

**SIMMTECH CO., LTD.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SIMMTECH CO., LTD.

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES

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December 31, 2021 and 2020

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Independent Auditors' report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
SIMMTECH Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of SIMMTECH Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of export sales

As described in Note 2.23 to the consolidated financial statements, when control of the goods is transferred to the customer, the Group recognizes revenue in an amount that reflects the consideration it expects to be entitled to receive in return for the goods.

For export sales, there are various performance obligations depending on the contract terms with the customer and the export conditions, and the timing of transfer of control of each product is different according to the export conditions, so management's judgment on the timing of revenue recognition is required. Therefore, since overstatement of revenue is exposed to significant risks, we have identified timing of revenue recognition in relation to export sales as fraud risks.

The primary procedures we performed to address this key audit matter included the following:

- Conducting test of details for sales transactions during the year on a sample basis;
- Identification of the terms and conditions of export sales which occurred before and after the end of reporting period and checking whether such export sales have been recognized according to the terms and conditions of export transaction;

- Reviewing appropriateness of management's valuation model used when it estimates recoverable amount;
- External 3rd party inquiry for outstanding balances of trade receivables on a sample basis; and
- Checking the terms and conditions of contracts with customers.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean 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 consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of Korea will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of Korea, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditors' report is Dongwoon Lee, Certified Public Accountant.

A handwritten signature in black ink that reads "Choi Jongman". The signature is written in a cursive, flowing style.

March 21, 2022

This report is effective as of March 21, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the audit report date and the time of the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditor's report.

**SIMMTECH CO., LTD.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

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

YOUNG GOO KIM

Chief Executive Officer

SIMMTECH CO., LTD.

Main Office Address: 73, Sandan-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do

Phone Number: 043-269-9000

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

| | Notes | Korean won | | Translation into U.S. dollars | |
|--|----------|--------------------------|--------------------------|-------------------------------|-----------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | ₩ 16,724,588,508 | ₩ 17,097,430,541 | \$ 14,107,624 | \$ 14,422,126 |
| Trade and other receivables | 8,35 | 73,072,096,014 | 53,969,723,321 | 61,638,208 | 45,524,862 |
| Inventories | 9 | 144,480,429,821 | 123,815,132,359 | 121,872,990 | 104,441,276 |
| Current income tax assets | | 19,640 | 1,379,023,276 | 17 | 1,163,242 |
| Other current assets | 11,21 | 3,201,650,254 | 2,499,406,647 | 2,700,675 | 2,108,314 |
| Assets held for sale | 15 | 7,593,410,387 | - | 6,405,239 | - |
| | | <u>245,072,194,624</u> | <u>198,760,716,144</u> | <u>206,724,753</u> | <u>167,659,820</u> |
| Non-current assets | | | | | |
| Trade and other receivables | 8,35 | 32,655,987,364 | 1,892,545,674 | 27,546,172 | 1,596,411 |
| Other financial assets | 10 | 3,389,652,629 | 2,589,856,788 | 2,859,260 | 2,184,611 |
| Property, plant and equipment | 12 | 501,305,014,903 | 512,515,494,878 | 422,863,783 | 432,320,114 |
| Intangible assets | 13 | 23,451,145,966 | 22,052,448,275 | 19,781,650 | 18,601,812 |
| Right-of-use assets | 14 | 15,116,127,769 | 11,871,073,267 | 12,750,846 | 10,013,558 |
| Other non-current assets | 11 | 897,804,283 | 825,454,492 | 757,321 | 696,292 |
| Deferred income tax assets | 24 | 35,546,069,516 | 29,270,921,458 | 29,984,032 | 24,690,781 |
| | | <u>612,361,802,430</u> | <u>581,017,794,832</u> | <u>516,543,064</u> | <u>490,103,581</u> |
| Total assets | | <u>₩ 857,433,997,054</u> | <u>₩ 779,778,510,976</u> | <u>\$ 723,267,817</u> | <u>\$ 657,763,400</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 16,23,35 | ₩ 186,185,026,502 | ₩ 195,813,436,755 | \$ 157,051,899 | \$ 165,173,713 |
| Lease liabilities | 17 | 3,136,093,121 | 2,609,450,120 | 2,645,376 | 2,201,139 |
| Borrowings | 18 | 28,417,831,613 | 87,102,663,391 | 23,971,178 | 73,473,356 |
| Convertible bonds | 19 | 44,939,896,773 | 23,066,381,102 | 37,907,969 | 19,457,091 |
| Derivatives liabilities | 20 | 34,870,261,562 | 5,061,398,274 | 29,413,970 | 4,269,421 |
| Other current liabilities | 11,21 | 13,319,015,911 | 21,661,594,108 | 11,234,935 | 18,272,116 |
| Current income tax liabilities | 24 | 31,127,090,623 | 14,762,833,911 | 26,256,508 | 12,452,833 |
| | | <u>341,995,216,105</u> | <u>350,077,757,661</u> | <u>288,481,836</u> | <u>295,299,669</u> |
| Non-current liabilities | | | | | |
| Trade and other payables | 16,35 | 22,060,850 | 193,905,770 | 18,609 | 163,565 |
| Lease liabilities | 17 | 5,279,597,315 | 3,434,881,250 | 4,453,477 | 2,897,411 |
| Net defined benefit liabilities | 22 | 56,998,348,349 | 68,379,226,615 | 48,079,585 | 57,679,651 |
| Borrowings | 18 | 49,135,030,272 | 37,937,094,930 | 41,446,673 | 32,000,924 |
| Debentures | 18 | - | 1,433,793,600 | - | 1,209,442 |
| Other financial liabilities | 10 | 210,000,000 | - | 177,140 | - |
| Other non-current liabilities | 11,21 | 22,517,460,000 | 30,023,280,000 | 18,994,062 | 25,325,415 |
| | | <u>134,162,496,786</u> | <u>141,402,182,165</u> | <u>113,169,546</u> | <u>119,276,408</u> |
| Total liabilities | | <u>476,157,712,891</u> | <u>491,479,939,826</u> | <u>401,651,382</u> | <u>414,576,077</u> |
| Shareholders' equity | | | | | |
| Equity attributable to owners of the Parent Company | | | | | |
| Capital stock | 25 | 17,079,214,000 | 17,079,214,000 | 14,406,760 | 14,406,760 |
| Capital surplus | 25 | 110,440,951,435 | 118,402,325,958 | 93,159,807 | 99,875,433 |
| Other components of equity | 26 | (93,820,666) | (93,820,666) | (79,140) | (79,140) |
| Accumulated other comprehensive income | 26 | 7,433,655,023 | (1,978,881,590) | 6,270,481 | (1,669,238) |
| Retained earnings | 27 | 244,424,804,159 | 154,474,824,159 | 206,178,662 | 130,303,521 |
| | | <u>379,284,803,951</u> | <u>287,883,661,861</u> | <u>319,936,570</u> | <u>242,837,336</u> |
| Non-controlling interests | | <u>1,991,480,212</u> | <u>414,909,289</u> | <u>1,679,865</u> | <u>349,987</u> |
| Total shareholders' equity | | <u>381,276,284,163</u> | <u>288,298,571,150</u> | <u>321,616,435</u> | <u>243,187,323</u> |
| Total liabilities and shareholders' equity | | <u>₩ 857,433,997,054</u> | <u>₩ 779,778,510,976</u> | <u>\$ 723,267,817</u> | <u>\$ 657,763,400</u> |

The above consolidated statements of financial position should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 38.

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Notes | Korean won | | Translation into U.S. dollars | |
|--|----------|---------------------|---------------------|-------------------------------|-----------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Sales | 35,36 | ₩ 1,365,832,876,122 | ₩ 1,201,374,703,500 | \$ 1,152,115,459 | \$1,013,390,724 |
| Cost of sales | 29,35 | 1,081,684,028,890 | 1,004,963,094,371 | 912,428,536 | 847,712,437 |
| Gross profit | | 284,148,847,232 | 196,411,609,129 | 239,686,923 | 165,678,287 |
| Selling and administrative expenses | 28,29,35 | 109,829,836,450 | 106,671,206,600 | 92,644,316 | 89,979,930 |
| Operating profit | | 174,319,010,782 | 89,740,402,529 | 147,042,607 | 75,698,357 |
| Other non-operating income | 30 | 9,776,828,565 | 7,158,116,107 | 8,247,008 | 6,038,057 |
| Other non-operating expenses | 30 | 12,558,070,902 | 6,872,814,036 | 10,593,059 | 5,797,397 |
| Finance income | 31 | 34,167,900,213 | 39,878,983,753 | 28,821,510 | 33,638,957 |
| Finance costs | 31 | 51,691,760,721 | 55,022,513,269 | 43,603,341 | 46,412,917 |
| Profit before income tax | | 154,013,907,937 | 74,882,175,084 | 129,914,726 | 63,165,057 |
| Income tax expense | 24 | 35,720,989,829 | 18,395,985,579 | 30,131,581 | 15,517,491 |
| Profit for the year | | ₩ 118,292,918,108 | ₩ 56,486,189,505 | \$ 99,783,145 | \$ 47,647,566 |
| Other comprehensive income | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Exchange differences | | ₩ 9,835,213,407 | ₩ 666,502,526 | \$ 8,296,258 | \$ 562,212 |
| Items that will be reclassified to profit or loss: | | | | | |
| Financial assets at fair value through other comprehensive income | | 10,988,752 | (36,888,373) | 9,269 | (31,116) |
| Remeasurements of net defined benefit liabilities | | (2,607,926,723) | 2,865,613,934 | (2,199,854) | 2,417,220 |
| Other comprehensive income for the year | | 7,238,275,436 | 3,495,228,087 | 6,105,673 | 2,948,316 |
| Total comprehensive income for the year | | ₩ 125,531,193,544 | ₩ 59,981,417,592 | \$ 105,888,818 | 50,595,882 |
| Profit attributable to: | | | | | |
| Owners of the parent company | | 117,185,182,302 | 56,575,585,691 | 98,848,741 | 47,722,974 |
| Non-controlling interests | | 1,107,735,806 | (89,396,186) | 934,404 | (75,408) |
| Comprehensive income attributable to: | | | | | |
| Owners of the parent company | | 123,989,792,192 | 60,596,239,883 | 104,588,606 | 51,114,500 |
| Non-controlling interests | | 1,541,401,352 | (614,822,291) | 1,300,212 | (518,619) |
| Earnings per share attributable to the shareholders of the parent company | 32 | | | | |
| Basic earnings per share | | ₩ 3,680 | ₩ 1,964 | \$ 3.10 | \$ 1.66 |
| Diluted earnings per share | | 3,680 | 1,964 | 3.10 | 1.66 |

The above consolidated statements of comprehensive Income should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 38.

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Korean won | | | | | | | |
|--|--|-------------------|----------------------------|--|-------------------|-------------------|---------------------------|----------------------------|
| | Attributable to shareholders of parent company | | | | | | | |
| | Capital Stock | Capital Surplus | Other Components of Equity | Accumulated Other Comprehensive Income | Retained Earnings | Total | Non-controlling interests | Total shareholders' equity |
| Balance as of January 1, 2020 | ₩ 12,173,292,000 | ₩ 49,684,905,134 | ₩ (93,820,666) | ₩ (3,133,921,848) | ₩103,868,917,720 | ₩ 162,499,372,340 | ₩ (977,394,304) | ₩ 161,521,978,036 |
| Total comprehensive income: | | | | | | | | |
| Profit for the year | - | - | - | - | 56,575,585,691 | 56,575,585,691 | (89,396,186) | 56,486,189,505 |
| Other comprehensive income | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | - | - | - | (35,117,412) | - | (35,117,412) | (1,770,961) | (36,888,373) |
| Remeasurement of net defined employee benefit liabilities | - | - | - | - | 2,865,613,934 | 2,865,613,934 | - | 2,865,613,934 |
| Exchange differences | - | - | - | 1,190,157,670 | - | 1,190,157,670 | (523,655,144) | 666,502,526 |
| Total other comprehensive income | - | - | - | 1,155,040,258 | 2,865,613,934 | 4,020,654,192 | (525,426,105) | 3,495,228,087 |
| Total comprehensive income for the year | - | - | - | 1,155,040,258 | 59,441,199,625 | 60,596,239,883 | (614,822,291) | 59,981,417,592 |
| Transactions with owners: | | | | | | | | |
| Issuance of common stock | 4,550,592,000 | 57,082,687,528 | - | - | - | 61,633,279,528 | - | 61,633,279,528 |
| Issuance of preferred stock | 355,330,000 | 13,641,859,180 | - | - | - | 13,997,189,180 | - | 13,997,189,180 |
| Dividend | - | - | - | - | (3,702,895,680) | (3,702,895,680) | - | (3,702,895,680) |
| Redemption of redeemable preferred stock | - | - | - | - | (5,132,397,506) | (5,132,397,506) | - | (5,132,397,506) |
| Changes in capital of subsidiaries | - | (2,007,125,884) | - | - | - | (2,007,125,884) | 2,007,125,884 | - |
| Total transactions with owners | 4,905,922,000 | 68,717,420,824 | - | - | (8,835,293,186) | 64,788,049,638 | 2,007,125,884 | 66,795,175,522 |
| Balance on December 31, 2020 | ₩17,079,214,000 | ₩ 118,402,325,958 | ₩ (93,820,666) | ₩ (1,978,881,590) | ₩154,474,824,159 | ₩ 287,883,661,861 | ₩ 414,909,289 | ₩ 288,298,571,150 |
| Balance as of January 1, 2021 | ₩17,079,214,000 | ₩ 118,402,325,958 | ₩ (93,820,666) | ₩ (1,978,881,590) | ₩154,474,824,159 | ₩ 287,883,661,861 | ₩ 414,909,289 | ₩ 288,298,571,150 |
| Total comprehensive income: | | | | | | | | |
| Profit for the year | - | - | - | - | 117,185,182,302 | 117,185,182,302 | 1,107,735,806 | 118,292,918,108 |
| Other comprehensive income | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | - | - | - | 12,065,494 | - | 12,065,494 | (1,076,742) | 10,988,752 |
| Remeasurement of net defined employee benefit liabilities | - | - | - | - | (2,607,926,723) | (2,607,926,723) | - | (2,607,926,723) |
| Exchange differences | - | - | - | 9,400,471,119 | - | 9,400,471,119 | 434,742,288 | 9,835,213,407 |
| Total other comprehensive income | - | - | - | 9,412,536,613 | (2,607,926,723) | 6,804,609,890 | 433,665,546 | 7,238,275,436 |
| Total comprehensive income for the year | - | - | - | 9,412,536,613 | 114,577,255,579 | 123,989,792,192 | 1,541,401,352 | 125,531,193,544 |
| Transactions with owners: | | | | | | | | |
| Dividend | - | - | - | - | (10,418,091,840) | (10,418,091,840) | - | (10,418,091,840) |
| Redemption of preferred stock | - | - | - | - | (14,209,183,739) | (14,209,183,739) | - | (14,209,183,739) |
| Redemption of convertible bonds | - | (6,215,720,867) | - | - | - | (6,215,720,867) | - | (6,215,720,867) |
| Intra-group unequal increase of share with consideration | - | (1,884,290,656) | - | - | - | (1,884,290,656) | 1,884,290,656 | - |
| Acquisition of non-controlling interests | - | 138,637,000 | - | - | - | 138,637,000 | (1,849,121,085) | (1,710,484,085) |
| Total transactions with owners | - | (7,961,374,523) | - | - | (24,627,275,579) | (32,588,650,102) | 35,169,571 | (32,553,480,531) |
| Balance on December 31, 2021 | ₩17,079,214,000 | ₩ 110,440,951,435 | ₩ (93,820,666) | ₩ 7,433,655,023 | ₩244,424,804,159 | ₩ 379,284,803,951 | ₩1,991,480,212 | ₩ 381,276,284,163 |

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Translation into U.S. dollars | | | | | | | |
|--|--|-----------------|----------------------------|--|-------------------|----------------|---------------------------|----------------------------|
| | Attributable to shareholders of parent company | | | | | | | |
| | Capital Stock | Capital Surplus | Other Components of Equity | Accumulated Other Comprehensive Income | Retained Earnings | Total | Non-controlling interests | Total shareholders' equity |
| Balance as of January 1, 2020 | \$ 10,268,488 | \$ 41,910,506 | \$ (79,140) | \$ (2,643,544) | \$ 87,616,126 | \$ 137,072,436 | \$ (824,457) | \$ 136,247,978 |
| Total comprehensive income: | | | | | | | | |
| Profit for the year | - | - | - | - | 47,722,974 | 47,722,974 | (75,408) | 47,647,566 |
| Other comprehensive income | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | - | - | - | (29,622) | - | (29,622) | (1,494) | (31,116) |
| Remeasurement of net defined employee benefit liabilities | - | - | - | - | 2,417,220 | 2,417,220 | - | 2,417,220 |
| Exchange differences | - | - | - | 1,003,929 | - | 1,003,929 | (441,717) | 562,212 |
| Total other comprehensive income | - | - | - | 974,306 | 2,417,220 | 3,391,526 | (443,211) | 2,948,316 |
| Total comprehensive income for the year | - | - | - | 974,306 | 50,140,194 | 51,114,500 | (518,619) | 50,595,882 |
| Transactions with owners: | | | | | | | | |
| Issuance of common stock | 3,838,542 | 48,150,728 | - | - | - | 51,989,270 | - | 51,989,270 |
| Issuance of preferred stock | 299,730 | 11,507,262 | - | - | - | 11,806,992 | - | 11,806,992 |
| Dividend | - | - | - | - | (3,123,489) | (3,123,489) | - | (3,123,489) |
| Redemption of redeemable preferred stock | - | - | - | - | (4,329,310) | (4,329,310) | - | (4,329,310) |
| Changes in capital of subsidiaries | - | (1,693,063) | - | - | - | (1,693,063) | 1,693,063 | - |
| Total transactions with owners | 4,138,272 | 57,964,927 | - | - | (7,452,799) | 54,650,400 | 1,693,063 | 56,343,463 |
| Balance on December 31, 2020 | \$ 14,406,760 | \$ 99,875,433 | \$ (79,140) | \$ (1,669,238) | \$ 130,303,521 | \$ 242,837,336 | \$ 349,987 | \$ 243,187,323 |
| Balance as of January 1, 2021 | \$ 14,406,760 | \$ 99,875,433 | \$ (79,140) | \$ (1,669,238) | \$ 130,303,521 | \$ 242,837,336 | \$ 349,987 | \$ 243,187,323 |
| Total comprehensive income: | | | | | | | | |
| Profit for the year | - | - | - | - | 98,848,741 | 98,848,741 | 934,404 | 99,783,145 |
| Other comprehensive income | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | - | - | - | 10,178 | - | 10,178 | (908) | 9,269 |
| Remeasurement of net defined employee benefit liabilities | - | - | - | - | (2,199,854) | (2,199,854) | - | (2,199,854) |
| Exchange differences | - | - | - | 7,929,541 | - | 7,929,541 | 366,716 | 8,296,258 |
| Total other comprehensive income | - | - | - | 7,939,719 | (2,199,854) | 5,739,865 | 365,808 | 6,105,673 |
| Total comprehensive income for the year | - | - | - | 7,939,719 | 96,648,887 | 104,588,606 | 1,300,212 | 105,888,818 |
| Transactions with owners: | | | | | | | | |
| Dividend | - | - | - | - | (8,787,931) | (8,787,931) | - | (8,787,931) |
| Redemption of preferred stock | - | - | - | - | (11,985,815) | (11,985,815) | - | (11,985,815) |
| Redemption of convertible bonds | - | (5,243,122) | - | - | - | (5,243,122) | - | (5,243,122) |
| Intra-group unequal increase of share with consideration | - | (1,589,448) | - | - | - | (1,589,448) | 1,589,448 | - |
| Acquisition of non-controlling interests | - | 116,944 | - | - | - | 116,944 | (1,559,782) | (1,442,838) |
| Total transactions with owners | - | (6,715,626) | - | - | (20,773,746) | (27,489,372) | 29,666 | (27,459,705) |
| Balance on December 31, 2021 | \$ 14,406,760 | \$ 93,159,807 | \$ (79,140) | \$ 6,270,481 | \$ 206,178,662 | \$ 319,936,570 | \$ 1,679,865 | \$ 321,616,435 |

The above consolidated statements of changes in shareholder's equity should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 38.

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Korean won | | Translation into U.S. dollars | |
|---|-------------------------|-------------------------|-------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | ₩ 144,411,631,996 | ₩ 229,449,750,186 | \$ 121,814,957 | \$ 193,546,816 |
| Profit for the year | 118,292,918,108 | 56,486,189,505 | 99,783,145 | 47,647,566 |
| Adjustments for: | 145,158,899,378 | 122,460,004,493 | 122,445,297 | 103,298,190 |
| Post-employment benefits | 15,196,003,267 | 14,693,879,324 | 12,818,223 | 12,394,668 |
| Share-based payment | - | 695,497,431 | - | 586,670 |
| Loss on disposal of trade receivables | 3,953,471,740 | 3,380,182,208 | 3,334,856 | 2,851,271 |
| Bad debt expense | (134,754,774) | 99,039,521 | (113,669) | 83,542 |
| Gain on foreign currency translation | (1,118,343,676) | (7,303,996,818) | (943,352) | (6,161,111) |
| Loss on foreign currency translation | 3,417,480,063 | 7,189,148,275 | 2,882,733 | 6,064,233 |
| Depreciation | 77,905,645,308 | 73,945,543,549 | 65,715,433 | 62,374,984 |
| Amortization | 944,855,485 | 1,733,258,970 | 797,010 | 1,462,049 |
| Gain on disposal of property, plant and equipment | (2,404,840,136) | (972,791,580) | (2,028,545) | (820,575) |
| Reversal of impairment loss on property, plant and equipment | (2,747,252,942) | - | (2,317,379) | - |
| Loss on disposal of property, plant and equipment | 96,754,505 | 104,217,791 | 81,615 | 87,910 |
| Loss on scrapped property, plant and equipment | 3,635,144,162 | - | 3,066,338 | - |
| Gain on disposal of intangible assets | (59,333,333) | - | (50,049) | - |
| Loss on disposal of intangible assets | 45,500,000 | - | 38,880 | - |
| Gain on valuation of derivatives | (184,921,946) | (171,431,131) | (155,986) | (144,607) |
| Loss on valuation of derivatives | 1,720,171,861 | - | 1,451,010 | - |
| Gain on retransaction of derivatives | (321,398,274) | - | (271,108) | - |
| Loss on redemption of debentures | 550,549,351 | - | 464,403 | - |
| Dividend income | (4,998,960) | (5,429,828) | (4,217) | (4,580) |
| Interest income | (591,856,107) | (130,796,940) | (499,246) | (110,331) |
| Interest expenses | 9,540,033,955 | 10,807,698,142 | 8,047,266 | 9,116,574 |
| Income tax expenses | 35,720,989,829 | 18,395,985,579 | 30,131,581 | 15,517,491 |
| Changes in assets and liabilities: | (119,040,185,490) | 50,503,556,188 | (100,413,484) | 42,601,060 |
| Decrease (increase) in trade receivables | (9,694,994,624) | 1,001,929,268 | (8,177,979) | 845,153 |
| Decrease (increase) in other receivables | (3,801,758,567) | 6,526,748,364 | (3,206,882) | 5,505,482 |
| Decrease (increase) in advance payments | (501,256,341) | 363,447,087 | (422,823) | 306,577 |
| Decrease (increase) in prepaid expenses | 281,704,933 | (299,061,062) | 237,625 | (252,266) |
| Increase in right to recover returned goods | (441,586,594) | (114,668,161) | (372,490) | (96,726) |
| Decrease (increase) in inventories | (20,293,369,437) | 22,923,040,051 | (17,117,983) | 19,336,179 |
| Decrease (increase) in long-term prepaid expenses | (72,349,791) | 14,496,608 | (61,029) | 12,228 |
| Decrease in trade payables | (28,497,175,640) | (5,558,212,879) | (24,038,107) | (4,688,497) |
| Decrease in other payables | (23,341,335,368) | (33,858,312,889) | (19,689,022) | (28,560,365) |
| Increase in accrued expenses | 12,161,049,219 | 2,495,686,392 | 10,258,160 | 2,105,176 |
| Increase (decrease) in advances from customers | (17,845,081,629) | 65,963,732,917 | (15,052,789) | 55,642,120 |
| Increase in withholdings | 1,442,976,312 | 318,172,946 | 1,217,188 | 268,387 |
| Increase in refund liabilities | 534,724,319 | 146,592,413 | 451,054 | 123,655 |
| Decrease in long-term accounts payable | (86,419,899) | (597,524,871) | (72,897) | (504,028) |
| Increase in guarantee deposit received | 210,000,000 | - | 177,140 | - |
| Severance payments | (4,095,311,524) | (4,122,509,996) | (3,454,501) | (3,477,444) |
| Increase in plan assets | (25,000,000,859) | (4,700,000,000) | (21,088,149) | (3,964,572) |
| Interest received | 179,604,712 | 304,557,310 | 151,501 | 256,902 |
| Interest paid | (6,430,285,847) | (8,319,000,077) | (5,424,113) | (7,017,292) |
| Income taxes paid | (23,577,819,650) | (5,967,838,188) | (19,888,502) | (5,034,026) |
| Dividend received | 4,998,960 | 5,429,828 | 4,217 | 4,580 |
| Net cash flows provided by operating activities | 114,588,130,171 | 215,472,899,059 | 96,658,060 | 181,756,979 |
| Cash flows from investing activities | | | | |
| Disposal of property, plant and equipment | 32,400,538,307 | 3,877,037,871 | 27,330,694 | 3,270,382 |
| Disposal of intangible assets | 187,000,000 | 86,400,000 | 157,739 | 72,881 |
| Decrease in long-term loans to shareholders, directors and employee | 1,129,079,330 | - | 952,408 | - |
| Decrease in loans to the parent company | 4,500,000,000 | 2,000,000,000 | 3,795,867 | 1,687,052 |
| Increase in long-term loans | - | (1,626,875,000) | - | (1,372,311) |
| Increase in loans to the parent company | (38,500,000,000) | - | (32,475,749) | - |
| Increase in long-term loans to the affiliated companies | - | (232,007,500) | - | (195,704) |
| Increase in long-term financial instruments | (180,000,000) | (180,000,000) | (151,835) | (151,835) |
| Acquisition of property, plant and equipment | (76,610,210,163) | (86,017,641,215) | (64,622,699) | (72,558,112) |
| Acquisition of intangible assets | (865,576,000) | (123,203,888) | (730,136) | (103,926) |
| Increase in guarantee deposits | (809,659,144) | (654,966,956) | (682,968) | (552,482) |
| Acquisition of non-controlling interests | (1,710,484,085) | - | (1,442,838) | - |
| Net cash flows used in investing activities | (80,459,311,755) | (82,871,256,688) | (67,869,516) | (69,904,055) |
| Cash flows from financing activities | | | | |
| Increase in short-term borrowings | 134,830,785,600 | - | 113,733,265 | - |
| Increase in long-term borrowings | 46,566,848,000 | 30,000,000,000 | 39,280,344 | 25,305,778 |
| Issuance of debentures | - | 9,750,760,000 | - | 8,225,019 |
| Issuance of convertible bonds | 76,000,000,000 | - | 64,107,971 | - |
| Issuance of preferred stock | - | 13,997,189,180 | - | 11,806,992 |
| Issuance of common stock | - | 60,937,782,097 | - | 51,402,600 |
| Repayment of short-term borrowings | (150,911,997,506) | (164,037,066,246) | (127,298,184) | (138,369,520) |

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Korean won | | Translation into U.S. dollars | |
|--|-------------------------|--------------------------|-------------------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Repayment of current portion of long-term borrowings | (50,652,582,509) | (11,116,665,000) | (42,726,767) | (9,377,195) |
| Repayment of long-term borrowings | (25,177,205,919) | (967,699,462) | (21,237,626) | (816,280) |
| Repayment of debentures | (1,401,126,400) | (49,110,683,700) | (1,181,886) | (41,426,136) |
| Redemption of redeemable preferred stock | (14,209,183,739) | (5,132,397,506) | (11,985,815) | (4,329,310) |
| Redemption of convertible bonds | (30,000,000,000) | - | (25,305,778) | - |
| Decrease in derivatives liabilities | (4,740,000,000) | - | (3,998,313) | - |
| Repayment of lease liabilities | (4,458,520,543) | (5,485,140,225) | (3,760,878) | (4,626,858) |
| Dividend paid | (10,418,091,840) | (3,702,895,680) | (8,787,931) | (3,123,489) |
| Net cash flows used in financing activities | (34,571,074,856) | (124,866,816,542) | (29,161,598) | (105,328,399) |
| Net increase (decrease) in cash and cash equivalents | (442,256,440) | 7,734,825,829 | (373,055) | 6,524,526 |
| Cash and cash equivalents at the beginning of the financial year | 17,097,430,541 | 9,739,293,797 | 14,422,126 | 8,215,347 |
| Effects of exchange rate changes on cash and cash equivalents | 69,414,407 | (376,689,085) | 58,553 | (317,747) |
| Cash and cash equivalents at the end of the year | ₩ 16,724,588,508 | ₩ 17,097,430,541 | \$ 14,107,624 | \$ 14,422,126 |

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 38.

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. General Information

SIMMTECH Co., Ltd. (the Company) and its subsidiaries (collectively referred to as “the Group”) was incorporated on July 1, 2015, after its spin-off from SIMMTECH HOLDINGS Co., Ltd. (formerly SIMMTECH Co., Ltd.) to engage in manufacturing various electronic products and parts, including print circuitry-base(“PCB”) plates. The Company was listed on the KOSDAQ market in the Korea Exchange(“KRX”) on August 7, 2015. The head office of the Company is located in 73, Sandan-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Korea.

As of December 31, 2021, the amount of common stocks is ₩ 17,029,214 thousand and the largest shareholder of the Group is SIMMTECH HOLDINGS Co., Ltd. who owns 33.05 % of the shares issued.

Common stock of the Company as of December 31, 2021, consists of:

| Shareholders | Type | Common stock | |
|--|--------------------------------|-------------------|-------------------------|
| | | Number of shares | Percentage of ownership |
| SIMMTECH HOLDINGS Co., Ltd. | Corporation | 10,527,150 | 33.05% |
| MORGAN STANLEY AND CO INTERNATIONAL PLC Securities Financing | Corporation | 1,252,984 | 3.93% |
| J.P. MORGAN SECURITIES PLC | Securities related institution | 588,280 | 1.85% |
| Korean Long-Term Growth #5 | Corporation | 517,596 | 1.62% |
| Employees Stock Ownership Association | Investment trust | 382,380 | 1.20% |
| Others | Others | 165,960 | 0.52% |
| | - | 18,419,793 | 57.83% |
| | | <u>31,854,143</u> | <u>100.00%</u> |

1.1 Consolidated Subsidiaries

The details of investments in subsidiaries as of December 31, 2021 and 2020, are as follows:

| Subsidiaries | Location | Percentage of ownership | | Closing month | Main business | Parent company |
|--|-----------|-------------------------|---------|---------------|-------------------|-------------------------------------|
| | | 2021 | 2020 | | | |
| GLOBAL SIMMTECH Co., Ltd. | Korea | 98.55% | 98.55% | December | Holding company | SIMMTECH CO., LTD. |
| Simmtech Hong Kong Holdings Limited | Hong Kong | 100.00% | 100.00% | December | Holding company | GLOBAL SIMMTECH Co., Ltd. |
| Simmtech (Xian) Co., Ltd. | China | 100.00% | 100.00% | December | PCB manufacturing | Simmtech Hong Kong Holdings Limited |
| STJ Holdings Co., Ltd. ¹ | Japan | 100.00% | 100.00% | December | Holding company | GLOBAL SIMMTECH Co., Ltd. |
| SIMMTECH GRAPHICS CO., Ltd. ² | Japan | 99.18% | 96.08% | December | PCB manufacturing | STJ Holdings Co., Ltd. |
| T.E. TECH(M) SDN. BHD. | Malaysia | 95.80% | 95.80% | December | PCB manufacturing | SIMMTECH CO., LTD. |
| Nippon Via Co., Ltd. ³ | Japan | 100.00% | 78.94% | December | PCB manufacturing | STJ Holdings Co., Ltd. |
| A.I. Tech Co., Ltd. ⁴ | Korea | 100.00% | - | December | PCB inspection | SIMMTECH CO., LTD. |

¹ The Group acquired additional 436,920 shares of common stock participating capital increase with consideration on August 24, 2021.

² The Group acquired additional 397,200,000 shares of common stock participating capital increase with consideration on August 31, 2021.

³ The Group decreased capital without consideration on August 13, 2021, and on October 29, 2021 and STJ Holdings Co., Ltd. acquired 13,369 shares (the percentage of ownership: 21.06%) of Nippon Via Co., Ltd. from Hi-Signal, the Singapore shareholder. After this transaction, Nippon Via Co., Ltd. became wholly owned subsidiary of STJ Holdings Co., Ltd.

⁴ It was incorporated on February 16, 2021, and the Group has acquired 1,800,000 shares.

The subsidiary newly included in the consolidation for the year ended December 31, 2021 are as follows:

| Subsidiary | Main business |
|----------------------------------|-------------------------|
| A.I. TECH Co., Ltd. ⁴ | Domestic PCB inspection |

SIMMTECH CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1.2 Condensed Financial Information

Condensed financial information for consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020, is as follows:

| | 2021 | | | |
|-------------------------------------|---------------|---------------|--------------|---------------------------------------|
| <i>(In thousands of Korean won)</i> | Assets | Equity | Sales | Profit (loss) for the year |
| GLOBAL SIMMTECH Co., Ltd. | ₩208,408,757 | ₩129,783,462 | ₩22,778,586 | ₩30,012,123 |
| Simmtech Hong Kong Holdings Limited | 48,413,853 | 48,317,638 | 24,490,588 | 22,390,446 |
| Simmtech (Xian) Co., Ltd. | 108,132,934 | 94,929,764 | 159,617,361 | 11,469,415 |
| STJ Holdings Co., Ltd. | 72,888,785 | 65,358,049 | - | (445,521) |
| SIMMTECH GRAPHICS Co., Ltd | 190,740,670 | 19,642,223 | 202,596,935 | 21,475,434 |
| T.E. TECH(M) SDN. BHD. | 4,813,024 | 2,996,797 | 2,260,503 | (735,650) |
| Nippon Via Co., Ltd. | 14,443,883 | 6,567,392 | 3,346,660 | 104,010 |
| A.I. Tech Co., Ltd. | 1,825,689 | (201,528) | 869,370 | (1,101,528) |

| | 2020 | | | |
|-------------------------------------|---------------|---------------|--------------|---------------------------------------|
| <i>(In thousands of Korean won)</i> | Assets | Equity | Sales | Profit (loss) for the year |
| GLOBAL SIMMTECH Co., Ltd. | ₩ 126,275,271 | ₩ 100,352,233 | ₩ - | ₩ (3,504,385) |
| Simmtech Hong Kong Holdings Limited | 44,442,790 | 44,012,098 | - | (52,199) |
| Simmtech (Xian) Co., Ltd. | 111,439,343 | 97,150,660 | 135,447,207 | 9,520,035 |
| STJ Holdings Co., Ltd. | 26,583,959 | 21,270,142 | - | (39,080) |
| SIMMTECH GRAPHICS Co., Ltd | 157,484,801 | (47,713,245) | 155,809,057 | 264,761 |
| T.E. TECH(M) SDN. BHD. | 3,922,954 | 3,563,544 | 2,314,455 | (379,620) |
| Nippon Via Co., Ltd. | 6,962,820 | 6,615,221 | 288,798 | (79,728) |

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured, and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance, or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The consolidated financial statements have been prepared on a historical cost basis, except for financial specified financial assets, financial liabilities (including derivatives), assets held for sale measured at net fair value, defined benefit liabilities measured at fair value and plan assets measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

2.2.1 New standards and interpretations adopted by the Group

The Group has applied the following new and amended standards for the first time for its annual reporting period commencing January 1, 2021.

Amendments to Korean IFRS 1116 Leases – Practical Expedient for COVID-19-Related Rent Exemption Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying Korean IFRS 1116 if the change were not a lease modification. These amendments do not have a significant impact on the consolidated financial statements.

Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107 *Financial Instruments: Disclosure*, Korean IFRS 1104 *Insurance Contracts*, Korean IFRS 1116 *Lease – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide a practical expedient allowing entities to change the effective interest rate instead of changing the carrying amount and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. These amendments do not have a significant impact on the consolidated financial statements.

Amendments to Korean IFRS 1002 *Presentation of Financial Statements – Classification of Liabilities a Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting period beginning on or after January 1, 2023, and earlier application is permitted. The Group has earlier applied these amendments and there was no accumulative impact on financial statements in relation to the retrospective application.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new and amended standards have been published that are not mandatory for December 31, 2021 reporting period and have not been adopted by the Group.

Amendments to Korean IFRS 1103 *Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provision, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

Amendments to Korean IFRS 1016 *Property, Plant and Equipment – Proceeds Before Intended Use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022,

and earlier application is permitted. The Group currently is evaluating the effect of these amendments, if any, to the Group's consolidated financial statements.

Amendments to Korean IFRS 1037 *Provision, 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 amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

Enactment of Korean IFRS 1117 *Insurance Contracts*

Korean IFRS 1117 *Insurance Contracts* will replace Korean IFRS 1104 *Insurance Contracts*. This standard requires an entity to estimate future cash flows of an insurance contract and measure insurance liabilities using discount rates applied with assumptions and risks at the measurement date and recognize insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual reporting period. In addition, investment components (refunds due to termination and maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and net insurance income and net investment income are presented separately to enable users of the information to understand the sources of net income. This standard should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 *Financial Instruments*. The Group currently is evaluating the effects of this enactment, if any, to the consolidated financial statements.

Annual Improvements to Korean IFRS 2018-2020

Annual improvements to Korean IFRS 2018-2020 cycle should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 *First-time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Lease* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries (including special purpose entities) are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

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The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions among group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income financial assets are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

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For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- Fair value through other comprehensive income("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- Fair value through profit or loss("FVTPL"): Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other income or expenses' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments

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carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2.7 Trade receivables

The Group initially measures trade receivables that do not contain the significant financing component at an amount of consideration that is unconditional. Trade receivables that contain the significant financing component are initially measured at fair value. Trade receivables are subsequently measured at the amount of deduction of impairment loss from the amortized cost.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the gross average method.

2.9 Non-current Assets (or Disposal Group) Held-for-sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.10 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | Useful life |
|---------------------|---------------|
| Buildings | 30 - 40 years |
| Structures | 8 - 10 |
| Machinery | 3 - 10 |
| Vehicles | 8 |
| Tools and equipment | 8 |
| Facility equipment | 20 |

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. In addition, when the assets' carrying amount exceeds the estimated recoverable amount, the assets' carrying amount is written down to its recoverable amount, immediately.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.13 Intangible Assets

Intangible assets are initially recognized at its historical cost and carried at cost less accumulated amortization and accumulated impairment losses.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

| | Useful life |
|----------------------------|-------------|
| Software | 5 years |
| Industrial property rights | 10 |
| Customer relationships | 5 |
| Trademark | 5 |

2.14 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

2.15 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss ("FVTPL") are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.18 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.19 Compound Financial Instruments

Compound financial instruments are convertible notes that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option, and subsequently recognized at amortized cost until extinguished on conversion or maturity of the bonds. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction cost is allocated to the liability and equity components in proportion to their initial carrying amounts.

2.20 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.21 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred income tax. Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group 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. In addition, the Group recognizes a deferred income tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.22 Employee Benefits

(a) Post-employment benefits

The Group operates defined benefit pension plans. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the nonmarket vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.23 Revenue Recognition

(a) Sale of goods

Revenue from sales of products and merchandise is recognized when the Group has transferred the significant risks and rewards of ownership of goods to the buyer. Based on the historical experiences revenue is recognized at the time of sale, net of expected discounts and returns estimated.

(b) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized

using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.24 Lease

The Group leases various offices, warehouse, equipment and cars. A lease term is normally determined considering non-cancellable period of a lease with a range of 1 year to 2 years, and extension options explained at (b) below. The lease conditions are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the repayment of lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use assets and the lease liabilities are initially measured at the present payments that nor not paid at the commencement date. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivables
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Incremental borrowing rate is calculated considering situations of the similar business that Group is running and of nations where the Group is operating.

The right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- estimated restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and office furniture whose underlying assets are values below US\$ 5,000, and others.

(a) Variable lease payments

The Group does not use leases that contain variable lease payment conditions related with sales.

(b) Lessee extension and termination options

The Group's lease agreements of real estate and fixtures generally contain options to extend or terminate lease. These are to maximize the flexibilities in management and operation of leased asset. Most options to extend or terminate will be able to be exercised by the Group, not by the lessors. In determining the lease period, the management of the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise the option.

2.25 Segment Reporting

The Group is engaged in the business of manufacture and sale of Printed Circuit Board (PCB), which is classified into HDI product group and SPS product group by the product's characteristics for internal purposes. However, two product groups are manufactured by the same manufacturing facility and labor and required

technology and marketing strategies for each group are similar. In addition, the Group does not allocate resources or performs assessment by the product group. Accordingly, the Group is considered to have one reportable segment.

2.26 Approval of Issuance of the Financial Statements

The 2021 consolidated financial statements were approved for issuance by the Board of Directors on February 24, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

In the application of the Groups accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are continually evaluated. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and futures periods if the revision affects both current and future periods.

(a) The impact of COVID-19 pandemic

The spread of COVID-19 during 2021 has a significant impact on economy in domestic and abroad. This may affect decrease in productivity, decrease or delay in sales and deferring collection of receivables, which may negatively affect the financial position and financial performance of the Group.

(b) Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 13).

(c) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 24).

(d) Impairment of non-financial instruments

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. To calculate the value in use, the Group estimates the expected future cash inflows derived from the CGU and selects a discount rate for calculating the present value of the expected future cash inflows.

Net fair value calculated by deduction of selling expenses from fair value is determined by an appropriate valuation model using stock prices traded in the open market or other available fair value valuation indicators

(e) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 4).

(f) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 22).

4. Financial Risk Management and Fair Value

The Group is exposed to credit risk, liquidity risk and market risk related to financial instruments.

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This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Risk management activities

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and investment securities.

(i) Trade receivables

Most of the Group's customers have been transacting with the Group for long period of time, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group uses external ratings, when available, to reassess the creditworthiness. The Group establishes an allowance for impairment that represents its estimate of the expected life-time losses to be recognized from initial recognition of trade and other receivables and investments. In order to manage credit risk, the status of delinquent receivables and measures to collect them is reported, and appropriate actions are taken depending on the reasons for delay.

(ii) Investments

The Group limits its exposure to credit risk by investing only with counterparties that have a superior credit rating.

(iii) Exposure to credit risk

The book value of financial instruments represents the maximum amount of credit exposures.

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|---|-------------|--------------------|-------------|-------------------|
| Cash and cash equivalents | ₩ | 16,724,589 | ₩ | 17,097,431 |
| Trade and other receivables (Current) | | 73,072,096 | | 53,969,723 |
| Trade and other receivables (Non-current) | | 32,655,987 | | 1,892,546 |
| Other financial assets (Non-current) | | 3,389,653 | | 2,589,857 |
| Performance guarantee | | 80,000 | | 755,700 |
| | ₩ | <u>125,922,325</u> | ₩ | <u>76,305,257</u> |

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The maximum exposure to credit risk for trade and other receivables by geographic region as of December 31, 2021 and 2020, is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|-------------|--------------------|-------------|-------------------|
| Domestic | ₩ | 89,405,774 | ₩ | 20,879,580 |
| European Union (EU) | | 25,155 | | - |
| Non-EU countries | | 167,759 | | 7,604 |
| USA | | 192,306 | | 122,997 |
| Asia | | 15,937,089 | | 34,553,307 |
| Others | | - | | 298,781 |
| | ₩ | <u>105,728,083</u> | ₩ | <u>55,862,269</u> |

The aging analysis of the trade and other receivables as of December 31, 2021 and 2020 is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|-------------|--------------------|-------------|-------------------|
| Receivables not past due | ₩ | 105,728,083 | ₩ | 55,862,269 |
| | | 105,728,083 | | 55,862,269 |
| Impaired ¹ : | | | | |
| Over 3 months to 6 months | | 7,905 | | - |
| Over 6 months | | 10,042,946 | | 12,516,562 |
| | | 10,050,851 | | 12,516,562 |
| | ₩ | <u>115,778,934</u> | ₩ | <u>68,378,831</u> |

¹ Allowances for doubtful accounts amount to ₩10,051,852 thousand and ₩12,516,562 thousand as of December 31, 2021 and 2020, respectively.

The movements on allowances for doubtful accounts for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|----------------|--------------------|----------------|--------------------|
| | Current | Non-current | Current | Non-current |
| Beginning balance | ₩ 2,522,255 | ₩ 9,994,307 | ₩ 2,543,881 | ₩ 9,994,307 |
| Bad debt expense (reversal) | (134,755) | - | 99,040 | - |
| Collection / Elimination | (2,331,282) | - | (125,367) | - |
| Foreign currency translation effect | 326 | - | 4,701 | - |
| Ending balance | ₩ 56,543 | ₩ 9,994,307 | ₩ 2,522,255 | ₩ 9,994,307 |

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flows through mid-to long-term management plan and short-term management strategy and holds cash enough to cover its generally expected operating expense. Those plan and strategy do not include potential effects from extreme situation that cannot be reasonably expected.

The Group monitors its cash flows through designing and executing short-term business strategies and mid- to long-term business plans and has a sufficient amount of cash to support operating costs that are expected under normal circumstances. The potential effect from unusual events that cannot reasonably be foreseen has been considered.

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The following is the contractual maturities of financial liabilities as of December 31, 2021 and 2020, including estimated interest payments and excluding the impact of netting agreements:

| <i>(In thousands of Korean won)</i> | 2021 | | | |
|---|-------------------------------|--------------------------|---------------------|--------------------------|
| | Contractual cash flows | 12 months or less | 1 to 2 years | More than 2 years |
| Derivative financial liabilities | | | | |
| Financial liabilities at FVTPL | ₩ 34,870,262 | ₩ 34,870,262 | ₩ - | ₩ - |
| Non-derivative financial liabilities | | | | |
| Financial liabilities measured at amortized cost: | | | | |
| Trade and other payables | 186,207,087 | 186,185,027 | 22,061 | - |
| Lease liabilities | 10,282,925 | 3,334,948 | 2,005,113 | 4,942,864 |
| Borrowings | 81,625,950 | 29,884,791 | 8,777,439 | 42,963,720 |
| Convertible bonds | 78,780,000 | 78,780,000 | - | - |
| Performance guarantee | 80,000 | 80,000 | - | - |
| | <u>₩ 391,846,224</u> | <u>₩ 333,135,027</u> | <u>₩ 10,804,613</u> | <u>₩ 47,906,583</u> |
| | | | | |
| | 2020 | | | |
| <i>(In thousands of Korean won)</i> | Contractual cash flows | 12 months or less | 1 to 2 years | More than 2 years |
| Derivative financial liabilities | | | | |
| Financial liabilities at FVTPL | ₩ 5,061,398 | ₩ 5,061,398 | ₩ - | ₩ - |
| Non-derivative financial liabilities | | | | |
| Financial liabilities measured at amortized cost: | | | | |
| Trade and other payables | 196,007,343 | 195,813,437 | 193,906 | - |
| Lease liabilities | 7,342,045 | 3,160,939 | 1,464,063 | 2,717,043 |
| Borrowings | 134,774,681 | 99,851,090 | 28,422,892 | 6,500,698 |
| Convertible bonds | 40,403,222 | 40,403,222 | - | - |
| Performance guarantee | 755,700 | 755,700 | - | - |
| | <u>₩ 384,344,389</u> | <u>₩ 345,045,786</u> | <u>₩ 30,080,861</u> | <u>₩ 9,217,741</u> |

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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(i) Foreign Currency risk

The Group's foreign exchange risk management policy is to minimize its exposure from changes in the exchange rate and to secure steady and stable cash flows at any given time. The Group's policy prohibits trading based on speculation. The Group manages its foreign exchange risk by holding certain amounts of Korean won and US dollars and reports its status of regarding foreign exchange risk management to the board of directors on a quarterly basis.

The Group's exposure to foreign currency risk based on notional amounts as of December 31, 2021 and 2020 is as follows:

| (In US dollars, Euros, and Japanese yen) | 2021 | | | 2020 | | |
|---|-------------------|--------------|----------------------|------------------|---------------|------------------------|
| | USD | EUR | JPY | USD | EUR | JPY |
| Cash and cash equivalents | 4,848,499 | - | - | 4,983,279 | - | - |
| Deposits | 13,330 | - | 964,000 | - | - | 24,750,932 |
| Trade and other receivables | 71,057,878 | 4,454 | 3,113,666,942 | 26,410,599 | 14,109 | 153,992,931 |
| Trade and other payables | (24,598,204) | - | (3,840,224,608) | (32,148,498) | - | (1,537,612,524) |
| Exposure, net | <u>51,321,503</u> | <u>4,454</u> | <u>(725,593,666)</u> | <u>(754,620)</u> | <u>14,109</u> | <u>(1,358,868,661)</u> |

The following significant exchange rates were applied during 2021 and 2020:

| (In unit of Korean won) | Average exchange rate | | Ending exchange rate | |
|-------------------------|-----------------------|----------|----------------------|-------------------|
| | 2021 | 2020 | December 31, 2021 | December 31, 2020 |
| USD | 1,144.42 | 1,180.05 | 1,185.50 | 1,088.00 |
| JPY | 10.4145 | 11.0507 | 10.3024 | 10.5426 |
| EUR | 1,352.79 | 1,345.99 | 1,342.34 | 1,338.24 |

The impact of appreciated/depreciated Korean won by 5% against foreign currencies on the profit or loss before income tax as of December 31, 2021 and 2020 is as follows:

| (In thousands of Korean won) | | 2021 | 2020 |
|------------------------------|-----------------|-------------|------------|
| USD | 5% appreciation | ₩ 3,042,082 | ₩ (41,051) |
| JPY | 5% appreciation | (373,768) | (716,300) |
| EUR | 5% appreciation | 299 | 944 |

As of December 31, 2021, a depreciation of the Korean won against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The interest rate risk of the Group is the risk of fluctuating future cash flows relates primarily the Group's long-term debt obligations with floating interest rates. The Group borrows long-term borrowings with floating interest rates when borrowing with floating interest is more favorable than borrowing with fixed interest rate.

The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2021 and 2020 was as follows:

| (In thousands of Korean won) | 2021 | 2020 |
|-------------------------------------|-----------------------|------------------------|
| Fixed interest rate instruments: | | |
| Other financial assets | ₩ 1,405,000 | ₩ 1,225,000 |
| Borrowings | (10,381,214) | (105,473,552) |
| Convertible bonds | (44,939,897) | (23,066,381) |
| | <u>₩ (53,916,111)</u> | <u>₩ (127,314,933)</u> |
| Floating interest rate instruments: | | |
| Borrowings | (67,171,648) | (21,000,000) |
| | <u>₩ (67,171,648)</u> | <u>₩ (21,000,000)</u> |

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A change of 1% in interest rate at the reporting date would have increased (decreased) equity and profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| <i>(In thousands of Korean won)</i> | Profit or loss | |
|-------------------------------------|--------------------------|--------------------------|
| | 1% point increase | 1% point decrease |
| December 31, 2021 | | |
| Variable rate financial instruments | ₩ (671,716) | ₩ 671,716 |
| December 31, 2020 | | |
| Variable rate financial instruments | ₩ (210,000) | ₩ 210,000 |

(e) Capital management

The purpose of the Group's capital management is to maintain a stable capital structure and to maximize shareholders' benefit. In order to achieve optimal capital structure, the Group monitors its debt-to-equity and net borrowings-to-equity ratios. The debt-to-equity ratio is calculated by dividing the total equity by total liabilities, while the net borrowings-to-equity ratio is calculated by dividing the total equity by net borrowings.

The Group's debt-to-equity ratio and net borrowings-to-equity ratio as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|----------------|----------------|
| Total liabilities | ₩ 476,157,713 | ₩ 491,479,940 |
| Total equity | 381,276,284 | 288,298,571 |
| Debt-to-equity ratio (%) | 124.89% | 170.48% |
| Cash and cash equivalents | ₩ (16,724,589) | ₩ (17,097,431) |
| Borrowings | 77,552,862 | 126,473,552 |
| Convertible bonds | 44,939,897 | 23,066,381 |
| Derivatives liabilities | 34,870,262 | 5,061,398 |
| Net borrowings | ₩ 140,638,432 | ₩ 137,503,901 |
| Net borrowings-to-equity ratio (%) | 36.89% | 47.69% |

(f) Fair Value

(i) The carrying amount and fair value of financial instruments by category as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|---|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets measured at amortized cost: | | | | |
| Cash and cash equivalents | ₩ 16,724,589 | ₩ 16,724,589 | ₩ 17,097,431 | ₩ 17,097,431 |
| Trade and other receivables | 87,375,537 | 87,375,537 | 39,896,855 | 39,896,855 |
| Other financial assets | 3,245,213 | 3,245,213 | 2,457,863 | 2,457,863 |
| Financial assets measured at FVTOCI: | | | | |
| Other financial assets | 144,440 | 144,440 | 131,993 | 131,993 |
| Trade and other receivables | 18,352,547 | 18,352,547 | 15,965,414 | 15,965,414 |
| Liabilities measured at amortized cost: | | | | |
| Trade and other payables | ₩ 186,207,087 | ₩ 186,207,087 | ₩ 196,007,343 | ₩ 196,007,343 |
| Borrowings | 77,552,862 | 77,552,862 | 126,473,552 | 126,473,552 |
| Convertible bonds | 44,939,897 | 44,939,897 | 23,066,381 | 23,066,381 |
| Other financial liabilities | 210,000 | 210,000 | - | - |
| Liabilities measured at FVTPL: | | | | |
| Derivatives liabilities | 34,870,262 | 34,870,262 | 5,061,398 | 5,061,398 |

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(ii) Fair value hierarchy

The Group categorizes the assets and liabilities measured at fair value into the following three-level fair value hierarchy in accordance with the inputs used for fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurement of financial instruments by fair value hierarchy levels as of December 31, 2021 are as follows:

| <i>(In thousands of Korean won)</i> | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|--------------|--------------|
| Liabilities measured at FVTPL: | | | | |
| Derivatives liabilities | ₩ - | ₩ - | ₩ 34,870,262 | ₩ 34,870,262 |

There's no transfer between levels during the year ended December 31, 2021.

(iii) Valuation technique and inputs

The valuation technique and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy are as follows:

| <i>(In thousands of Korean won)</i> | Fair value | Valuation technique | Inputs | Range of inputs |
|---|--------------|----------------------|--|--------------------------------|
| 2 nd derivatives liability | ₩ 10,381,874 | Binominal tree model | Stock price volatility and discount rate | Stock price volatility :47.23% |
| 2 nd derivatives liability(call/put) | 3,414,552 | | | Discount rate:14.98% |
| 3 rd derivatives liability | 16,511,360 | | | Stock price volatility :47.23% |
| 3 rd derivatives liability(call/put) | 4,562,476 | | | Discount rate:15.22% |
| | ₩ 34,870,262 | | | |

(iv) Sensitivity analysis of the recurring fair value measurements

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in fair value of financial instruments which are affected by unobservable parameters, using a statistical technique.

When the fair value is affected by more than one input parameter, the amounts represent the most favorable or most unfavorable outcome.

Level 3 financial instruments subject to sensitivity analysis are (1) interest rate related derivatives and equity-related derivatives whose fair value changes are recognized in profit or loss, (2) equity securities and beneficiary certificates whose fair value changes are recognized in profit or loss or other comprehensive income or loss.

Results of the sensitivity analysis of changes in unobservable inputs as of December 31, 2021 are as follows:

| <i>(In thousands of Korean won)</i> | Favorable changes | Unfavorable changes |
|--|-------------------|---------------------|
| Financial liabilities: | | |
| Derivatives liabilities (conversion right) | ₩ 3,526,411 | ₩ (3,602,792) |
| Early repayment claim (put) | 1,710,701 | (1,230,999) |
| Redemption right (call) | 937,283 | (1,064,625) |
| | ₩ 6,174,395 | ₩ (5,898,415) |

For derivatives liabilities, changes in fair value are calculated by shifting principal unobservable input parameters such as discount rate by $\pm 1\%$ and stock price volatility by $\pm 10\%$.

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(g) Offsetting Financial Assets and Financial Liabilities

There are no recognized financial assets and liabilities subject to enforceable master offsetting arrangements or similar agreements.

5. Financial Instruments by Category

Categorizations of financial assets and liabilities as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|-------------------------------------|--|--|----------------------|
| | Financial assets measured at amortized cost | Financial assets measured at FVTOCI | Total |
| Financial assets | | | |
| Cash and cash equivalents | ₩ 16,724,589 | ₩ - | ₩ 16,724,589 |
| Trade and other receivables | 87,375,537 | 18,352,547 | 105,728,083 |
| Other financial assets | 3,245,213 | 144,440 | 3,389,653 |
| | <u>₩ 107,345,338</u> | <u>₩ 18,496,986</u> | <u>₩ 125,842,325</u> |

| <i>(In thousands of Korean won)</i> | 2021 | | |
|-------------------------------------|--|---|----------------------|
| | Financial liabilities measured at FVTPL | Financial liabilities measured at amortized cost | Total |
| Financial liabilities | | | |
| Trade and other payables | ₩ - | ₩ 186,207,087 | ₩ 186,207,087 |
| Borrowings | - | 77,552,862 | 77,552,862 |
| Convertible bonds | - | 44,939,897 | 44,939,897 |
| Derivatives liabilities | 34,870,262 | - | 34,870,262 |
| | <u>₩ 34,870,262</u> | <u>₩ 308,699,846</u> | <u>₩ 343,570,108</u> |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|-------------------------------------|--|--|---------------------|
| | Financial assets measured at amortized cost | Financial assets measured at FVTOCI | Total |
| Financial assets | | | |
| Cash and cash equivalents | ₩ 17,097,431 | ₩ - | ₩ 17,097,431 |
| Trade and other receivables | 39,896,855 | 15,965,414 | 55,862,269 |
| Other financial assets | 2,457,863 | 131,993 | 2,589,856 |
| | <u>₩ 59,452,149</u> | <u>₩ 16,097,407</u> | <u>₩ 75,549,556</u> |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|-------------------------------------|--|---|----------------------|
| | Financial liabilities measured at FVTPL | Financial liabilities measured at amortized cost | Total |
| Financial liabilities | | | |
| Trade and other payables | ₩ - | ₩ 196,007,343 | ₩ 196,007,343 |
| Borrowings | - | 126,473,552 | 126,473,552 |
| Convertible bonds | - | 23,066,381 | 23,066,381 |
| Derivatives liabilities | 5,061,398 | - | 5,061,398 |
| | <u>₩ 5,061,398</u> | <u>₩ 345,547,276</u> | <u>₩ 350,608,674</u> |

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Net gains or net losses on each category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|--|--|--|--------------|
| | Financial assets measured at amortized cost | Financial assets measured at FVTOCI | Total |
| Interest income | ₩ 591,856 | ₩ - | ₩ 591,856 |
| Exchange differences, net | (1,487,910) | - | (1,487,910) |
| Reversal of allowances for doubtful accounts | (134,755) | - | (134,755) |
| Loss on disposal of trade receivables | - | (3,953,472) | (3,953,472) |
| Dividend income | - | 4,999 | 4,999 |
| Gain on valuation of financial assets measured at FVTOCI | - | 10,989 | 10,989 |

| <i>(In thousands of Korean won)</i> | 2021 | | |
|--|--|---|---------------|
| | Financial liabilities measured at FVTPL | Financial liabilities measured at amortized cost | Total |
| Interest expenses | ₩ - | ₩ (9,540,034) | ₩ (9,540,034) |
| Exchange differences, net | - | (5,328,371) | (5,328,371) |
| Gain on transaction of derivatives | 321,398 | - | 321,398 |
| Loss on valuation of derivatives, net | (1,535,250) | - | (1,535,250) |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|--|--|--|--------------|
| | Financial assets measured at amortized cost | Financial assets measured at FVTOCI | Total |
| Interest income | ₩ 130,797 | - | ₩ 130,797 |
| Exchange differences, net | (10,707,564) | - | (10,707,564) |
| Bad debt expenses | 99,040 | - | 99,040 |
| Loss on disposal of trade receivables | - | (3,380,182) | (3,380,182) |
| Dividend income | - | 5,430 | 5,430 |
| Gain on valuation of financial assets measured at FVTOCI | - | (36,888) | (36,888) |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|-------------------------------------|--|---|----------------|
| | Financial liabilities measured at FVTPL | Financial liabilities measured at amortized cost | Total |
| Interest expenses | ₩ - | ₩ (10,807,698) | ₩ (10,807,698) |
| Exchange differences, net | - | 6,064,075 | 6,064,075 |
| Gain on valuation of derivatives | 171,431 | - | 171,431 |

6. Transfer of Financial Assets

(a) Transferred Financial Assets that are not Derecognized in Their Entirety

There were no trade receivables of the Group discounted through notes receivable factoring agreements with banks. As at December 31, 2021, the book amount of related trade receivables and borrowings is nil.

(b) Transferred Financial Assets that are Derecognized in Their Entirety

The Group transferred trade receivables to financial institutions and derecognized the trade receivables from the financial statements by transferring substantially all the risks and rewards. In relation to the transaction, loss on disposal amounting to ₩3,953,472 thousand (2020: ₩3,380,182 thousand) was recognized. As at December 31, 2021, the trade receivables derecognized and not matured amount to ₩180,569,888 thousand (2020: ₩91,443,443 thousand).

7. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2021 and 2020 consist of the following:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|---------------------|---------------------|
| Cash on hand | ₩ 10,988 | ₩ 10,950 |
| Demand deposits | 16,019,663 | 16,436,712 |
| | <u>₩ 16,030,651</u> | <u>₩ 16,447,662</u> |

Restricted financial instruments as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Cash and cash equivalents | ₩ 693,937 | ₩ 649,769 |

8. Trade and Other Receivables

Gross amounts of trade and other receivables as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|---------------------|---------------------|---------------------|--------------------|
| | Current | Non-current | Current | Non-current |
| Trade receivables | ₩ 60,293,713 | ₩ - | ₩ 49,936,220 | ₩ - |
| Allowances for doubtful accounts | (35,588) | - | (2,501,299) | - |
| Other receivables | 10,300,835 | - | 6,555,754 | - |
| Allowances for doubtful accounts | (20,955) | - | (20,955) | - |
| Accrued income | 36,296 | 378,162 | 4 | 2,471 |
| Loans | 2,497,796 | 42,272,132 | - | 11,884,382 |
| Allowances for doubtful accounts | - | (9,994,307) | - | (9,994,307) |
| | <u>₩ 73,072,096</u> | <u>₩ 32,655,987</u> | <u>₩ 53,969,723</u> | <u>₩ 1,892,546</u> |

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9. Inventories

The details of inventories as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | 2020 | | |
|-------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | Acquisition cost | Valuation allowance | Net book value | Acquisition cost | Valuation allowance | Net book value |
| Finished goods | ₩ 43,041,824 | ₩ (9,660,819) | ₩ 33,381,005 | ₩ 43,406,412 | ₩ (5,931,649) | ₩ 37,474,763 |
| Work in process | 81,223,902 | (3,936,066) | 77,287,835 | 50,790,940 | (609,669) | 50,181,271 |
| Raw materials | 27,080,155 | (1,681,879) | 25,398,276 | 31,804,784 | (2,006,058) | 29,798,725 |
| Sub-materials | 2,698,447 | - | 2,698,447 | 1,554,544 | - | 1,554,544 |
| Supplies | 4,881,142 | - | 4,881,142 | 4,674,060 | - | 4,674,060 |
| Goods in transit | 387,708 | - | 387,708 | 131,769 | - | 131,769 |
| Merchandise | 446,016 | - | 446,016 | - | - | - |
| | <u>₩ 159,759,195</u> | <u>₩ (15,278,765)</u> | <u>₩ 144,480,430</u> | <u>₩ 132,362,509</u> | <u>₩ (8,547,377)</u> | <u>₩ 123,815,132</u> |

For the year ended December 31, 2021, the cost of inventories recognized as 'cost of sales' amounts to ₩1,081,684,029 thousand(2020: ₩1,004,963,094 thousand).

The loss on valuation of inventories amounts to ₩6,731,388 thousand for the year ended December 31, 2021(reversal of loss on valuation of inventories for FY 2020: ₩(-)5,377,677 thousand).

10. Other Financial Assets and Liabilities

The details of other financial assets and liabilities as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|--------------------|--------------------|
| | Non-current | Non-current |
| Other financial assets: | | |
| Long-term and short-term financial instruments | ₩ 1,405,000 | ₩ 1,225,000 |
| Financial assets measured at FVTOCI | 144,440 | 131,993 |
| Guarantee deposits | 1,840,213 | 1,232,863 |
| | <u>₩ 3,389,653</u> | <u>₩ 2,589,856</u> |
| Other financial liabilities: | | |
| Leasehold deposits received | ₩ 210,000 | ₩ - |
| | <u>₩ 210,000</u> | <u>₩ -</u> |

The details of financial assets measured at fair value through other comprehensive income, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|---|------------------|------------------|
| Listed stock | | |
| The Hachijuni Bank, Ltd | ₩ 121,465 | ₩ 108,483 |
| Unlisted stock | | |
| The Shoko Chukin Bank, Ltd. | 20,605 | 21,085 |
| Suwa Meal Service Cooperative Association | 1,030 | 1,054 |
| Business Cooperative Association Hi-Coop | 1,030 | 1,054 |
| Cooperative MBA | 103 | 105 |
| J-Wac Cooperative Association | 103 | 105 |
| JOE Cooperative Association | 103 | 105 |
| Total ¹ | <u>₩ 144,440</u> | <u>₩ 131,993</u> |

¹The Group classified it as an item measured at fair value through other comprehensive income for the purpose of mid-to long-term possession.

The cumulative gain or loss will not be reclassified to profit or loss when disposal of financial assets measured at FVTOCI is made but, transferred to retained earnings.

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The changes in financial assets measured at FVTOCI.

(In thousands of Korean won)

| | 2021 | | 2020 | |
|------------------------|-------------|---------|-------------|----------|
| Beginning balance | ₩ | 131,993 | ₩ | 186,745 |
| Changes in fair values | | 10,796 | | (36,888) |
| Exchange differences | | 1,650 | | (17,864) |
| Ending balance | ₩ | 144,440 | ₩ | 131,993 |

11. Other Assets and Liabilities

The details of other assets and liabilities as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|----------------|--------------------|----------------|--------------------|
| | Current | Non-current | Current | Non-current |
| Other assets | | | | |
| Prepaid expenses | ₩ 1,208,503 | ₩ 897,804 | ₩ 1,501,275 | ₩ 825,454 |
| Advance payments | 1,187,156 | - | 633,726 | - |
| Right to recover returned goods | 805,992 | - | 364,406 | - |
| | ₩ 3,201,650 | ₩ 897,804 | ₩ 2,499,407 | ₩ 825,454 |
| Other liabilities | | | | |
| Advances from customers | ₩ 7,515,001 | ₩ 22,517,460 | ₩ 17,854,200 | ₩ 30,023,280 |
| Withholdings | 4,841,885 | - | 3,379,988 | - |
| Contract liabilities | 962,130 | - | 427,406 | - |
| | ₩ 13,319,016 | ₩ 22,517,460 | ₩ 21,661,594 | ₩ 30,023,280 |

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12. Property, Plant and Equipment

The changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | |
|-------------------------------------|--------------|---------------|-------------|---------------|
| | Land | Buildings | Structures | Machinery |
| Opening net book amount | ₩ 31,849,250 | ₩ 127,431,261 | ₩ 1,581,963 | ₩ 196,776,929 |
| Other changes | - | - | - | (5,266,334) |
| Acquisition | - | 4,999 | - | 18,720,345 |
| Transfer | - | 3,054,868 | 14,114 | 59,750,998 |
| Disposal | - | - | (8,147) | (43,715,097) |
| Scrapped | - | (3,297,458) | (39,335) | - |
| Reversal of impairment losses | 266,453 | 606,204 | 44,952 | 778,073 |
| Depreciation | - | (3,865,387) | (176,459) | (46,749,764) |
| Exchange differences | (100,793) | (93,820) | (180,281) | 614,227 |
| Closing net book amount | ₩ 32,014,910 | ₩ 123,840,666 | ₩ 1,236,807 | ₩ 180,909,377 |
| Acquisition cost | 32,014,910 | 190,233,932 | 10,200,092 | 645,265,162 |
| Accumulated depreciation | - | (64,523,184) | (8,963,286) | (463,584,027) |
| Government grants | - | (1,870,082) | - | (771,757) |

| <i>(In thousands of Korean won)</i> | 2021 (cont'd) | | | | |
|-------------------------------------|---------------|-------------------------------|---------------|--------------------------|---------------|
| | Vehicles | Facility equipment and others | Leased assets | Construction in progress | Total |
| Opening net book amount | ₩ 187,863 | ₩144,020,913 | ₩ 1,381 | ₩ 10,665,936 | ₩ 512,515,495 |
| Other changes | - | - | - | (2,327,077) | (7,593,410) |
| Acquisition | - | 1,825,830 | - | 99,977,191 | 120,528,365 |
| Transfer | - | 18,013,469 | - | (80,833,449) | - |
| Disposal | - | (5,265,589) | - | - | (48,988,834) |
| Scrapped | - | (298,351) | - | - | (3,635,144) |
| Reversal of impairment losses | - | 1,051,020 | 551 | - | 2,747,253 |
| Depreciation | (62,886) | (24,057,124) | - | - | (74,911,621) |
| Exchange differences | (22) | 738,412 | (1,932) | (332,880) | 642,911 |
| Closing net book amount | ₩ 124,955 | ₩136,028,580 | ₩ - | ₩ 27,149,720 | ₩ 501,305,015 |
| Acquisition cost | 726,909 | 323,394,932 | 577,710 | 27,149,720 | 1,229,563,368 |
| Accumulated depreciation | (601,954) | (187,366,352) | (577,710) | - | (725,616,513) |
| Government grants | - | - | - | - | (2,641,839) |

| <i>(In thousands of Korean won)</i> | 2020 | | | |
|-------------------------------------|--------------|---------------|-------------|---------------|
| | Land | Buildings | Structures | Machinery |
| Opening net book amount | ₩ 32,059,725 | ₩ 129,642,570 | ₩ 1,848,211 | ₩ 181,063,541 |
| Acquisition | - | - | 1,899 | 3,949,006 |
| Transfer | - | 2,477,610 | 43,900 | 58,483,929 |
| Disposal | - | - | - | (2,914,129) |
| Impairment losses | (64,133) | (82,804) | (5,776) | (91,658) |
| Depreciation | - | (4,599,379) | (302,077) | (43,604,291) |
| Exchange differences | (146,342) | (6,737) | (4,194) | (109,468) |
| Closing net book amount | ₩ 31,849,250 | ₩ 127,431,261 | ₩ 1,581,963 | ₩ 196,776,929 |
| Acquisition cost | 32,167,283 | 190,980,057 | 10,639,824 | 634,369,571 |
| Accumulated depreciation | - | (60,935,581) | (9,007,821) | (436,166,588) |
| Accumulated impairment loss | (318,033) | (678,343) | (50,040) | (860,119) |
| Government grants | - | (1,934,873) | - | (565,935) |

| <i>(In thousands of Korean won)</i> | 2020 (cont'd) | | | | |
|-------------------------------------|---------------|-------------------------------|---------------|--------------------------|---------------|
| | Vehicles | Facility equipment and others | Leased assets | Construction in progress | Total |
| Opening net book amount | ₩ 252,763 | ₩148,231,660 | ₩ 20,423 | ₩ 20,514,100 | ₩ 513,632,994 |
| Acquisition | - | 1,884,963 | - | 68,061,012 | 73,896,880 |
| Transfer | - | 17,151,532 | - | (78,156,971) | - |
| Disposal | (2,399) | (91,936) | - | - | (3,008,464) |
| Impairment losses | - | (111,114) | 2,020 | 353,465 | - |
| Depreciation | (62,550) | (22,814,200) | (21,807) | - | (71,404,304) |
| Exchange differences | 48 | (229,992) | 745 | (105,670) | (601,661) |
| Closing net book amount | ₩ 187,863 | ₩144,020,913 | ₩ 1,381 | ₩ 10,665,936 | ₩ 512,515,495 |
| Acquisition cost | 728,479 | 319,939,407 | 591,179 | 10,665,936 | 1,200,081,737 |
| Accumulated depreciation | (540,617) | (174,780,846) | (589,798) | - | (682,021,251) |
| Accumulated impairment loss | - | (1,137,648) | - | - | (3,044,183) |
| Government grants | - | - | - | - | (2,500,808) |

Depreciation expense of ₩74,393,611 thousand (2020: ₩70,836,813 thousand) has been charged to cost of

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sales, ₩518,010 thousand (2020: ₩567,441 thousand) to selling and administrative expenses.

The details of property, plant and equipment provided as collateral as of December 31, 2021, are as follows:

(Unit: Korean won in thousand, USD1 and JPY1)

| | <u>Book value</u> | <u>Secured amount</u> | <u>Related line item</u> | <u>Related amount</u> | <u>Secured party</u> |
|------------------------|--------------------|-----------------------|-------------------------------------|-----------------------|---|
| Cheongju factory | | | | | |
| Land | ₩ 7,660,251 | ₩125,000,000 | Borrowings | ₩80,000,000 | Korea Development Bank |
| Buildings | 59,794,110 | | L/C USANCE | USD20,000,000 | |
| Machinery | 19,690,085 | | | | |
| | <u>₩87,144,446</u> | | | | |
| Ochang factory | | | | | |
| Land | ₩13,828,613 | USD37,000,000 | Non-current advances from customers | USD25,200,000 | SK Hynix Inc. (1 st security holder) |
| Buildings | 5,601,875 | | | | |
| | <u>₩19,430,488</u> | ₩8,400,000 | Borrowings | ₩7,000,000 | Shinhan Bank (2 nd security holder) |
| Ochang factory #2 | | | | | |
| Buildings | ₩ 7,524,731 | USD37,000,000 | Non-current advances from customers | USD25,200,000 | SK Hynix Inc. |
| Machinery | 7,754,635 | | | | |
| | <u>₩15,279,366</u> | | | | |
| Others (company house) | | | | | |
| Land | ₩ 258,866 | | | | |
| Buildings | 3,464,137 | | | | |
| | <u>₩ 3,723,003</u> | | | | |
| SIMMTECH GRAPHICS | | | | | |
| Land | ₩16,640,028 | JPY6,520,200,000 | Borrowings | JPY6,520,200,000 | Group of lenders' syndicate ¹ |
| Buildings | 19,930,637 | | | | |
| Facility equipment | 30,734,059 | | | | |
| Structures | 1,157,443 | | | | |
| Machinery | 18,449,508 | | | | |
| Tools | 3,778,082 | | | | |
| | <u>₩90,689,758</u> | | | | |

¹Group of lenders' syndicate: Sumitomo Mitsui Banking Corporation., THE HACHIJUNI BANK, LTD., The Shoko Chukin Bank, Ltd., The Nagano Bank, Ltd., and Mizuho Bank, Ltd.

The above property, plant and equipment are insured against fire and other casualty losses.

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13. Intangible Assets

The changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | | |
|-------------------------------------|--------------------|-------------------|---------------------|---------------------------------|---------------------|
| | Software | Membership | Goodwill | Construction in progress | Total |
| Beginning balance | ₩ 1,904,122 | ₩ 324,584 | ₩ 19,823,743 | ₩ - | ₩ 22,052,448 |
| Acquisition | 61,838 | - | - | 671,376 | 733,214 |
| Transfer | 671,376 | - | - | (671,376) | - |
| Disposal | - | (173,167) | - | - | (173,167) |
| Amortization | (944,855) | - | - | - | (944,855) |
| Exchange differences | 7,031 | (9) | 1,776,484 | - | 1,783,506 |
| Ending balance | <u>₩ 1,699,511</u> | <u>₩ 151,408</u> | <u>₩ 21,600,227</u> | <u>₩ -</u> | <u>₩ 23,451,146</u> |
| Acquisition cost | 24,523,697 | 151,408 | 21,600,227 | - | 46,275,332 |
| Accumulated amortization | (22,824,187) | - | - | - | (22,824,187) |

| <i>(In thousands of Korean won)</i> | 2020 | | | | |
|-------------------------------------|--------------------|-------------------|---------------------|---------------------------------|---------------------|
| | Software | Membership | Goodwill | Construction in progress | Total |
| Beginning balance | ₩ 3,218,849 | ₩ 411,426 | ₩ 21,095,524 | ₩ - | ₩ 24,725,799 |
| Acquisition | 8,134 | - | - | 402,800 | 410,934 |
| Transfer | 402,800 | - | - | (402,800) | - |
| Disposal | - | (86,400) | - | - | (86,400) |
| Amortization | (1,733,259) | - | - | - | (1,733,259) |
| Exchange differences | 7,598 | (443) | (1,271,781) | - | (1,264,626) |
| Ending balance | <u>₩ 1,904,122</u> | <u>₩ 324,584</u> | <u>₩ 19,823,743</u> | <u>₩ -</u> | <u>₩ 22,052,448</u> |
| Acquisition cost | 23,447,284 | 324,584 | 19,823,743 | - | 43,595,611 |
| Accumulated amortization | (21,543,162) | - | - | - | (21,543,162) |

Amortization expense of ₩101,431 thousand (2020: ₩163,126 thousand) has been charged to cost of sales and ₩843,425 thousand (2020: ₩1,570,133 thousand) to selling and administrative expenses.

Research and development costs incurred for the year ended December 31, 2021, are ₩21,589,893 thousand (2020: ₩19,950,314 thousand) and the amount of ₩14,118,283 thousand (2020: ₩13,428,962 thousand) and ₩7,471,611 thousand (2020: ₩6,521,352 thousand) are recognized as cost of manufacturing and selling and administrative expense, respectively.

Impairment Tests for Goodwill

Goodwill is tested annually for impairment. The following is a summary of goodwill allocation for each operating segment (cash-generating unit):

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Simmtech Hong Kong Holdings Limited | ₩ 21,600,227 | ₩ 19,823,743 |

Changes in goodwill for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|-------------------------------------|--------------------------|----------------------------------|-----------------------|
| | Beginning balance | Exchange rate differences | Ending balance |
| Simmtech Hong Kong Holdings Limited | ₩ 19,823,743 | ₩ 1,776,484 | ₩ 21,600,227 |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|-------------------------------------|--------------------------|----------------------------------|-----------------------|
| | Beginning balance | Exchange rate differences | Ending balance |
| Simmtech Hong Kong Holdings Limited | ₩ 21,095,524 | ₩ (1,271,781) | ₩ 19,823,743 |

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In 2021 and 2020, the Group performed an impairment test on the CGU, no impairment loss was recognized.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rates stated below. The growth rate does not exceed the long-term average growth rate include in industry report specific to the industry in which the CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them, long-term growth rate and discount rate used in the value-in-use calculations.

| | <u>Simmtech Hong Kong Holdings Limited</u> |
|----------------------------------|---|
| Sales growth rate | 0.40% ~ 8.51% |
| Gross margin (% of revenue) | 19.85% ~ 21.62% |
| Operating Margin (% of revenue) | 8.39% ~ 10.99% |
| Permanent growth rate | 0% |
| Weighted average cost of capital | 12.40% |

Sales growth rate is the average annual growth rate over the five-year forecast period. It is based on the Group's future business plan and long-term growth forecasts on the industry.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, in consideration of reflection inflation rate and wage increase rate in the variation ratio of raw materials, outsourcing costs and others and fixed costs of other manufacturing costs.

Operation margin is the ratio between operation profit, the amount of gross profit deducted by selling and administrative expenses, and sales. Selling and administrative expenses are based on the current expense structure and inflation rate and wage increase rate in the future.

Permanent growth rate is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The applied rate is 0%

The weighted average cost of capital is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted.

Pre-tax discount rates reflect specific risks relating to the relevant segments and the countries in which they operate.

As a result of impairment test on good-will, no impairment has occurred on the CGU.

The impairment test suggests that, if the discount rate is 1% higher than management's estimates, the additional impairment loss to be recognized by the Group against each operating segment would be as follows:

| <u>(In thousands of Korean won)</u> | <u>Simmtech Hong Kong Holdings Limited</u> |
|---|---|
| 1% increase in discount rate before tax | - |

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14. Right-of-use Assets

The changes in right-of-use assets during the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | | | |
|-------------------------------------|------------------|-----------------|---------------------------|------------------|--------------|--------------|
| | Buildings | Vehicles | Facility equipment | Machinery | Tools | Total |
| Beginning | ₩ 1,468,257 | ₩ 308,918 | ₩ 10,093,899 | ₩ - | ₩ - | ₩ 11,871,073 |
| Increase | 5,472,567 | 940,940 | 762,941 | 815,971 | 80,926 | 8,073,345 |
| Termination | (115,067) | - | (47,771) | - | - | (162,838) |
| Depreciation | (2,070,318) | (401,514) | (409,079) | (74,179) | (38,936) | (2,994,025) |
| Exchange differences | 57,857 | 31,586 | (1,762,961) | - | 2,090 | (1,671,428) |
| Ending | ₩ 4,813,297 | ₩ 879,930 | ₩ 8,637,029 | ₩ 741,792 | ₩ 44,080 | ₩ 15,116,128 |

| <i>(In thousands of Korean won)</i> | 2020 | | | | |
|-------------------------------------|------------------|-----------------|---------------------------|---------------------------------|--------------|
| | Buildings | Vehicles | Facility equipment | Construction in progress | Total |
| Beginning | ₩ 1,388,855 | ₩ 412,347 | ₩ 10,755,768 | ₩ - | ₩ 12,556,969 |
| Increase | 1,641,717 | 196,196 | 1,193,195 | (1,158,721) | 1,872,386 |
| Transfer | (796,161) | - | (362,560) | 1,158,721 | - |
| Depreciation | (765,963) | (300,666) | (1,474,660) | - | (2,541,289) |
| Exchange differences | (191) | 1,041 | (17,844) | - | (16,994) |
| Ending | ₩ 1,468,257 | ₩ 308,918 | ₩ 10,093,899 | ₩ - | ₩ 11,871,073 |

Depreciation expense of ₩1,868,694 thousand (2020: ₩1,187,537 thousand) has been charged to cost of sales, ₩1,125,331 thousand (2020: ₩1,353,751 thousand) to selling and administrative expenses.

15. Assets held for sale

The management approved to sell some portion of machinery and assets held for sale as of December 31, 2021 and 2020 are as follows (Unit: in thousands of Korean won)

| Buyer | Asset | 2021 | 2020 |
|-----------------|--------------|-------------|-------------|
| SUSTIO SDN.BHD. | Machinery | ₩ 7,593,410 | ₩ - |

16. Trade and Other Payables

Trade and other payables as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|----------------|--------------------|----------------|--------------------|
| | Current | Non-current | Current | Non-current |
| Trade payables | ₩ 45,553,026 | ₩ - | ₩ 70,497,209 | ₩ - |
| Other payables | 113,466,119 | 22,061 | 110,381,625 | 193,906 |
| Accrued expenses | 27,165,882 | - | 14,934,603 | - |
| | ₩186,185,027 | ₩ 22,061 | ₩195,813,437 | ₩ 193,906 |

17. Lease Liabilities

Lease liabilities as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-------------|-------------|
| Current | ₩ 3,136,093 | ₩ 2,609,450 |
| Non-current | 5,279,597 | 3,434,881 |
| | ₩ 8,415,690 | ₩ 6,044,331 |

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18. Borrowings and Debentures

The details of borrowings and debentures as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | Creditor | Maturity | Interest rate (%) | 2021 | 2020 |
|-------------------------------------|-------------------------------|-----------------|--------------------------|---------------------|----------------------|
| Short-term borrowings | | | | | |
| Loans in Japanese Yen | Sumitomo Mitsui Banking | 2022-12-26 | TIBOR+1.75 | ₩ 5,037,874 | ₩ 21,844,035 |
| Loans in Japanese Yen | The Shoko Chukin Bank, Ltd. | 2022-12-26 | TIBOR+1.75 | 1,236,288 | 3,690,163 |
| Loans in Japanese Yen | The Nagano Bank Ltd. | 2022-12-26 | TIBOR+1.75 | 989,030 | 1,054,260 |
| Loans in Japanese Yen | Mizuho Bank, Ltd. | 2022-12-26 | TIBOR+1.75 | 649,051 | 406,164 |
| Loans in Japanese Yen | THE HACHIJUNI BANK, LTD. | 2022-12-26 | TIBOR+1.75 | 2,390,157 | 10,546,722 |
| Loans in Japanese Yen | Woori Bank | 2022-12-21 | 0.50 | 10,302,400 | - |
| Reclassification of current portion | | | | 7,813,032 | 49,561,319 |
| | | | | <u>₩ 28,417,832</u> | <u>₩ 87,102,663</u> |
| Long-term borrowings | | | | | |
| Loans in local currency | Korea Development Bank | 2022-04-01 | - | ₩ - | ₩ 12,000,000 |
| Loans in local currency | Kookmin Bank | 2023-03-15 | - | - | 9,000,000 |
| Loans in local currency | Acuon Savings Bank | 2021-07-29 | - | - | 10,000,000 |
| Loans in local currency | SBI Savings Bank | 2021-07-30 | - | - | 5,000,000 |
| Loans in local currency | Woori Investment Bank Co.,Ltd | 2021-07-30 | - | - | 5,000,000 |
| Loans in Japanese Yen | Sumitomo Mitsui Banking | 2025-12-30 | TIBOR+2.10 | 27,833,221 | - |
| Loans in Japanese Yen | THE HACHIJUNI BANK, LTD. | 2025-12-30 | TIBOR+2.10 | 13,206,822 | - |
| Loans in Japanese Yen | The Shoko Chukin Bank, Ltd. | 2025-12-30 | TIBOR+2.10 | 6,816,676 | - |
| Loans in Japanese Yen | The Nagano Bank | 2025-12-30 | TIBOR+2.10 | 5,426,120 | - |
| Loans in Japanese Yen | Mizuho Bank, Ltd. | 2025-12-30 | TIBOR+2.10 | 3,586,410 | - |
| Loans in Japanese Yen | Sumitomo Mitsui Banking | 2022-08-05 | - | - | 17,291,129 |
| Loans in Japanese Yen | The Shoko Chukin Bank, Ltd. | 2022-08-05 | - | - | 4,322,782 |
| Loans in Japanese Yen | The Shoko Chukin Bank, Ltd. | 2022-03-25 | - | - | 2,253,091 |
| Loans in Japanese Yen | THE HACHIJUNI BANK, LTD. | 2022-08-05 | - | - | 7,781,008 |
| Loans in Japanese Yen | THE HACHIJUNI BANK, LTD. | 2022-06-30 | - | - | 1,428,733 |
| Loans in Japanese Yen | The Nagano Bank | 2022-08-05 | - | - | 3,458,226 |
| Loans in Japanese Yen | The Nagano Bank | 2022-08-31 | - | - | 3,669,131 |
| Loans in Japanese Yen | Mizuho Bank, Ltd. | 2022-08-05 | - | - | 1,729,113 |
| Loans in Japanese Yen | Mizuho Bank, Ltd. | 2022-06-30 | - | - | 3,150,129 |
| Bonds in Japanese Yen | 17th Unsecured bonds | 2022-07-22 | - | - | 2,688,363 |
| Loans in foreign currency | Public Bank Berhad | 2022-10-01 | 2 | 78,814 | 160,503 |
| Reclassification of current portion | | | | (7,813,032) | (49,561,319) |
| | | | | <u>49,135,030</u> | <u>39,370,889</u> |
| | | | | <u>₩ 77,552,862</u> | <u>₩ 126,473,552</u> |

The changes in borrowings for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|---------------------|----------------------|
| Beginning balance | ₩ 126,473,552 | ₩ 312,009,109 |
| Borrowing | 181,397,634 | 39,750,760 |
| Repayment | (228,142,912) | (225,232,114) |
| Others | (2,175,411) | (54,203) |
| Ending balances | <u>₩ 77,552,862</u> | <u>₩ 126,473,552</u> |

Property, plant and equipment are provided as collaterals for certain portion of borrowings as of December 31, 2021 (Note 12).

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19. Convertible Bonds

The convertible bonds as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | | | | |
|---|-------------|--------------|--------------|-------------------|-------------|---------------|--------------|
| | Beginning | New issuance | Amortization | Loss on valuation | Transfer | Repayment | Ending |
| Issued amount | ₩30,000,000 | ₩76,000,000 | ₩ - | ₩ - | ₩ - | ₩(30,000,000) | ₩76,000,000 |
| Conversion right adjustment | (6,933,619) | (33,795,012) | 2,902,257 | - | - | 6,766,270 | (31,060,103) |
| The net value of convertible bonds | 23,066,381 | 42,204,988 | 2,902,257 | - | - | (23,233,730) | 44,939,897 |
| Conversion right consideration(liabilities) | - | 27,078,156 | - | (184,922) | - | - | 26,893,234 |
| Conversion right consideration (Shareholder's equity) | 10,396,117 | - | - | - | (4,180,396) | (6,215,721) | - |

Conversion right consideration (shareholders' equity) includes decrease of ₩ 4,180,396 thousand occurred when repayment of 1st conversion bonds was made.

| <i>(In thousands of Korean won)</i> | 2020 | | | |
|-------------------------------------|-----------|--------------|--------------|--------------|
| | Beginning | New issuance | Amortization | Ending |
| Issued amount | ₩ - | ₩ 30,000,000 | ₩ - | ₩ 30,000,000 |
| Conversion right adjustment | - | (10,403,222) | 3,469,603 | (6,933,619) |
| The net value of convertible bonds | - | 19,596,778 | 3,469,603 | 23,066,381 |
| Other capital | - | 10,396,117 | - | 10,396,117 |

The details of convertible bonds issued in 2021 are as follows:

(In thousands of Korean won)

| Lender | # | Type | Par value | Issue date | Maturity date | Issued value | Interest rate and yield to maturity |
|--|-----------------|---|-------------|------------|---------------|-------------------|-------------------------------------|
| Shinhan Investment Corp. | 2 nd | Bearer and non-guaranteed private convertible bonds | ₩30,000,000 | 2021.02.01 | 2026.02.01 | 100% of par value | 3.90% |
| KER Hana Bank and Industrial Bank of Korea | 3 rd | Bearer and non-guaranteed private convertible bonds | ₩46,000,000 | 2021.08.06 | 2026.08.06 | 100% of par value | 3.50% |

Major conditions of conversion are as follows:

| # | Conversion ratio | Conversion price (Korean won) | The number of shares of stock to be issued pursuant to conversion | Beginning date of conversion claim | Ending date of conversion claim |
|-----------------|--|-------------------------------|---|------------------------------------|---------------------------------|
| 2 nd | Par value/conversion price = Shares of stock to be issued | ₩ 9,882 | 3,035,823 shares | 2021.02.01 | 2026.01.01 |
| 3 rd | Whole or part of conversion right is exercisable | | 4,652,928 shares | 2021.08.06 | 2026.07.01 |

The details about the conversion right are set forth in "Clauses for conversion right" below.

Conversion condition for 2nd bearer and non-guaranteed private convertible bond

- The condensed significant terms and conditions are as follows:

| | Remark |
|-----------------------------------|--|
| Type | 2 nd bearer and non-guaranteed private convertible bond |
| Interest rate | 3.90% per annum |
| Yield to maturity | 3.90% per annum |
| Conversion price | ₩ 9,882(conversion ratio of 100%) |
| Conversion option claim period | 2022.02.01- 2026.01.01 (from the one year after issuance of issuance to one month before maturity date) |
| Repayment | Lump sum repayment at maturity |
| Interest payment method and dates | Interest shall be calculated for the period from the issuance date to the day before maturity and be paid on three-month period at an amount of one quarter of annual interest (the amount after decimal point of Korean won shall be rounded down). If the dates of interest payment do not fall into the bank business days, interest shall be paid on the business day immediately after these interest payment date. However, interest after the interest payment date will not be calculated. The dates of interest payment are as follows: May1, 2021, August 1, 2021, November 1, 2021, February 1, 2022, May 1, 2022, August 1, 2022, November 1, 2022, February 1, 2023, May 1, 2023, August 1, 2023, November 1, 2023, February 1, 2024, May 1, 2024, August 1, 2024, November 1, 2024, February 1, 2025, May 1, 2025, August 1, 2025, November 1, 2025, and February 1, 2026. |
| Overdue interest rate | 6.9% per annum |
| Other conditions | Clauses for conversion right (1) Type of capital shares which will be issued as per conversion claim: The registered common stock (2) Conversion ratio: One hundred percent of the number of shares which are divided total amount of par value of the convertible bonds being requested to be converted by conversion price mentioned on (3). The fraction share shall not be admitted. The bearers of convertible bonds can claim conversion wholly or partly. (3) Conversion price: ₩9,882(base on the par value of share capital of ₩500) (4) Period of conversion claim: From one year after the date of issuance to one month before the date of maturity (5) Number of shares to be issued 1) The number of shares to be issued shall be calculated dividing amount which is multiplied par value of each conversion bonds with the ratio of conversion, by conversion price. (In case that two or more bonds are requested, total par value of bonds being claimed for conversion. If conversion of less than par value of one bond is requested, par value of that part.) The issuer shall pay cash for fraction share. 2) If the conversion price is adjusted according to terms of issuance, the number of shares to be issued shall be calculated by the adjusted conversion price. In such case, the total amount of share issued shall not |

| | Remark |
|------------------------------------|--|
| | be exceed more than total issue amount of convertible bond, ₩30,000,000,000. |
| (6) Adjustment of conversion price | |
| 1) | <p>The conversion price of the Convertible bond shall be adjusted if, before the bearers of the Convertible bonds request conversion, with price lower than conversion price of the Convertible bonds, the issuing company increases shares by issuing new share or paying share dividend or transferring capital surplus or retained earnings to stock. In addition, the conversion price of the Convertible bonds shall be adjusted if the issuer issues new convertible bonds or bonds with warrant with an exercise price or a conversion price which is lower than the base price.</p> <p>If the issuer raises capital with consideration and without consideration parallelly, and the amount per share of capital increase with consideration is more than the base price, the conversion price shall not be adjusted for that capital increase with consideration. However, in such cases, the conversion price shall be adjusted for capital increase without consideration. Conversion price shall be adjusted on the dates of issue of new capital, share dividend, transferring share from capital surplus or retained earnings or issue date of additional convertible bonds and bonds with warrant.</p> <p>Adjusted conversion price = Conversion price before adjustment x</p> $\left[\frac{\{\text{previous number of shares} + (\text{number of shares newly issued} \times \text{issue price per share} / \text{base price})\}}{\{\text{previous number of shares} + \text{number of shares newly issued}\}} \right]$ |
| 2) | If the conversion price needs to be adjusted due to the merger of the Company, reduction of capital, split or reverse split of shares, the conversion price shall be adjusted to correspond the unit price of shares to be converted assuming the entire convertible bonds would be converted into common stock before such events happen. |
| 3) | <p>If any case that increases price of stock due to events such as reduction of stock and reverse split of shares, the conversion price shall be adjusted upwardly corresponding the adjusted ratio caused by reduction of stock and reverse split of shares. However, if the Calculated price¹ based on the date before the resolution date at shareholders' meeting for capital reduction and reverse split of shares, is less than the par value, and the conversion price was already adjusted to par value before that date, such conversion price shall be adjusted to the price which is more than upwardly adjusted price by the adjusted ratio of capital reduction and reverse split of capital, based on the Calculated price.</p> <p>¹ The Calculated price according to the provisions of the Paragraph 1 of the Article 5-22 of "Regulations of the Issuance and Disclosure of Securities" and</p> |

| Remark |
|---|
| other equivalent regulations. |
| 4) When the issuer is listed, the conversion price shall be adjusted to the lower of the price equivalent to 70% of the offering price at the time of listing and the conversion price immediately before the public offering. |
| 5) The conversion price adjustment according to each of the above clauses is applied repeatedly over and over again when the cause occurs. |
| 6) If the adjusted conversion price according to the clauses stipulated above is lower than par value, par value shall be the conversion price. The total amount of shares of stock to be issued pursuant to the conversion shall not exceed the issued amount of each the Convertible bonds. |
| 7) The adjusted conversion price after the decimal point of Korean won shall be rounded down. |
| 8) In case of conversion price being adjusted, the issuer shall notify underwriters in writing |

Conversion condition for 3rd bearer and non-guaranteed private convertible bond

- The condensed significant terms and conditions are as follows:

| | Remark |
|-----------------------------------|--|
| Type | 2 nd bearer and non-guaranteed private convertible bond |
| Interest rate | 3.50% per annum |
| Yield to maturity | 3.50% per annum |
| Conversion price | ₩ 9,882(conversion ratio of 100%) |
| Conversion option claim period | 2022.08.06- 2026.07.01 (from the one year after issuance of issuance to one month before maturity date) |
| Repayment | Lump sum repayment at maturity |
| Interest payment method and dates | Interest shall be calculated for the period from the issuance date to the day before maturity and be paid on three-month period at an amount of one quarter of annual interest (the amount after decimal point of Korean won shall be rounded down). If the dates of interest payment do not fall into the bank business days, interest shall be paid on the business day immediately after these interest payment date. However, interest after the interest payment date will not be calculated. The dates of interest payment are as follows: November 6, 2021, February 6, 2022, May 6, 2022, August 6, 2022, November 6, 2022, February 6, 2023, May 6, 2023, August 6, 2023, November 6, 2023, February 6, 2024, May 6, 2024, August 6, 2024, November 6, 2024, February 6, 2025, May 6, 2025, August 6, 2025, November 6, 2025, February 6, 2026, May 6, 2026, and August 6, 2026. |
| Overdue interest rate | 6.9% per annum |
| Other conditions | Clauses for conversion option (1) Type of capital shares which will be issued as per conversion claim: The registered common stock (2) Conversion ratio: One hundred percent of the number of shares which are divided total amount of par value of the |

| Remark |
|--|
| <p>convertible bonds being requested to be converted by conversion price mentioned on (3). The fraction share shall not be admitted. The bearers of convertible bonds can claim conversion wholly or partly.</p> <p>(3) Conversion price: ₩9,882(base on the par value of share capital of ₩500)</p> <p>(4) Period of conversion claim: From one year after the date of issuance to one month before the date of maturity</p> <p>(5) Number of shares to be issued</p> <p>1) The number of shares to be issued shall be calculated dividing amount which is multiplied par value of each conversion bonds with the ratio of conversion, by conversion price. (In case that two or more bonds are requested, total par value of bonds being claimed for conversion. If conversion of less than par value of one bond is requested, par value of that part.) The issuer shall pay cash for fraction share.</p> <p>2) If the conversion price is adjusted according to terms of issuance, the number of shares to be issued shall be calculated by the adjusted conversion price. In such case, the total amount of share issued shall not be exceed more than total issue amount of convertible bond, ₩46,000,000,000.</p> <p>(6) Adjustment of conversion price</p> <p>1) The conversion price of the Convertible bond shall be adjusted if, before the bearers of the Convertible bonds request conversion, with price lower than conversion price of the Convertible bonds, the issuing company increases shares by issuing new share or paying share dividend or transferring capital surplus or retained earnings to stock. In addition, the conversion price of the Convertible bonds shall be adjusted if the issuer issues new convertible bonds or bonds with warrant with an exercise price or a conversion price which is lower than the base price. If the issuer raises capital with consideration and without consideration parallelly, and the amount per share of capital increase with consideration is more than the base price, the conversion price shall not be adjusted for that capital increase with consideration. However, in such cases, the conversion price shall be adjusted for capital increase without consideration. Conversion price shall be adjusted on the dates of issue of new capital, share dividend, transferring share from capital surplus or retained earnings or issue date of additional convertible bonds and bonds with warrant. Adjusted conversion price = Conversion price before adjustment x [[{previous number of shares+(number of shares newly issued x issue price per share/base price) / (previous number of shares+ number of shares newly issued)]</p> <p>2) If the conversion price needs to be adjusted due to the merger of the Company, reduction of capital, split or reverse split of shares, the conversion price</p> |

| Remark |
|---|
| shall be adjusted to correspond the unit price of shares to be converted assuming the entire convertible bonds would be converted into common stock before such events happen. |
| 3) If any case that increases price of stock due to events such as reduction of stock and reverse split of shares, the conversion price shall be adjusted upwardly corresponding the adjusted ratio caused by reduction of stock and reverse split of shares. However, if the Calculated price ¹ based on the date before the resolution date at shareholders' meeting for capital reduction and reverse split of shares, is less than the par value, and the conversion price was already adjusted to par value before that date, such conversion price shall be adjusted to the price which is more than upwardly adjusted price by the adjusted ratio of capital reduction and reverse split of capital, based on the Calculated price. |
| 1 The Calculated price according to the provisions of the Paragraph 1 of the Article 5-22 of "Regulations of the Issuance and Disclosure of Securities" and other equivalent regulations. |
| 4) When the issuer is listed, the conversion price shall be adjusted to the lower of the price equivalent to 70% of the offering price at the time of listing and the conversion price immediately before the public offering. |
| 5) The conversion price adjustment according to each of the above clauses is applied repeatedly over and over again when the cause occurs. |
| 6) If the adjusted conversion price according to the clauses stipulated above is lower than par value, par value shall be the conversion price. The total amount of shares of stock to be issued pursuant to the conversion shall not exceed the issued amount of each the Convertible bonds. |
| 7) The adjusted conversion price after the decimal point of Korean won shall be rounded down. |
| 8) In case of conversion price being adjusted, the issuer shall notify underwriters in writing |

20. Derivatives Liabilities

The changes in derivatives liabilities during the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean Won)</i> | 2021 | 2020 |
|-------------------------------------|----------------|----------------|
| | Current | Current |
| Beginning | ₩ 5,061,398 | ₩ 5,232,829 |
| Issuance of convertible bonds | 33,335,012 | - |
| Repayment of convertible bonds | (4,740,000) | - |
| Gain or loss on transaction | (321,398) | - |
| Gain or loss on valuation | 1,535,250 | (171,431) |
| Ending | ₩ 34,870,262 | ₩ 5,061,398 |

The derivatives liabilities of the Group are conversion right liabilities in relation to convertible bonds issued during the year ended as of December 31, 2021.

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21. Assets and Liabilities related to Contracts with Customers

The Group has recognized the following assets and liabilities related to contracts with customers:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|--------------|--------------|
| Asset recognized for costs incurred to fulfill contracts | ₩ 805,992 | ₩ 364,405 |
| Total contract assets | ₩ 805,992 | ₩ 364,405 |
| Contract liabilities-expected customer refund | ₩ 962,130 | ₩ 427,406 |
| Unsatisfied contracts | 30,032,461 | 47,877,480 |
| Total contract liabilities | ₩ 30,994,591 | ₩ 48,304,886 |

As of December 31, 2021 and 2020, a right to recover returned goods, which is a contract asset, is included in other current assets, and refund liabilities and advances from customers, which are contract liabilities, are included in other current liabilities and other non-current liabilities.

Significant changes in contract assets and liabilities

The Group recognizes the total amount to be refunded to customers within contract liabilities when customers return goods. The Group recognizes its right to recover the returned goods within contract assets when customers exercise their rights of return. For the year ended December 31, 2021, the changes in contract assets and liabilities have been occurred due to the changes in sales, cost of sales and set-up rates, and those changes are not significant.

On the other hand, the Group recognizes advances from customers in relation to performance obligation to transfer goods to customers in the future within contract liabilities.

22. Net Defined Benefit Liability

The details of net defined benefit liability recognized in the statements of financial position as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|---|---------------|--------------|
| Present value of funded defined benefit obligations | ₩ 102,083,525 | ₩ 89,416,419 |
| Fair value of plan assets | (45,085,177) | (21,037,192) |
| Liability in the statements of financial position | ₩ 56,998,348 | ₩ 68,379,227 |

The changes in the defined benefit obligations for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|---------------|--------------|
| Beginning balance | ₩ 89,416,419 | ₩ 84,096,525 |
| Current service cost | 13,156,591 | 12,505,374 |
| Interest expense | 1,821,520 | 1,801,642 |
| Remeasurements: | | |
| - Actuarial losses(gains) from experience adjustments | 6,810,401 | (2,981,933) |
| - Actuarial gains from change in demographic assumptions | (14,425) | (841,700) |
| - Actuarial gains from change in assumptions | (3,897,188) | (38,118) |
| Payments from plans: | | |
| - Benefit payments | (4,902,101) | (5,165,199) |
| - Changes due to transfer of employee intra related- party | (307,692) | 39,829 |
| Ending balance | ₩ 102,083,525 | ₩ 89,416,419 |

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Movements in the fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|---|-------------|-------------|-------------|-------------|
| Beginning balance | ₩ | 21,037,193 | ₩ | 17,130,099 |
| Interest income | | 505,624 | | 400,433 |
| Remeasurements: | | | | |
| Return on plan assets | | (343,159) | | (190,480) |
| Contributions: | | | | |
| Contribution in plan assets | | 25,000,001 | | 4,700,000 |
| Payments from plans: | | | | |
| Benefit payments | | (1,055,389) | | (1,011,009) |
| Changes due to transfer of employee intra related party | | (59,092) | | 8,149 |
| Ending balance | ₩ | 45,085,177 | ₩ | 21,037,193 |

Plan assets as of December 31, 2021 and 2020, consist of the following:

| <i>(In thousands of Korean won)</i> | 2021 | | | |
|-------------------------------------|---------------------|-----------------------|--------------|--------------------|
| | Quoted price | Unquoted price | Total | Composition |
| Time deposits | ₩ 45,085,177 | ₩ - | ₩ 45,085,177 | 100% |

| <i>(In thousands of Korean won)</i> | 2020 | | | |
|-------------------------------------|---------------------|-----------------------|--------------|--------------------|
| | Quoted price | Unquoted price | Total | Composition |
| Time deposits | ₩ 21,037,193 | ₩ - | ₩ 21,037,193 | 100% |

Expense charged to profit or loss for the years ended December 31, 2021 and 2020, is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|-------------|------------|-------------|------------|
| Current service costs ¹ | ₩ | 13,880,107 | ₩ | 13,292,671 |
| Net interest costs | | 1,315,896 | | 1,401,208 |
| | ₩ | 15,196,003 | ₩ | 14,693,879 |

¹It includes the severance indemnities of SIMMTECH GRAPHICS CO., LTD. Therefore, it is different from the amount of current service costs shown on the table explaining movement of the defined benefit obligations.

The significant actuarial assumptions as of December 31, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|--------------------|-------------|-------------|
| Salary growth rate | | |
| Office workers | 3.00% | 3.00% |
| Production workers | 3.00% | 3.00% |
| Discount rate | 2.93% | 2.47% |

The sensitivity of the defined benefit obligations as of December 31, 2021, to changes in the weighted principal assumptions is:

| <i>(In thousands of Korean won)</i> | Changes in assumption | Effect on defined benefit obligation | |
|-------------------------------------|------------------------------|---|-------------------------------|
| | | Increase in assumption | Decrease in assumption |
| Salary growth rate | 1.00% | ₩ 9,178,273 | ₩ (8,146,619) |
| Discount rate | 1.00% | (8,075,835) | 9,277,135 |

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

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The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

The expected contributions to post-employment benefit plans for the year ending December 31, 2022, are ₩6,041,436 thousand.

The weighted average duration of the defined benefit obligations is 8.83 years.

23. Other Employee Benefit Liabilities:

Current employee benefit liabilities are the amount recognized for the service provided in current year under the annual paid leave system and the current portion of non-current employee benefit liabilities which will be paid for long-term paid leave for the period of employment.

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|-------------|-------------|
| Current employee benefit liabilities | ₩ 8,870,710 | ₩ 7,711,072 |
| Other non-current employee benefit liabilities | 5,956,972 | 365,668 |

24. Income Tax Expense and Deferred income Tax

Income tax expense for the years ended December 31, 2021 and 2020 consists of:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|---|--------------|--------------|
| Current tax: | | |
| Current tax on profits for the year | ₩ 40,305,777 | ₩ 16,851,785 |
| Adjustments on income taxes for the prior year | 1,056,342 | (222,468) |
| Tax effects directly recognized in other comprehensive income | 634,020 | (805,658) |
| Total current tax | 41,996,139 | 15,823,659 |
| Deferred income tax | | |
| Changes in temporary differences and others | (6,275,149) | 2,572,327 |
| Income tax expense | ₩ 35,720,990 | ₩ 18,395,986 |

Reconciliation of effective tax rate for the years ended December 31, 2021 and 2020, is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|---------------|--------------|
| Profit before income taxes | ₩ 153,354,218 | ₩ 74,882,175 |
| Income tax expense by applicable tax rate | 61,928,510 | 18,978,211 |
| Adjustments: | | |
| Expenses not deductible for tax purposes | 4,160,995 | 232,809 |
| Tax credit, tax reduction and tax exemption | (4,293,390) | (3,825,906) |
| Tax effects directly recognized in other comprehensive income | 634,020 | (805,658) |
| Changes in tax effects on the temporary differences which deferred income tax assets were not recognized | (15,517,587) | 4,105,135 |
| Additional payment of income taxes / Refund | - | (222,468) |
| Tax payment for the previous year | 1,056,342 | - |
| Changes in income taxes paid in foreign countries | (1,263,684) | - |
| Tax effects on tax loss carryforward | (281,822) | - |
| Others | (10,702,395) | (66,137) |
| Income tax expense | 35,720,990 | 18,395,986 |
| Effective tax rate | 23.29% | 24.57% |

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Income tax effects related to components of other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|---|----------------------|-------------------|----------------------|
| | Before tax | Tax effect | After tax |
| Remeasurement of net defined benefit liabilities | ₩ (3,241,947) | ₩ 634,020 | ₩ (2,607,927) |
| Other comprehensive income of valuation on FVTOCI | 10,989 | - | 10,989 |
| | <u>₩ (3,230,958)</u> | <u>₩ 634,020</u> | <u>₩ (2,596,938)</u> |

| <i>(In thousands of Korean won)</i> | 2020 | | |
|---|--------------------|--------------------|--------------------|
| | Before tax | Tax effect | After tax |
| Remeasurement of net defined benefit liabilities | ₩ 3,671,272 | ₩ (805,658) | ₩ 2,865,614 |
| Other comprehensive income of valuation on FVTOCI | (36,888) | - | (36,888) |
| | <u>₩ 3,634,384</u> | <u>₩ (805,658)</u> | <u>₩ 2,828,726</u> |

The analysis of deferred income tax assets and liabilities as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|---|---------------------|---------------------|
| Deferred income tax assets: | | |
| Deferred income tax assets to be recovered after more than 12 months | ₩ 6,648,893 | ₩ 14,084,677 |
| Deferred income tax assets to be recovered within 12 months | 44,506,460 | 23,823,595 |
| Deferred income tax liabilities: | | |
| Deferred income tax liabilities to be recovered after more than 12 months | (293,622) | (85,845) |
| Deferred income tax liabilities to be recovered within 12 months | (15,315,662) | (8,551,506) |
| Deferred income tax assets, net | <u>₩ 35,546,070</u> | <u>₩ 29,270,921</u> |

The changes in deferred income tax assets and liabilities for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | |
|---|------------------------|-----------------------|-----------------------------------|--------------------------|
| | January 1, 2021 | Profit or loss | Other comprehensive income | December 31, 2021 |
| Temporary differences: | | | | |
| Employee benefits | ₩ 13,802,493 | ₩ (1,366,143) | ₩ 634,020 | ₩ 13,070,371 |
| Non-deductible depreciation | 398,525 | 30,079 | - | 428,603 |
| Bad debt allowances | 13,141,012 | (10,868,153) | - | 2,272,859 |
| Valuation allowances for inventories | 612,688 | 692,387 | - | 1,305,075 |
| Accrued expenses | 1,559,337 | 1,976,081 | - | 3,535,419 |
| Revaluation of land | (2,216,776) | (241,453) | - | (2,458,229) |
| Investment securities | 1,023,767 | 111,509 | - | 1,135,276 |
| Property, plant and equipment and intangible assets | 47,308 | 9,724,541 | - | 9,771,850 |
| Inventories | 243,524 | (243,524) | - | - |
| Others | 659,043 | 5,825,803 | - | 6,484,847 |
| | <u>₩ 29,270,921</u> | <u>₩ 5,641,128</u> | <u>₩ 634,020</u> | <u>₩ 35,546,070</u> |
| Tax credit carryforwards | - | - | - | - |
| | <u>29,270,921</u> | <u>5,641,128</u> | <u>634,020</u> | <u>35,546,070</u> |
| Total deferred income tax asset | <u>₩ 29,270,921</u> | <u>₩ 5,641,128</u> | <u>₩ 634,020</u> | <u>₩ 35,546,070</u> |
| Total deferred income tax liabilities | <u>₩ -</u> | <u>₩ -</u> | <u>₩ -</u> | <u>₩ -</u> |

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| <i>(In thousands of Korean won)</i> | 2020 | | | |
|--|--------------------|----------------|----------------------------------|----------------------|
| | January 1, 2020 | Profit or loss | Other comprehensive income | December 31, 2020 |
| Temporary differences: | | | | |
| Employee benefits | ₩ 14,356,091 | ₩ 252,060 | ₩ (805,658) | ₩ 13,802,493 |
| Non-deductible depreciation | 410,544 | (12,020) | - | 398,525 |
| Bad debt allowances | 13,153,451 | (12,439) | - | 13,141,012 |
| Valuation allowances for inventories | 588,330 | 24,358 | - | 612,688 |
| Accrued expenses | 1,459,780 | 99,558 | - | 1,559,337 |
| Revaluation of land | (2,216,776) | - | - | (2,216,776) |
| Investment securities | 1,023,767 | - | - | 1,023,767 |
| Property, plant and equipment and intangible assets | (123,486) | 170,794 | - | 47,308 |
| Inventories | 113,226 | 130,298 | - | 243,524 |
| Others | (134,282) | 793,325 | - | 659,043 |
| | ₩ 28,630,644 | ₩ 1,445,935 | (805,658) | 29,270,921 |
| Tax credit carryforwards | 3,212,603 | (3,212,603) | - | - |
| | 31,843,248 | (1,766,669) | (805,658) | ₩ 29,270,921 |
| Total deferred income tax asset | ₩ 31,888,355 | ₩ (1,811,776) | ₩ (805,658) | ₩ 29,270,921 |
| Total deferred income tax liabilities | ₩ (45,107) | ₩ 45,107 | ₩ - | ₩ - |

The temporary differences which deferred income tax assets (liabilities) were not recognized as of December 31, 2021 and 2020 as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 | Reason |
|-------------------------------------|-------------|-------------|--------------------|
| Investment in subsidiaries | ₩ 4,480,586 | ₩ 7,027,270 | Not to be disposed |

25. Capital Stock and Capital Surplus

As of December 31, 2021, the number of shares authorized is 100,000,000 shares and par value per share is ₩500. The number of shares issued as of December 31, 2021 is 32,564,803 shares, and the number of shares for which voting rights are restricted according to the Article 39 of the Commercial Act of the Republic of Korea, is 8,226 shares of treasury stock (as of December 31, 2020: 8,226 shares).

On November 20, 2017, the Group issued 1,593,625 shares of preferred stock and retired the whole preferred stock during February 26, 2019 to February 10, 2020. Such retirement did not result in a decrease in capital as the profits was cancelled within the limit of acquisition of treasury stock based on the profit available for dividend.

In addition, the Group issued 9,101,184 shares of common stock on May 7, 2020 and 710,660 shares of preferred stock on September 17, 2020.

On October 1, 2021, all portion of preferred stocks of 710,660 shares have been redeemed. Such redemption has been made within limit of acquisition of treasury stock based on the profit available for dividend.

| | 2021 | | | |
|---|------------------------------|--------------------|-------------------------------------|--------------------|
| | Number of shares issued | | Amount | |
| | Common stock | Preferred stock | Common stock | Preferred stock |
| | <i>(In number of shares)</i> | | <i>(In thousands of Korean won)</i> | |
| Beginning | 31,854,143 | 710,660 | ₩ 15,927,072 | ₩ 1,152,143 |
| Retirement of preferred stock ¹ | - | (710,660) | - | - |
| Ending | 31,854,143 | - | ₩ 15,927,072 | ₩ 1,152,143 |

¹ As a result of the retirement of 710,660 shares of preferred stock during the year ended December 31, 2021, the outstanding balance of preferred stock as of December 31, 2021 are differ from the amount based on the number of shares issued.

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| | 2020 | | | |
|--|--------------------------------|------------------------------------|-------------------------------------|------------------------|
| | Number of shares issued | | Amount | |
| | Common stock | Preferred stock³ | Common stock | Preferred stock |
| | <i>(In number of shares)</i> | | <i>(In thousands of Korean won)</i> | |
| Beginning | 22,752,959 | 398,405 | ₩ 11,376,480 | ₩ 796,813 |
| Retirement of preferred stock ² | - | (398,405) | - | - |
| Issuance of preferred stock ⁴ | - | 710,660 | - | 355,330 |
| Issuance of common stock ⁵ | 9,101,184 | - | 4,550,592 | - |
| Ending | <u>31,854,143</u> | <u>710,660</u> | <u>₩ 15,927,072</u> | <u>₩ 1,152,143</u> |

² As a result of the retirement of 398,405 shares of preferred stock during the year ended December 31, 2020, the outstanding balance of preferred stock as of December 31, 2020 are differ from the amount based on the number of shares issued.

³ The summary of issuance and repayment of preferred stock is as follows:

| | Date | Number of shares | Amount |
|---|---------------|-------------------------|-------------------------------------|
| | | | <i>(in thousands of Korean won)</i> |
| Issuance of preferred stock #1 | Nov. 20, 2017 | 1,593,625 | ₩ 19,999,994 |
| 1 st redemption of preferred stock #1 | Feb. 26, 2019 | (557,769) | (7,000,001) |
| 2 nd redemption of preferred stock #1 | May 3, 2019 | (637,451) | (8,000,010) |
| 3 rd redemption of preferred stock #1 ² | Feb. 10, 2020 | (398,405) | (4,999,983) |
| Issuance of preferred stock #2 ⁴ | Sep. 17, 2020 | 710,660 | 14,000,002 |
| Redemption of preferred stock #2 | Oct. 1, 2021 | <u>(710,660)</u> | <u>(14,000,002)</u> |
| Number of shares and the balance as of December 31, 2021 | | <u>-</u> | <u>₩ -</u> |

⁴ On September 16, 2020, the Group issued preferred stock through the resolution of board of directors on September 8, 2020.

The detail information about preferred stock is as follows:

| | |
|-------------------------|---|
| Purpose of issuing | Improvement of financial structure including repayment of borrowings |
| Type of preferred stock | Registered non-voting redeemable preferred stock portions |
| Number of shares issued | 710,660 shares |
| Issued price per share | ₩ 19,700 per share |
| Voting right | None |
| Dividend right | 1% of par value (participating and cumulative) |
| Redemption right | The Group has right to redeem the preferred stock at any time during redemption period, through the resolution of the board of directors. |
| Redemption period | The preferred stock is redeemable fully or partially on the date of one year to ten years after the date of depository of preferred stock. However, if redemption is not possible within the redemption period or the preferential dividend payment is not completed, the redemption period shall be extended until the reason is resolved. |
| Redemption price | The redemption price is the sum of acquisition price per share of preferred stock and the interest amount calculated by applying an annual compound rate of 3.0% from the issuance date on the acquisition price. However, dividend paid from the date of issuance to the date of redemption will be deducted from the redemption price. |
| Others | Redeemable preferred stock are issued as unlisted shares, and all of them are locked-up at the Korea Securities Depository for one year from the date of distribution of shares. |

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The preferred stocks are classified as capital as the Group has a redemption right. The summary of preferred stock issued in the year ended December 31, 2020 is as follows:

| | Date | Issued price per share | Par value per share | Number of shares | Amount |
|---|------------------|-----------------------------------|--------------------------------|-----------------------------|---|
| | | | | | <i>(In thousands of Korean won)</i> |
| 2 nd issuance of preferred stock | Sep. 17, 2020 | ₩19,700 | ₩ 500 | 710,660 | ₩ 355,330 |

⁵ Through the resolution of Board of Directors on February 25, 2020, the Group issued 9,101,184 shares of common stock. The issued amount is ₩61,880,051 thousand. The payment of related capital increase was 100% paid on May 6, 2020, and new shares were listed on May 20, 2020.

| | Issued price per share | Par value per share | Number of shares | Amount |
|--------------------------|-----------------------------------|--------------------------------|-----------------------------|---|
| | | | | <i>(In thousands of Korean won)</i> |
| Issuance of common stock | ₩6,800 | ₩ 500 | 9,101,184 | ₩ 4,550,592 |

Capital surplus as of December 31, 2021 and 2020, consists of:

| <i>(In thousands of Korean won)</i> | 2021 | | | 2020 | | |
|---|-------------------------|----------------------------|---------------------|-------------------------|----------------------------|---------------------|
| | Common stock | Preferred stock | Total | Common stock | Preferred stock | Total |
| Paid-in capital excess of par value | ₩80,006,121 | ₩32,845,040 | ₩112,851,162 | ₩80,006,121 | ₩32,845,040 | ₩112,851,161 |
| Other capital surplus | 1,539,468 | - | 1,539,468 | 1,539,468 | - | 1,539,468 |
| Changes in subsidiaries | (3,752,780) | - | (3,752,780) | (2,007,126) | - | (2,007,126) |
| Consideration for conversion rights | (196,898) | - | (196,898) | 6,018,823 | - | 6,018,823 |
| | <u>₩77,595,911</u> | <u>₩32,845,040</u> | <u>₩110,440,951</u> | <u>₩85,557,286</u> | <u>₩32,845,040</u> | <u>₩118,402,326</u> |

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26. Other Components of Equity and Accumulated Other Comprehensive Income

Other components of equity as of December 31, 2021 and 2020, consist of the following:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|----------------------------------|------------|----------------------------------|------------|
| | The number of shares (in shares) | Amount | The number of shares (in shares) | Amount |
| Treasury stock | (8,266) | ₩ (93,821) | (8,266) | ₩ (93,821) |

The changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|--|---------------|---------------------|---------------|
| | Beginning | Increase (decrease) | Ending |
| Exchange differences | ₩ (1,924,392) | ₩ 9,400,471 | ₩ 7,476,079 |
| Financial assets measured at fair value through other comprehensive income | (54,490) | 12,065 | (42,424) |
| | ₩ (1,978,882) | ₩ 9,412,537 | ₩ 7,433,655 |
| <i>(In thousands of Korean won)</i> | 2020 | | |
| | Beginning | Increase (decrease) | Ending |
| Exchange differences | ₩ (3,114,550) | ₩ 1,190,158 | ₩ (1,924,392) |
| Financial assets measured at fair value through other comprehensive income | (19,372) | (35,118) | (54,490) |
| | ₩ (3,133,922) | ₩ 1,155,040 | ₩ (1,978,882) |

27. Retained Earnings

Retained earnings as of December 31, 2021 and 2020, consist of the following:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|---------------|---------------|
| Legal reserves ¹ | ₩ 9,208,937 | ₩ 2,421,397 |
| Retained earnings before appropriation | 235,215,867 | 152,053,427 |
| | ₩ 244,424,804 | ₩ 154,474,824 |

¹ The Commercial Act of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to offset accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times of the paid-in capital amount, the excess legal reserves may be reduced with a resolution of the shareholders.

For the year ended December 31, 2021, dividend is expected to be appropriated at the Shareholder's meeting on March 29, 2022 (₩500 per share, total dividend: ₩ 15,922,939 thousand).

The dividend paid in 2021 is ₩10,418,092 thousand (₩ 320 per share).

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28. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|----------------------|----------------------|
| Salaries | ₩ 42,279,838 | ₩ 36,960,153 |
| Post-employment benefits | 3,603,665 | 4,403,879 |
| Employee benefits | 5,409,557 | 5,378,951 |
| Rent | 226,696 | 198,425 |
| Entertainment | 181,256 | 157,057 |
| Depreciation | 1,643,340 | 1,921,193 |
| Amortization | 843,425 | 1,570,133 |
| Taxes and dues | 5,219,877 | 1,723,580 |
| Transportation | 3,252,834 | 2,348,530 |
| Insurance | 1,011,147 | 839,775 |
| Communications | 348,201 | 310,678 |
| Supplies | 403,574 | 257,385 |
| Research and development | 7,471,611 | 6,521,352 |
| Fees and commissions | 18,236,832 | 22,955,460 |
| Overseas marketing | 79,047 | 106,611 |
| Export expenses | 17,312,137 | 17,638,543 |
| Education and training | 1,271,422 | 1,381,275 |
| Travel | 165,312 | 231,465 |
| Bad debt expenses | (134,755) | 99,040 |
| Share-based payment expenses | - | 695,497 |
| Others | 1,004,823 | 972,225 |
| | <u>₩ 109,829,836</u> | <u>₩ 106,671,207</u> |

29. Breakdown of Expenses by Nature

Breakdown of expenses by nature for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-----------------------|-----------------------|
| Changes in inventories | ₩ (20,665,297) | ₩ 23,306,501 |
| Purchase of inventories | 461,023,693 | 431,450,443 |
| Employee benefits | 236,735,547 | 197,211,131 |
| Depreciation and amortization | 78,850,501 | 75,678,803 |
| Outsourcing costs | 202,579,346 | 176,488,934 |
| Fees and commissions | 30,445,897 | 45,898,009 |
| Power | 30,733,284 | 23,241,048 |
| Repairs | 19,545,703 | 18,426,178 |
| Employee benefits | 26,330,052 | 25,732,059 |
| Supplies | 33,941,120 | 16,724,407 |
| Others | 91,994,020 | 77,476,788 |
| Total ¹ | <u>₩1,195,149,010</u> | <u>₩1,111,634,301</u> |

¹Includes cost of sales and selling and administrative expenses in the consolidated statement of comprehensive income.

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30. Other Non-operating Income and Expenses

The details of other non-operating income and expenses for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|---------------------|--------------------|
| Other non-operating income | | |
| Rent | ₩ 630,306 | ₩ 711,092 |
| Gain on disposal of property, plant and equipment | 2,404,840 | 972,792 |
| Gain on disposal of intangible assets | 59,333 | - |
| Reversal of impairment losses on property, plant and equipment | 2,747,253 | - |
| Miscellaneous revenue | 3,392,026 | 5,123,739 |
| Others | 543,070 | 350,493 |
| | <u>₩ 9,776,829</u> | <u>₩ 7,158,116</u> |
| Other non-operating expenses | | |
| Loss on disposal of property, plant and equipment | ₩ 96,755 | ₩ 104,218 |
| Loss on scraped property, plant and equipment | 3,635,144 | - |
| Loss on disposal of intangible assets | 45,500 | - |
| Donation | 10,952 | 185,100 |
| Loss on disposal of trade receivables | 3,953,472 | 3,380,182 |
| Others | 219,600 | 85,095 |
| Miscellaneous loss | 4,596,648 | 3,118,219 |
| | <u>₩ 12,558,071</u> | <u>₩ 6,872,814</u> |

31. Finance Income and Costs

The details of finance income and costs for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|--|---------------------|---------------------|
| Finance income | | |
| Interest income | ₩ 591,856 | ₩ 130,797 |
| Gain on foreign currency transactions | 31,946,381 | 32,267,329 |
| Gain on foreign currency translation | 1,118,344 | 7,303,997 |
| Dividend income | 4,999 | 5,430 |
| Gain on transaction of derivatives | 321,398 | - |
| Gain on valuation of derivatives | 184,922 | 171,431 |
| | <u>₩ 34,167,900</u> | <u>₩ 39,878,984</u> |
| Finance costs | | |
| Interest expenses | ₩ 9,540,034 | ₩ 10,807,698 |
| Loss on foreign currency transactions- | 36,463,525 | 37,025,667 |
| Loss on foreign currency translation | 3,417,480 | 7,189,148 |
| Loss on redemption of debentures | 550,549 | - |
| Loss on valuation of derivatives | 1,720,172 | - |
| | <u>₩ 51,691,761</u> | <u>₩ 55,022,513</u> |

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32. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of common stock outstanding during the period, excluding treasury shares.

Basic earnings per share for the years ended December 31, 2021 and 2020, is as follows:

| <i>(In Korean won and number of shares)</i> | 2021 | 2020 |
|--|-------------------|------------------|
| Profit attributable to owners of the Parent Company ¹ | ₩ 117,185,182,302 | ₩ 56,348,174,491 |
| Weighted average number of common stock outstanding ² | 31,845,877 | 28,687,816 |
| Basic earnings per share | ₩ 3,680 | ₩ 1,964 |

¹Profit attributable to owners of the Parent Company for the years ended December 31, 2021 and 2020, consists of:

| <i>(In Korean won and number of shares)</i> | 2021 | 2020 |
|---|-------------------|------------------|
| Profit attributable to owners of the Parent Company | ₩ 117,185,182,302 | ₩ 56,575,585,691 |
| Dividends per share | 500 | 320 |
| Dividends to common stockholders | 15,922,938,500 | 10,190,680,640 |
| Dividends to preferred stockholders | - | 227,411,200 |
| Profit attributable to owners of the Parent Company | ₩ 117,185,182,302 | ₩ 56,348,174,491 |

²Weighted average number of common stock outstanding for the years ended December 31, 2021 and 2020, is as follows:

| <i>(Unit: number of shares)</i> | 2021 | 2020 |
|---|-------------|-------------|
| Issued shares at the beginning | 22,326,407 | 22,326,407 |
| Exercise of stock warrants | 426,552 | 426,552 |
| Acquisition of treasury stock | (8,266) | (8,266) |
| Issuance of new shares | 9,101,184 | 5,943,123 |
| Acquisition of treasury stock | (753,149) | (353,775) |
| Retirement of treasury stock | 753,149 | 353,775 |
| Weighted average number of common stock outstanding | 31,845,877 | 28,687,816 |

Diluted earnings per share for the years ended December 31, 2021 and 2020, is as follows:

| <i>(In Korean won and number of shares)</i> | 2021 | 2020 |
|--|-------------------|------------------|
| Profit attributable to owners of the Parent Company | ₩ 117,185,182,302 | ₩ 56,348,174,491 |
| Weighted average number of common stock outstanding (diluted) ³ | 31,845,877 | 28,687,816 |
| Diluted earnings per share | ₩ 3,680 | ₩ 1,964 |

³Weighted average number of common stock outstanding (diluted) for the years ended December 31, 2021 and 2020, is as follows:

| <i>(Unit: number of shares)</i> | 2021 | 2020 |
|--|-------------|-------------|
| Weighted average number of common stock outstanding | 31,845,877 | 28,687,816 |
| Weighted average number of common stock outstanding(diluted) | 31,845,877 | 28,687,816 |

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33. Cash Flows Information

The details of cash and cash equivalents as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Cash and cash equivalents | ₩ 16,724,589 | ₩ 17,097,431 |

Significant transactions not affecting cash flows for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|---|--------------|--------------|
| Transfer of construction in progress to property, plant and equipment and intangible assets | ₩ 80,833,449 | ₩ 76,998,250 |
| Changes in non-trade payables in relation to acquisition of property, plant, and equipment | 17,431,512 | 12,120,762 |
| Changes in non-trade payables in relation to acquisition of intangibles | (187,000) | 287,730 |
| Transfer of long-term borrowings to current position | 9,720,179 | 11,456,646 |
| Transfer of debentures to current position | - | 795,650 |
| Transfer of convertible bond to current position | 44,939,897 | 23,066,381 |
| Changes in non-trade payables in relation to right-of-use assets | - | 3,616,427 |
| Transfer of long-term affiliated company loans to current position | - | 2,000,000 |
| Transfer of loans to shareholders, directors and employee to current position | 1,185,664 | - |
| Changes in other payable related with guarantee deposit received | 200,000 | - |
| Transfer of long-term derivatives to current position | 11,636,375 | 5,232,829 |
| Changes in trade receivables in relation to acquisition of advance from customers | 7,505,820 | 18,096,000 |
| Transfer of non-current lease liabilities to current position | 505,779 | 5,600,188 |

Changes in liabilities arising from financial activities for the year ended December 31, 2021, are as follows:

| <i>(In thousands of Korean won)</i> | Liabilities arising from financial activities | | | | | |
|-------------------------------------|--|--|-----------------------|--|-----------------------|--------------------------|
| | January 1, 2021 | Transactions affecting cash flows | | Transactions not affecting cash flows | | December 31, 2021 |
| | | Borrowing | Repayment | Interest expenses | Others | |
| Convertible bonds | ₩ 23,066,381 | ₩ 76,000,000 | ₩ (30,000,000) | ₩ 2,622,963 | ₩ (26,749,447) | ₩ 44,939,897 |
| Lease liabilities | 6,044,331 | - | (4,458,521) | 394,421 | 6,435,458 | 8,415,690 |
| Long-term borrowings | 37,937,095 | 46,566,848 | (25,177,206) | - | (10,191,707) | 49,135,030 |
| Short-term borrowings | 87,102,663 | 134,830,786 | (201,564,580) | - | 8,048,963 | 28,417,832 |
| Debentures | 1,433,794 | - | (1,401,126) | - | (32,667) | - |
| | <u>₩155,584,264</u> | <u>₩257,397,634</u> | <u>₩(262,601,433)</u> | <u>₩ 3,017,384</u> | <u>₩ (22,489,400)</u> | <u>₩130,908,449</u> |

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34. Commitments and Contingencies

Commitments in relation to borrowings with financial institutions as of December 31, 2021, are as follows:

| <i>(In thousands of Korean won, in US dollars, Japanese Yen and MYR)</i> | Description | Maximum credit |
|--|---|-----------------------|
| Korea Development Bank | Working capital loan | 50,000,000 |
| | Trade finance | 30,000,000 |
| | USANCE L/C | USD 20,000,000 |
| Korea EXIM Bank | Loans for capital goods | USD 26,000,000 |
| | Secured loan of accounts receivables | 10,000,000 |
| KEB Hana Bank | Foreign currency factoring | USD 20,000,000 |
| | Purchasing on credit | 16,000,000 |
| | Trade finance | 5,000,000 |
| Kookmin Bank | Working capital loan | 9,000,000 |
| | USANCE L/C | 10,000,000 |
| Shinhan Bank | Trade finance | 7,000,000 |
| | O/A Factoring | USD 13,000,000 |
| | L/C | USD 4,000,000 |
| Industrial Bank of Korea | Purchasing on credit | 25,000,000 |
| | USANCE L/C | USD 3,000,000 |
| Woori Bank | Working capital loan | 5,000,000 |
| | USANCE L/C | JPY 527,000,000 |
| | STAND BY L/C | JPY 1,000,000,000 |
| Suhyup Bank | Trade finance | 5,000,000 |
| Korea Trade Insurance Corporation | Short-term export insurance | USD 314,767,500 |
| Hyundai Commercial | Non-recourse factoring | 20,000,000 |
| Seoul Guarantee Insurance Co., Ltd. | Guarantee insurance including performance guarantee | 80,000 |
| Korea Securities Finance Corp. | Joint and several guarantee for the loans to Employee Stock Ownership Association | 8,000,000 |
| BNP PARIBAS | Foreign currency factoring | USD 110,000,000 |
| Sumitomo Mitsui Banking Corporation ¹ | Syndicated long-term loan | JPY 2,701,625,000 |
| | Syndicated short-term working capital loan | JPY 489,000,000 |
| THE HACHIJUNI BANK, LTD. ¹ | Syndicated long-term loan | JPY 1,281,917,000 |
| | Syndicated short-term working capital loan | JPY 232,000,000 |
| The Shoko Chukin Bank, Ltd. ¹ | Syndicated long-term loan | JPY 661,659,000 |
| | Syndicated short-term working capital loan | JPY 120,000,000 |
| The Nagano Bank, Ltd. ¹ | Syndicated long-term loan | JPY 526,685,000 |
| | Syndicated short-term working capital loan | JPY 96,000,000 |
| Mizuho Bank, Ltd. ¹ | Syndicated long-term loan | JPY 348,114,000 |
| | Syndicated short-term working capital loan | JPY 63,000,000 |
| Woori Bank Tokyo Branch ² | Short-term working capital loan | JPY 1,000,000,000 |
| Public Bank Berhad | Working capital loan | MYR 1,500,000 |

¹Commitment line contracts which the Group has entered into with five banks under the syndicate loan agreement (outstanding balance of borrowings of JPY 6,520,000 thousand) include following financial covenants in relation to financial position and operation results of SIMMTECH GRAPHICS Co., Ltd.

| | Net Asset | Ordinary Net Income |
|---------------------------|--|---|
| Syndicated loan agreement | Maintaining net assets at the end of the current year and subsequent reporting periods at an amount equivalent to 75% or more of net assets at the end of the immediately preceding reporting period. (Based on the separate financial statements of SIMMTECH GRAPHICS Co., Ltd. If the net asset amount of the previous fiscal year are zero(0) or below zero(0), net asset should be more than net asset amount of the previous fiscal year.) | SIMMTECH GRAPHICS Co., Ltd. should realize ordinary income on the statements of income for the current year and the subsequent reporting periods. |

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²Commitment line contracts which the Group has entered into with Woori Bank Tokyo Branch (outstanding balance of borrowing of JPY 1,000,000 thousand) include following financial covenants in relation to financial position and operation results of SIMMTECH GRAPHICS Co., Ltd.

| | <u>Net Asset</u> | <u>Ordinary Net Income</u> |
|---|---|--|
| Loan agreement with Woori Bank Tokyo Branch | Maintaining net assets at the end of the current year and subsequent reporting periods at an amount equivalent to 75% or more of net assets at the end of the immediately preceding year and maintaining net assets not to be less than zero(0). (Based on the separate financial statements of SIMMTECH GRAPHICS Co., Ltd.) | SIMMTECH GRAPHICS Co., Ltd. should realize ordinary income on the statements of income for the current year and subsequent reporting periods |

As of July 1, 2015, the Group has spun-off the printing circuit board production and sales business from SIMMTECH HOLDINGS CO., LTD. and is jointly liable for paying back the pre-spin-off debt in solidarity with SIMMTECH HOLDINGS CO., LTD., an divisional entity, pursuant to Article 530-9 (1) of the Commercial Act.

Payment guarantees provided by others as of December 31, 2021 are as follows:

(In thousands of Korean won and in US dollars)

| <u>Provided by</u> | <u>Provided to</u> | <u>Guaranteed amount</u> | <u>Guaranteed by</u> |
|-----------------------------|--------------------|--------------------------|--|
| SIMMTECH HOLDINGS Co., Ltd. | SIMMTECH Co., Ltd. | USD 7,200,000 | Shinhan Bank ¹ |
| | | USD 3,600,000 | Industrial Bank of Korea ¹ |
| | | ₩ 9,900,000 | Kookmin Bank ¹ |
| | | ₩ 6,000,000 | KEB Hana Bank ¹ |
| | | ₩ 19,200,000 | KEB Hana Bank ¹ |
| SIMMTECH HOLDINGS Co., Ltd. | SIMMTECH GRAPHICS | JPY 490,236,000 | Sumitomo Mitsui Banking ² |
| | | JPY 231,576,000 | THE HACHIJUNI BANK, LTD. ² |
| | | JPY 120,334,000 | The Shoko Chukin Bank, Ltd. ² |
| | | JPY 95,901,000 | The Nagano Bank, Ltd. ² |
| | | JPY 61,953,000 | Mizuho Bank, Ltd. ² |

¹These payment guarantees are jointly provided for the existing loans through spin-off.

²The maturity date of the guarantee is February 28, 2022.

According to business management agreement with SIMMTECH HOLDINGS Co., Ltd., the Parent Company, the Company is paying service commissions for the service provided.

The Group has disposed of trade receivables without the right of recourse under the factoring agreements with financial institutions.

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35. Related Party Transactions

The Group's related parties as of December 31, 2021 and 2020, are as follows:

| <u>Relationship</u> | <u>2021</u> | <u>2020</u> |
|-----------------------|--|---|
| Parent Company | SIMMTECH HOLDINGS Co., Ltd. | SIMMTECH HOLDINGS Co., Ltd. |
| Other related parties | Simmtech America Inc. | Simmtech America Inc. |
| | Simmtech Japan Inc. | Simmtech Japan Inc. |
| | - | Sungjinsa Co., Ltd. ³ |
| | STNC Hong Kong Holdings Limited | STNC Hong Kong Holdings Limited |
| | SIMMTECH NICHING (SUZHOU) Co., LTD. | SIMMTECH NICHING (SUZHOU) Co., LTD. |
| | Niching Industrial Corp. | Niching Industrial Corp. |
| | - | Senior Partners Co., Ltd. ³ |
| | SIMMTECH SE ASIA PTE. LTD. ¹ | SIMMTECH SE ASIA PTE. LTD. ¹ |
| | SUSTIO SDN. BHD. ² | SUSTIO SDN. BHD. ² |
| | Simmtech Taiwan Co., Ltd. ⁴ | - |
| | SIMMTECH INTERNATIONAL PTE. LTD. ⁵ | - |
| | SIMMTECH ASIA OPERATION PTE. LTD. ⁶ | - |

¹SIMMTECH HOLDINGS Co., Ltd. holds 49% shares of SIMMTECH SE ASIA PTE. LTD.

²SIMMTECH HOLDINGS Co., Ltd. owns 99.99% of shares of SUSTIO SDN. BHD., as a result of increase of stocks with consideration and 0.01% of shares is owned by SIMMTECH SE ASIA PTE. LTD. After then, SIMMTECH ASIA OPERATION PTE. LTD. was incorporated and purchased the residual shares.

³Merged with SIMMTECH HOLDINGS Co., Ltd. during the year ended December 31, 2021.

⁴It was incorporated during the year ended December 31, 2021 and an wholly owned subsidiary of SIMMTECH HOLDINGS Co., Ltd.

⁵It was incorporated during the year ended December 31, 2021 and an wholly owned subsidiary of SIMMTECH HOLDINGS Co., Ltd.

⁶It was incorporated during the year ended December 31, 2021 and an wholly owned subsidiary of SIMMTECH INTERNATIONAL PTE Ltd.

Significant sales and purchases with related parties for the years ended December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | |
|-------------------------------------|----------------|--|---------------|
| | Revenue | | |
| | Sales | Disposal of property, plant and equipment | Others |
| Simmtech Japan Inc. | ₩ 1,947,484 | ₩ - | ₩ - |
| Niching Industrial Corp. | - | - | 4,047 |
| SIMMTECH HOLDINGS Co., Ltd. | 77,391 | - | 475,015 |
| STNC Hong Kong Holdings Limited | - | - | 4,292 |
| SUSTIO SDN. BHD. | - | 31,084,718 | 247,658 |
| | ₩ 2,024,875 | ₩ 31,084,718 | ₩ 731,012 |

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| <i>(In thousands of Korean won)</i> | 2021 | | | |
|-------------------------------------|----------------------------|---|--------------------------------------|---------------------|
| | Expenses | | | |
| | Fees and commission | Acquisition of property, plant and equipment | Outsourcing costs¹ | Others |
| Simmtech America Inc. | ₩ 3,209,484 | ₩ - | ₩ - | ₩ - |
| SIMMTECH NICHING (SUZHOU) | 1,467,872 | - | - | - |
| Niching Industrial Corp. | 3,895,986 | - | 17,514 | - |
| SIMMTECH HOLDINGS Co., Ltd. | 3,632,368 | 17,000 | - | 19,776,490 |
| SIMMTECH SE ASIA PTE. LTD. | 2,725,389 | - | - | - |
| SUSTIO SDN. BHD. | - | - | - | 8,114 |
| | <u>₩ 14,931,100</u> | <u>₩ 17,000</u> | <u>₩ 17,514</u> | <u>₩ 19,784,603</u> |

| <i>(In thousands of Korean won)</i> | 2020 | |
|-------------------------------------|--------------------|------------------|
| | Revenue | |
| | Sales | Others |
| Simmtech Japan Inc. | ₩ 1,925,915 | ₩ - |
| Sungjinsa Co., Ltd. | - | 4,380 |
| Niching Industrial Corp. | - | 64,095 |
| SIMMTECH HOLDINGS Co., Ltd. | 132,054 | 98,624 |
| STNC Hong Kong Holdings Limited | - | 2,680 |
| | <u>₩ 2,057,969</u> | <u>₩ 169,779</u> |

| <i>(In thousands of Korean won)</i> | 2020 | | | |
|-------------------------------------|----------------------------|---|--------------------------------------|--------------------|
| | Expenses | | | |
| | Fees and commission | Acquisition of property, plant and equipment | Outsourcing costs¹ | Others |
| Simmtech Japan Inc. | ₩ 390,409 | ₩ - | ₩ - | ₩ 2,828 |
| Sungjinsa Co., Ltd. | - | - | - | 139,217 |
| Simmtech America Inc. | 1,823,109 | - | - | - |
| SIMMTECH NICHING (SUZHOU) | 2,539,527 | - | - | - |
| Niching Industrial Corp. | 7,132,138 | - | 32,833 | - |
| Senior Partners Co., Ltd. | 1,796,520 | 17,600 | - | 176,176 |
| SIMMTECH HOLDINGS Co., Ltd. | 2,236,297 | - | - | 6,829,807 |
| SIMMTECH SE ASIA PTE. LTD. | 2,628,713 | - | - | - |
| | <u>₩18,546,713</u> | <u>₩ 17,600</u> | <u>₩ 32,833</u> | <u>₩ 7,148,028</u> |

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Significant receivables and payables with related parties as of December 31, 2021 and 2020, are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | | | | |
|-------------------------------------|--------------------------|--------------------------|---------------------|-----------------------------|--------------------------|-----------------------|
| | Receivables | | | | | |
| | Trade receivables | Other receivables | Loan | Assets held for sale | Leasehold deposit | Accrued income |
| Simmtech Japan Inc. | ₩ 1,956,315 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ - |
| SIMMTECH HOLDINGS Co., Ltd. | 5,816 | 6,409 | 34,000,000 | - | 200,000 | 407,321 |
| STNC Hong Kong Holdings Limited | - | - | 177,825 | - | - | 7,138 |
| SUSTIO SDN. BHD. | - | 247,658 | - | 7,593,410 | - | - |
| | <u>₩ 1,962,131</u> | <u>₩ 254,067</u> | <u>₩ 34,177,825</u> | <u>₩ 7,593,410</u> | <u>₩ 200,000</u> | <u>₩ 414,458</u> |

| <i>(In thousands of Korean won)</i> | 2020 | | | | |
|-------------------------------------|--------------------------|--------------------------|------------------|-----------------------|--------------------------|
| | Receivables | | | | |
| | Trade receivables | Other receivables | Loan | Accrued income | Leasehold deposit |
| Simmtech Japan Inc. | ₩ 1,702,232 | ₩ - | ₩ - | ₩ - | ₩ - |
| Sungjinsa Co., Ltd. | - | 402 | - | - | - |
| SIMMTECH HOLDINGS Co., Ltd. | - | 29,794 | - | - | 200,000 |
| STNC Hong Kong Holdings Limited | - | - | 163,200 | - | - |
| | <u>₩ 1,702,232</u> | <u>₩ 30,196</u> | <u>₩ 163,200</u> | <u>₩ -</u> | <u>₩ 200,000</u> |

| <i>(In thousands of Korean won)</i> | Payables | | | |
|-------------------------------------|-----------------------|----------------|-------------|-------------------|
| | Other payables | | | |
| | 2021 | | 2020 | |
| Simmtech Japan Inc. | ₩ | 7,462 | ₩ | 526,613 |
| Sungjinsa Co., Ltd. | | - | | 525,426 |
| Simmtech America Inc. | | - | | 1,183,185 |
| SIMMTECH NICHING(SUZHOU) | | - | | 5,353,691 |
| Niching Industrial Corp. | | 6,022 | | 799,512 |
| Senior Partners Co., Ltd. | | - | | 252,970 |
| SIMMTECH HOLDINGS Co., Ltd. | | 166,197 | | 214,322 |
| SIMMTECH SE ASIA PTE. LTD. | | - | | 1,965,629 |
| SUSTIO SDN. BHD. | | 8,144 | | - |
| | <u>₩</u> | <u>187,795</u> | <u>₩</u> | <u>10,821,348</u> |

The allowances for doubtful accounts for the receivables above as of December 31, 2021 and 2020 are as follows:

| Related party | 2021 | | | |
|----------------------|-------------------------------------|----------------------------|---------------|---------------------------------|
| | Related accounts | Outstanding balance | Offset | Impairment loss(reverse) |
| | <i>(In thousands of Korean won)</i> | | | |
| STJ | Trade receivables | ₩ 1,157,511 | ₩ (5,667) | ₩ (305,454) |

| Related party | 2020 | | | |
|----------------------|-------------------------------------|----------------------------|---|------------------------|
| | Related accounts | Outstanding balance | Allowances for doubtful accounts | Impairment loss |
| | <i>(In thousands of Korean won)</i> | | | |
| STJ | Trade receivables | ₩ 1,702,232 | ₩ 311,121 | ₩ 305,454 |

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Loan transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | | 2020 | |
|-------------------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | STNC Hong Kong Holdings Limited | SIMMTECH HOLDINGS Co., Ltd. | STNC Hong Kong Holdings Limited | SIMMTECH HOLDINGS Co., Ltd. |
| Beginning balance | ₩ 163,200 | ₩ - | ₩ - | ₩ 2,000,000 |
| Loans | - | 34,000,000 | 163,200 | - |
| Collection | - | - | - | (2,000,000) |
| Exchange differences | 14,625 | - | - | - |
| Ending balance | ₩ 177,825 | ₩34,000,000 | ₩ 163,200 | ₩ - |

Changes in leasehold deposit to related parties for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-----------------------------|-----------------------------|
| | SIMMTECH HOLDINGS Co., Ltd. | SIMMTECH HOLDINGS Co., Ltd. |
| Beginning balance | ₩ 200,000 | ₩ 200,000 |
| Ending balance | ₩ 200,000 | ₩ 200,000 |

According to business management agreement with SIMMTECH HOLDINGS Co., Ltd., the Parent Company, the Group is paying service commissions for the service provided.

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services for the years ended December 31, 2021 and 2020, consists of:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Short-term employee benefits | ₩ 14,081,593 | ₩ 13,496,931 |
| Post-employment benefits | 2,627,882 | 1,786,317 |

Loans to employee as of December 31, 2021 and 2020 is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-----------|-------------|
| Long-term loans | ₩ 597,796 | ₩ 1,726,875 |

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36. Operating Segment Information

The detail of the revenue of the Group for the years ended December 31, 2021 and 2020 is as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-----------------|-----------------|
| Sales of goods | ₩ 1,365,832,876 | ₩ 1,201,374,704 |

Revenues from external customers by geographical basis for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|-----------------|-----------------|
| Korea | ₩ 629,943,755 | ₩ 599,445,170 |
| China | 282,038,355 | 199,068,902 |
| Singapore | 115,597,523 | 122,661,419 |
| Taiwan | 194,241,537 | 174,470,534 |
| Japan | 25,496,751 | 50,104,970 |
| Hong Kong | 6,106,791 | 2,685,019 |
| Thailand | 5,859,865 | 6,594,377 |
| USA | 5,146,161 | 6,557,867 |
| Malaysia | 55,017,315 | 583,716 |
| Brazil | 107,520 | 3,577,683 |
| Others | 46,277,305 | 35,625,044 |
| Total | ₩ 1,365,832,876 | ₩ 1,201,374,704 |

The details of non-current assets by geographical basis as of December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Korea | ₩ 497,010,738 | ₩ 439,020,628 |
| China | 52,855,987 | 52,209,892 |
| Japan | 61,213,768 | 87,467,624 |
| Malaysia | 1,281,309 | 2,319,651 |
| Total | ₩ 612,361,802 | ₩ 581,017,795 |

The details of external customers, who contribute more than 10% of the Group revenue for the years ended December 31, 2021 and 2020 are as follows:

| <i>(In thousands of Korean won)</i> | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Samsung Electronics Co., Ltd. | ₩ 479,290,340 | ₩ 415,028,493 |
| SK Hynix Inc. | 225,981,227 | 161,761,394 |
| MICRON | 311,607,258 | 216,667,131 |

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37. Events after the Reporting Period

SIMMTECH GRAPHICS CO., Ltd., a subsidiary company, merged Nippon Via Co., Ltd. on January 1, 2022.

The Group acquired one hundred percent of shares of Bestics Co., Ltd. on March 17, 2022. The details of acquisition of shares are as follows:

| <i>(In thousands of Korean won)</i> | Details | |
|--|---------------------------|-------------------|
| Overview of issuer | Company name | Bestics Co., Ltd. |
| | Capital stock | ₩ 605,659 |
| | Number of shares issued | 30,000 shares |
| Detail of acquisition | Number of shares acquired | 30,000 shares |
| | Acquisition amount | ₩ 805,659 |
| Total owned number of shares and percentage of shares after purchase | Number of shares owned | 30,000 shares |
| | Percentage of shares | 100% |
| Method of purchase | | Cash purchase |
| Date of purchase | | March 17, 2022 |

38. Translation of Financial Statements in Korean won into U.S. Dollar Amounts

The Group operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1: ₩1,185.50, the exchange rate in effect on December 31, 2021. Such presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or other rate.