK multi utility Co., Ltd.,		130,281,101	-
	SK Energy Co. Ltd.		1,995,638	-
	SK Innovation Co., Ltd.		27,775,436	308,084
	Boryeong LNG Terminal Co., Ltd.		26,689,094	2,458
	IGE Co., Ltd.		172,083,020	-
	SK E&S Co., Ltd.		2,269,195	-
	SK Enmove Co., Ltd		456,196	-
	SK On Co., Ltd.		30,553,087	-
	SK Geo Centric Co., Ltd.		3,130,116	-
	SK picglobal Co.,LTD.		7,761,095	5,843,031
	SK hynix Inc.		305,099,825	2,368
	Yeoju Energy Service		138,026,286	-
	Ulsan GPS Corporation		352,633,656	64,571
	ULSAN PP CO., LTD		5,523,954	-
	Korea Energy terminal Co.,Ltd.		92,708,072	-
	KOREA NEXLENE COMPANY		718,905	-
	SK Inc.		-	3,226,679
	SK Incheon Petrochem Co.,Ltd		354,953	22,214
	SK PINX Co.,Ltd.		-	210,000
	SKEC Nanjing Ltd.		2,443,303	243,424
	Ko-one energy service co.,ltd.		-	31,036
	Chungcheong energy service Co.,Ltd		-	10,211
	Narae Energy Service Co.		-	990,000
	SK shieldus Co.,Ltd		-	1,329,295
	SKNetworksCompanyLimited		-	100,857
	HAPPYNARAE Co., Ltd.		-	6,947,906
	SK Magic Co., Ltd		-	2,705
	SK RENT A CAR CO.,LTD		-	338,084
	SK TELECOM CO.,LTD		-	7,325
	SK Broadband Co., Ltd.		-	21,567
	SK m&service Co.,Ltd.		-	42,966
	SK Siltron Co., Ltd.		22,318,968	-
	SK ON(YANCHENG) CO., LTD		23,857,050	-
	SK Forest Co. Ltd.		-	939,550
	Environment Management Corporation CO.,LTD		-	245,769
	honam environmental energy corporation		-	236,118

For the years ended December 31, 2022 and 2021

29. Related party disclosures, Continued

			2022	
			Revenues	Expenses
	Yeongnam energy service	₩	-	6,891
	PS&Marketing Corporation		-	8,382
		₩	2,857,302,235	44,605,409

			2021 (Un-Audited)	
			Revenues	Expenses
A corporation with significant influence	SK ecoplant Co., Ltd.	₩	970,267	203,986

(3) Outstanding balances with related parties as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

			Receivables(*)		Payables(*)	
			2022	2021 (Un-Audited)	2022	2021 (Un-Audited)
A corporation with significant influence	SK ecoplant Co., Ltd.	₩	752,701	1,067,293	9,659,905	224,195
Other related parties	SK Hi-Tech Battery MATERIALS Poland		43,909,217	-	347,326	-
	SK on Hungary Kft.		87,226,822	-	19,795,265	-
	SK Innovation Co., Ltd.		-	-	59,226	-
	SK hynix Inc.		228,887,490	-	-	-
	SK Energy Co. Ltd.		300	-	-	-
	SK GAS LTD		536,580	-	16,351,700	-
	SK multi utility Co., Ltd.		-	-	24,000,000	-
	Boryeong LNG Terminal Co., Ltd.		-	-	5,055,750	-
	IGE Co., Ltd.		73,346,535	-	-	-
	Korea Energy terminal Co.,Ltd.		-	-	22,047,329	-
	SK shieldus Co.,Ltd		39	-	1,308,515	-
	SKNetworksCompanyLimited		-	-	7,920	-
	HAPPYNARAE Co., Ltd.		-	-	2,294,384	-
	SK Magic Co., Ltd		-	-	1,151	-
	SK RENT A CAR CO.,LTD		-	-	51,229	-
	SKEC Nanjing Ltd.		-	-	90,378	-
	SK Siltron Co., Ltd.		6,674,360	-	-	-
	SK Forest Co. Ltd.		-	-	696,830	-
	Environment Management Corporation CO.,LTD		-	-	45,180	-
	honam environmental energy corporation		-	-	259,730	-
	SK picglobal Co.,LTD.		1,468,005	-	2,211,649	-
	ABSOLICS INC DE		-	-	6,357,492	-
	Narae Energy Service Co.		-	-	649,000	-
	Ulsan GPS Corporation		23,144,591	-	-	-
		₩	465,946,640	1,067,293	111,289,959	224,195

(*) Receivables and payables do not include contract assets and contract liabilities.

For the years ended December 31, 2022 and 2021

29. Related party disclosures, Continued

(4) As of December 31, 2022, there are no details related to loans and borrowings among outstanding receivables and liabilities with related parties.

(5) The Company has merged the business division divided from SK ecoplant Co., Ltd. by a special resolution of the general shareholders' meeting pursuant to Article 530-3, paragraph 1 and 2 of The Korean Commercial Act. Accordingly, in accordance with Article 530-9, paragraph 1 of the same Act, the Company is responsible for jointly repaying the pre-division debt of SK ecoplant Co., Ltd. before the division.

(6) Details of compensation paid or payable to Key management personnel for the years ended December 31, 2022 and 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Salary expenses	₩	459,160	-
Severance benefits		1,519,017	-
	₩	1,978,177	-

Compensation for directors and Key management personnel is determined by the board of directors, taking into account individual performance and market trends. The main management team includes all directors (regardless of whether they are executive directors) and those directly or indirectly who have authority and responsibility for the planning, command, and control of the relevant corporate activities.

30. Financial risk management

The Company's major financial liabilities consist of trade payables and other payables, which were incurred to raise funds for operational activities. In addition, the Company have various financial assets such as trade receivables and non-trade receivables arising from operating activities.

The major risks that may arise from financial assets and financial liabilities are market risk, credit risk, and liquidity risk. Key management of the Company maintains management policies for each risk and ensures that their operations are in line with the policies, as described below.

(1) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's hedging activities are regularly assessed to properly align interest rate status with defined risk tendencies and ensure that optimal hedging strategies are applied. The impact of market interest rates fluctuation on the Company is considered insignificant.

2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company regularly measures the foreign currency risk of changes in Korean won exchange internally.

30. Financial risk management, Continued

Details of foreign currency financial assets and liabilities as of December 31, 2022 are as follows (Each foreign currency in thousands and in thousands of Korean won):

		2022		
	Currency	Amount in foreign currency in thousands		Amount in Korean won in thousands
Foreign currency financial assets	CNY	12,749	₩	2,313,197
	EUR	70,269		94,948,006
	JPY	669,314		6,379,763
	PLN	151,210		43,654,187
	TRY	49		3,286
	USD	39,265		49,760,696
Total (Assets)			₩	197,059,135
Foreign currency financial liabilities	CNY	479	₩	86,833
	EUR	179,632		242,718,376
	GBP	7		11,368
	HUF	48,362		163,464
	JPY	80,356		765,939
	PLN	82,713		23,879,143
	TRY	650		44,046
	USD	15,037		19,056,177
Total (Liabilities)			₩	286,725,346

Meanwhile, as of December 31, 2021(Un-Audited), there are no foreign currency financial assets and liabilities held by the Company.

Effect of changes in foreign currency on profit before tax for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		2022	
		Increase (10%)	Decrease (10%)
Increase (decrease) in profit before tax	₩	(8,966,621)	8,966,621

3) Other price risk

Other price risk is the risk of changing the fair value or future cash flows of a financial instrument due to changes in market prices other than interest rate risk or foreign currency risk. The Company is exposed to market price fluctuation risk arising from equity instruments. The Company does not actively trade the above investment assets, so its management believes that the impact of price changes on the equity securities as of December 31, 2022 on profit or loss and other comprehensive income is insignificant.

(2) Credit risk

The Company is exposed to credit risk that one of the parties to the financial instruments will incur financial losses to the other party for failing to fulfill its obligations. In order to manage credit risk, the Company's management is transacting with customers whose credit rating is above a certain level.

The maximum exposure due to credit risk is the same as the Book value and maximum guarantee amount of all financial instruments (excluding equity instruments) including cash and cash equivalents deposited in a financial institution, trade and other receivables.

For the years ended December 31, 2022 and 2021

30. Financial risk management, Continued

(3) Liquidity risk

Liquidity risk is the risk of not being able to raise funds to meet all financial contractual commitments by maturity. In order to manage liquidity risk, the Company establishes short-term and mid- to long-term fund management plans and checks liquidity strategies and plans to manage risks due to insufficient funds.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31, 2022. The amount include interest expenses and exclude effects of setoff agreements (In thousands of Korean won):

		2022				
		Book value	On demand	Less than 3 months	3-12 months	1-5 years
Trade payables	₩	350,787,918	350,787,918	350,787,918	-	-
Non-trade payables		31,344,175	31,344,175	31,344,175	-	-
Accrued expenses		13,024,087	13,024,087	12,039,935	984,152	-
Short-term borrowings		65,104,809	65,104,809	-	65,104,809	-
Guarantee deposit withholdings		65,638,114	65,638,114	-	63,820,448	1,817,666
Lease liabilities		15,773,499	22,233,284	1,503,729	4,141,332	16,588,223
Derivative liabilities		9,766,688	9,766,688	521,267	7,878,166	1,367,255
	₩	551,439,290	557,899,075	396,197,024	141,928,907	19,773,144

(4) Capital management

The purpose of the Company's capital management is to maintain a sound financial structure. The Company uses the debt-to-equity ratio as an indicator of capital management, which is calculated by dividing total debt by total equity. As of December 31, 2022, the Company maintains a debt-to-equity ratio of 377.25%, and most of the liabilities arise from business activities, so the repayment burden is not large.

The Company's debt-to-equity ratio as of December 31, 2022 and December 31, 2021 are as follows (In thousands of Korean won):

		2022	2021 (Un-Audited)
Total debt	₩	1,016,901,531	851,548
Total equity		269,553,057	3,419,125
Debt-to-equity ratio		377.25%	24.91%

For the years ended December 31, 2022 and 2021

31. Business Combinations

(1) Details of the business combination under common control for the year ended December 31, 2022 are as follows:

	Descriptions
Subject to merge	The business unit split off from SK ecoplant Co., Ltd. (K-solutions business group, P-solutions business group, Gas & Power business group, Battery business group and Industrial business group)
Date of merge	2022-02-01
Registration date of merge	2022-02-11
Purpose of merge	Enhancement of business expertise and management effectiveness.
Ratio of merge	1 : 36.7561

For the years ended December 31, 2022 and 2021

31. Business Combinations, Continued

(2) Details of the consideration transferred, which is generally measured at fair value and identifiable assets acquired and liabilities assumed for the year ended December 31, 2022 are as follows (In thousands of Korean won):

		Amount
1. Consideration transferred:		
Fair value of ordinary shares newly issued	₩	73,330,050
Fair value of preferred shares newly issued		73,330,789
2. Identifiable assets acquired and liabilities assumed:		
Current assets:		
Cash and cash equivalents		209,746,762
Contract assets		193,683,691
Advance payments		49,969,356
Pre-paid expenses		963,125
Pre-paid construction on costs		451
Non-current assets:		
Financial assets at fair value through profit or loss		6,101,045
Property, plant and equipment		165,846
Right-of-use assets		1,550,718
Long-term loans		1,241,266
Deposits provided		36,743,939
Current liabilities:		
Contract liabilities		313,508,942
Guarantee deposit withholdings		27,456,216
Accrued expenses		3,032,955
Provision for onerous contracts		4,880,611
Provision for construction warranties		2,052,712
Withholdings		171,750
Current lease liabilities		739,669
Non-current liabilities:		
Other long-term employee benefits		755,687
Long-term accrued expenses		501,023
Non-current lease liabilities	₩	405,795