

SIMMTECH Co., Ltd. and Subsidiaries

Consolidated Financial Statements

December 31, 2022

SIMMTECH Co., Ltd. and Subsidiaries
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December 31, 2022 and 2021

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

We have audited the accompanying consolidated financial statements of SIMMTECH Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. 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 Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

- Occurrence of revenue recognition due to sales of goods

Reason why the matter was determined to be a Key Audit Matter

The Group's sales are one of the key performance indicators that management of the Group focuses on, and sales represent the Group's operating performance or expected future sales from the perspective of users of consolidated financial statements. Accordingly, the Group has a potential risk that the revenue recognition is not appropriate as the inherent risk is high such as the occurrence of fraud to meet the targets or expectation of sales. Therefore, we have identified this area as key audit matter because we determined that there is a significant risk in relation to occurrence of revenue due to sales of goods.

How our audit addressed the Key Audit Matter

We performed the following audit procedures to respond to the key audit matter:

- Obtained an understanding of and assessed the revenue recognition process, the Company's accounting policies and related internal controls
- Reviewed the adequacy of accounting treatment by analyzing journal entries in relation to opposite account of sales
- Performed substantive test by examining supporting documents of revenue transactions on a sample basis
- Obtained external party confirmations for outstanding balances of trade receivables on a sample basis

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by RSM Shinhan Accounting Corporation who expressed an unqualified opinion on those statements on March 21, 2022.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are 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 Korean Standards on Auditing 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 Korean Standards on Auditing, 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 entity'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Byoung-il Oh, Certified Public Accountant.

Seoul, Korea
March 22, 2023

This report is effective as of March 22, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SIMMTECH Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes			2022			2021
Assets							
Current assets							
Cash and cash equivalents	7	W		119,810,060,113	W		16,724,588,508
Trade and other receivables	8,35			139,013,499,410			73,072,096,014
Inventories	9			144,677,492,754			144,480,429,821
Current tax assets	24			153,380,832			19,640
Other financial assets	4,10			80,434,235,000			-
Other current assets	11,23			6,913,919,969			3,201,650,254
Assets held for sale	15			13,720,794,666			7,593,410,387
				<u>504,723,382,744</u>			<u>245,072,194,624</u>
Non-current assets							
Trade and other receivables	8,35			106,924,633,767			32,655,987,364
Other financial assets	10			4,880,232,551			3,389,652,629
Property, plant and equipment	12			586,727,198,498			501,305,014,903
Intangible assets	13			26,453,386,720			23,451,145,966
Right-of-use assets	14			13,589,130,530			15,116,127,769
Other non-current assets	11			394,088,690			897,804,283
Deferred tax assets	24			22,641,192,490			35,546,069,516
				<u>761,609,863,246</u>			<u>612,361,802,430</u>
Total assets		W		<u>1,266,333,245,990</u>	W		<u>857,433,997,054</u>
Liabilities							
Current liabilities							
Trade and other payables	16,22,35	W		301,035,052,381	W		186,185,026,502
Borrowings	18			26,219,312,896			28,417,831,613
Convertible notes	19			29,207,730,065			44,939,896,773
Derivative liabilities	20			22,863,896,943			34,870,261,562
Other current liabilities	11,23			22,697,454,917			13,319,015,911
Current tax liabilities	24			69,690,379,620			31,127,090,623
Lease liabilities	17			2,666,047,455			3,136,093,121
				<u>474,379,874,277</u>			<u>341,995,216,105</u>
Non-current liabilities							
Trade and other payables	16,35			5,935,170			22,060,850
Net defined benefit liabilities	21			58,947,888,006			56,998,348,349
Borrowings	18			38,071,176,464			49,135,030,272
Other financial liabilities	10			370,000,000			210,000,000
Other non-current liabilities	11,22,23			76,826,409,667			22,517,460,000
Deferred tax liabilities	24			1,103,930,722			-
Lease liabilities	17			4,026,469,926			5,279,597,315
				<u>179,351,809,955</u>			<u>134,162,496,786</u>
Total liabilities				<u>653,731,684,232</u>			<u>476,157,712,891</u>
Equity							
Share capital	25			17,079,214,000			17,079,214,000
Reserves	25			110,416,743,768			110,440,951,435
Other components of equity	26			(93,820,666)			(93,820,666)
Accumulated other comprehensive income	26			3,761,268,541			7,433,655,023
Retained earnings	27			479,347,289,526			244,424,804,159
Equity attributable to owners of the Parent Company				<u>610,510,695,169</u>			<u>379,284,803,951</u>
Non-controlling interest				<u>2,090,866,589</u>			<u>1,991,480,212</u>
Total equity				<u>612,601,561,758</u>			<u>381,276,284,163</u>
Total liabilities and equity		W		<u>1,266,333,245,990</u>	W		<u>857,433,997,054</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

SIMMTECH Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Sales	23,35,36	₩ 1,697,452,348,000	₩ 1,365,832,876,122
Cost of sales	29,35	<u>1,216,347,937,718</u>	<u>1,081,684,028,890</u>
Gross profit		481,104,410,282	284,148,847,232
Selling and administrative expenses	28,29,35	<u>128,750,162,167</u>	<u>109,829,836,450</u>
Operating profit		352,354,248,115	174,319,010,782
Other non-operating income	30	10,009,070,232	9,776,828,565
Other non-operating expenses	30	10,483,846,289	12,558,070,902
Finance income	31	69,149,784,425	34,167,900,213
Finance costs	31	<u>74,762,766,703</u>	<u>51,691,760,721</u>
Profit before income tax		346,266,489,780	154,013,907,937
Income tax expense	24	<u>100,165,478,684</u>	<u>35,720,989,829</u>
Profit for the year		<u>₩ 246,101,011,096</u>	<u>₩ 118,292,918,108</u>
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences		(3,866,001,904)	9,835,213,407
Loss on valuation of financial assets at fair value through other comprehensive income		(44,065,682)	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	21	5,022,951,869	(2,607,926,723)
Gain on valuation of financial assets at fair value through other comprehensive income		<u>34,320,716</u>	<u>10,988,752</u>
Other comprehensive income for the year, net of tax		<u>1,147,204,999</u>	<u>7,238,275,436</u>
Total comprehensive income for the year		<u>₩ 247,248,216,095</u>	<u>₩ 125,531,193,544</u>
Profit is attributable to:			
Owners of the Parent Company		₩ 245,820,150,142	₩ 117,185,182,302
Non-controlling interests		280,860,954	1,107,735,806
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company		₩ 247,173,037,385	₩ 123,989,792,192
Non-controlling interest		75,178,710	1,541,401,352
Earnings per share attributable to the equity holders of the Parent Company			
Basic and diluted earnings per share	32	₩ 7,719	₩ 3,680

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

SIMMTECH Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2022 and 2021

(in Korean won)

	Attributable to owners of the Parent Company								Non-controlling Interest	Total Equity
	Share capital	Share premium	Other Components of Equity	Accumulated Other Comprehensive Income	Retained Earnings	Total				
Balance at 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										
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	12,065,494	-	12,065,494	(1,076,742)	10,988,752		
Remeasurements of net defined 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										
Dividends paid	-	-	-	-	(10,418,091,840)	(10,418,091,840)	-	(10,418,091,840)		
Redemption of preferred shares	-	-	-	-	(14,209,183,739)	(14,209,183,739)	-	(14,209,183,739)		
Redemption of convertible notes	-	(6,215,720,867)	-	-	-	(6,215,720,867)	-	(6,215,720,867)		
Intra-group unequal capital increase 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 at 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		
Balance at January 1, 2022	₩ 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		
Total comprehensive income										
Profit for the year	-	-	-	-	245,820,150,142	245,820,150,142	280,860,954	246,101,011,096		
Other comprehensive income										
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	-	(10,242,616)	-	(10,242,616)	497,650	(9,744,966)		
Remeasurements of net defined benefit liabilities	-	-	-	-	5,025,273,725	5,025,273,725	(2,321,856)	5,022,951,869		
Exchange differences	-	-	-	(3,662,143,866)	-	(3,662,143,866)	(203,858,038)	(3,866,001,904)		
Total other comprehensive income	-	-	-	(3,672,386,482)	5,025,273,725	1,352,887,243	(205,682,244)	1,147,204,999		
Total comprehensive income for the year	-	-	-	(3,672,386,482)	250,845,423,867	247,173,037,385	75,178,710	247,248,216,095		
Transactions with owners										
Dividends paid	-	-	-	-	(15,922,938,500)	(15,922,938,500)	-	(15,922,938,500)		
Effect of changes in percentage of ownership in subsidiaries	-	(24,207,667)	-	-	-	(24,207,667)	24,207,667	-		
Total transactions with owners	-	(24,207,667)	-	-	(15,922,938,500)	(15,947,146,167)	24,207,667	(15,922,938,500)		
Balance at December 31, 2022	₩ 17,079,214,000	₩ 110,416,743,768	₩ (93,820,666)	₩ 3,761,268,541	₩ 479,347,289,526	₩ 610,510,695,169	₩ 2,090,866,589	₩ 612,601,561,758		

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

SIMMTECH Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	2022	2021
Cash flows from operating activities		
Cash generated from operations		
Profit for the year	₩ 246,101,011,096	₩ 118,292,918,108
Adjustments for:		
Post-employment benefits	17,021,243,814	15,196,003,267
Loss (gain) on valuation of inventories	(1,222,674,191)	6,731,388,390
(Reversal of) Impairment loss	349,169,913	(134,754,774)
Gain on foreign currency translation	(11,542,498,284)	(1,118,343,676)
Loss on foreign currency translation	16,849,808,486	3,417,480,063
Depreciation	81,183,067,668	77,905,645,308
Amortization	778,815,567	944,855,485
Gain on disposal of property, plant and equipment	(310,431,692)	(2,404,840,136)
Reversal of impairment loss on property, plant and equipment	-	(2,747,252,942)
Loss on disposal of property, plant and equipment	431,445,051	96,754,505
Loss on retirement of property, plant and equipment	1,889,137,015	3,635,144,162
Gain on disposal of intangible assets	-	(59,333,333)
Loss on disposal of intangible assets	-	45,500,000
Gain on valuation of derivatives	(5,376,265,967)	(184,921,946)
Loss on valuation of derivatives	7,171,272,398	1,720,171,861
Gain on transaction of derivatives	-	(321,398,274)
Gain on redemption of debentures	(2,043,167,782)	-
Loss on redemption of debentures	-	550,549,351
Gain on disposal of financial assets	(24,418,495)	-
Loss on disposal of financial assets	34,932	-
Gain on disposal of assets held for sale	(2,828,453,162)	-
Dividend income	(6,490,704)	(4,998,960)
Interest income	(2,246,254,555)	(591,856,107)
Interest expenses	8,075,623,093	9,540,033,955
Income tax expenses	100,165,478,684	35,720,989,829
	<u>208,314,441,789</u>	<u>147,936,816,028</u>
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(48,373,473,001)	(5,741,522,884)
Decrease (increase) in non-trade receivables	(48,494,717,437)	(3,801,758,567)
Decrease (increase) in advance payments	(3,157,955,091)	(501,256,341)
Decrease (increase) in prepaid expenses	(230,100,165)	281,704,933
Decrease (increase) in right to recover returned goods	(485,785,324)	(441,586,594)
Decrease (increase) in inventories	(1,680,527,737)	(27,024,757,827)
Decrease (increase) in long-term prepaid expenses	(221,905,092)	(72,349,791)
Decrease (increase) in other non-current assets	(208,820,879)	-
Increase (decrease) in trade payables	44,654,009,015	(28,497,175,640)
Increase (decrease) in non-trade payables	51,930,520,469	(23,341,335,368)
Increase (decrease) in advances from customers	54,934,730,324	(17,845,081,629)
Increase (decrease) in withholdings	1,231,088,085	1,442,976,312
Increase (decrease) in accrued expenses	(5,934,265,187)	12,161,049,219
Increase (decrease) in other long-term employee benefit liabilities	(1,017,435,914)	-
Increase (decrease) in defined benefit obligations	(3,152,761,016)	(4,095,311,524)
Increase (decrease) in refund liabilities	749,831,731	534,724,319
Increase in plan assets	(5,036,843,059)	(25,000,000,859)
Increase (decrease) in long-term non-trade payables	(2,285,209)	(86,419,899)
Increase (decrease) in long-term guarantee deposit received	-	210,000,000
	<u>35,503,304,513</u>	<u>(121,818,102,140)</u>
Interest received	1,243,318,551	179,604,712
Interest paid	(4,694,724,407)	(6,430,285,847)

SIMMTECH Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

Income taxes paid	(51,000,981,758)	(23,577,819,650)
Dividends received	6,490,704	4,998,960
Net cash inflow from operating activities	₩ 435,472,860,488	₩ 114,588,130,171
Cash flows from investing activities		
Decrease in short-term financial instruments	₩ 20,000,000,000	₩ -
Collection of short-term loans	2,255,295,670	5,187,868,685
Collection of long-term loans	5,930,000,000	441,210,645
Decrease in financial assets at fair value through other comprehensive income	53,360,398,283	-
Increase in government grants	7,510,000,000	-
Proceeds from disposal of property, plant and equipment	4,610,937,455	32,400,538,307
Proceeds from disposal of intangible assets	-	187,000,000
Decrease in deposits provided	43,570,711	-
Increase in short-term financial instruments	(90,030,000,000)	-
Increase in long-term financial instruments	(330,000,000)	(180,000,000)
Increase in financial assets at fair value through other comprehensive income	(63,255,018,546)	-
Increase in short-term loans	(787,182,500)	(6,500,000,000)
Increase in long-term loans	(3,430,000,000)	(32,000,000,000)
Payments for assets held for sale	(42,552,307,223)	-
Payments for property, plant and equipment	(158,947,043,538)	(76,610,210,163)
Payments for intangible assets	(1,262,575,160)	(865,576,000)
Increase in deposits provided	(1,514,066,073)	(809,659,144)
Net cash outflow due to business combination	(397,487,350)	(1,710,484,085)
Net cash outflow from investing activities	(268,795,478,271)	(80,459,311,755)
Cash flows from financing activities		
Proceeds from short-term borrowings	53,794,600,000	134,830,785,600
Proceeds from long-term borrowings	-	46,566,848,000
Proceeds from issuance of convertible notes	-	76,000,000,000
Increase in long-term guarantee deposit received	160,000,000	-
Repayments of short-term borrowings	(53,794,600,000)	(150,911,997,506)
Repayments of current portion of long-term borrowings	(7,468,193,453)	(50,652,582,509)
Repayments of long-term borrowings	(3,417,186,158)	(25,177,205,919)
Dividends paid	(15,922,938,500)	(10,418,091,840)
Repayments of lease liabilities	(4,390,183,979)	(4,458,520,543)
Decrease in derivatives liabilities	-	(4,740,000,000)
Redemption of redeemable preferred shares	-	(14,209,183,739)
Redemption of debentures	-	(1,401,126,400)
Redemption of convertible notes	(31,737,716,029)	(30,000,000,000)
Net cash outflow from financing activities	(62,776,218,119)	(34,571,074,856)
Net increase (decrease) in cash and cash equivalents	103,901,164,098	(442,256,440)
Cash and cash equivalents at the beginning of the financial year	16,724,588,508	17,097,430,541
Effects of exchange rate changes on cash and cash equivalents	(815,692,493)	69,414,407
Cash and cash equivalents at the end of the year	₩ 119,810,060,113	₩ 16,724,588,508

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

SIMMTECH Co., Ltd. and Subsidiaries

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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. 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 at December 31, 2022, the amount of ordinary shares is ₩ 17,079,214 thousand and the largest shareholder of the Group is SIMMTECH HOLDINGS Co., Ltd. who owns 33.05% of the shares issued.

Ordinary shares of the Company as at December 31, 2022, consists of:

Shareholders	Type	Ordinary shares	
		Number of shares	Percentage of ownership
(in shares)			
SIMMTECH HOLDINGS Co., Ltd.	Corporation	10,527,150	33.05%
Securities Financing	Securities related institution	946,930	2.97%
Hanhwa Small and Mid cap #2	Investment trust	297,126	0.93%
Barings Long- term Growth #5	Investment trust	200,000	0.63%
Samsung Long- term Growth #10	Investment trust	153,816	0.49%
Hankook Responsibility investment #4	Investment trust	153,220	0.48%
Others	-	19,575,901	61.45%
		<u>31,854,143</u>	<u>100.00%</u>

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2022 and 2021, are as follows:

	Location	Ownership interest held by the Group		Closing month	Main business
		2022	2021		
GLOBAL SIMMTECH Co., Ltd.	Korea	98.55%	98.55%	December	Holding company
Simmtech Hong Kong Holdings Limited ¹	Hong Kong	100.00%	100.00%	December	Holding company
Simmtech (Xian) Co., Ltd. ²	China	100.00%	100.00%	December	PCB manufacturing
STJ Holdings Co., Ltd. ³	Japan	100.00%	100.00%	December	Holding company
SIMMTECH GRAPHICS CO., Ltd. ^{4,5}	Japan	99.26%	99.18%	December	PCB manufacturing
T.E. TECH(M) SDN. BHD. ⁶	Malaysia	99.89%	95.80%	December	PCB inspection
Nippon Via Co., Ltd. ⁵	Japan	-	100.00%	December	Laser drill processing
A.I. Tech Co., Ltd.	Korea	100.00%	100.00%	December	PCB inspection
Bestics Co., Ltd ⁷	Korea	100.00%	-	December	Logistics service

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¹ A subsidiary of GLOBAL SIMMTECH Co., Ltd., an intermediate parent company.

² An entity held by a subsidiary of GLOBAL SIMMTECH Co., Ltd., an intermediate parent company.

³ A subsidiary of GLOBAL SIMMTECH Co., Ltd., an intermediate parent company.

⁴ An entity held by a subsidiary of GLOBAL SIMMTECH Co., Ltd., an intermediate parent company.

⁵ SIMMTECH GRAPHICS Co., Ltd. merged with Nippon Via Co., Ltd. during the year ended December 31, 2022.

⁶ The Group acquired additional 388,601 shares to reinforce control over the overseas affiliates and to simplify the equity structure during the year ended December 31, 2022.

⁷ The Group newly acquired 100% shares of the entity for ₩ 805,660 thousand during the year ended December 31, 2022.

Subsidiaries newly included in the consolidation for the year ended December 31, 2022:

Subsidiary	Reason
Bestics Co., Ltd	Newly acquired

Subsidiaries excluded from the consolidation for the year ended December 31, 2022:

Subsidiary	Reason
Nippon Via Co., Ltd.	Merged

Subsidiaries newly included in the consolidation for the year ended December 31, 2021:

Subsidiary	Reason
A.I. Tech Co., Ltd.	Newly acquired

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1.2 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

	2022			
	Assets	Equity	Sales	Profit (loss) for the year
GLOBAL SIMMTECH Co., Ltd.	₩ 199,685,861	₩ 107,180,600	₩ -	₩ (22,442,734)
Simmtech Hong Kong Holdings Limited	51,677,410	51,604,218	-	(48,278)
Simmtech (Xian) Co., Ltd.	134,240,239	109,021,417	178,037,492	17,472,133
STJ Holdings Co., Ltd.	67,401,752	60,140,733	-	(339,091)
SIMMTECH GRAPHICS CO., Ltd.	172,792,598	38,647,594	238,401,305	14,823,249
T.E. TECH(M) SDN. BHD.	4,216,669	2,858,099	3,289,460	(171,070)
A.I. Tech Co., Ltd.	4,355,814	(746,928)	5,582,462	(545,400)
Bestics Co., Ltd	1,563,173	734,562	2,636,551	79,884

(in thousands of Korean won)

	2021			
	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)

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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 financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – 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 and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022.

(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the 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, is extended to

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lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

(c) 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, in profit or loss. The amendment does not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the 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 1041 *Agriculture* – Measuring fair value

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

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(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as 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 right to defer settlement of the liability or the expectations of management. 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 them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of

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income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Group does not expect that these amendments have a significant impact on the financial statements.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of Korean IFRS 1117. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of Korean IFRS 1117. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of Korean IFRS 1109. The classification can be applied on an instrument-by-instrument basis.

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2.3 Consolidation

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

(a) Subsidiaries

Subsidiaries 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.

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

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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 between 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 or joint 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 an 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 available-for-sale equities are recognized in other comprehensive income.

(c) Translation to the presentation currency

The financial performance and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,

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- income and expenses for each statement of profit or loss are translated at average exchange rates, and
- all resulting exchange differences from 1) and 2) are recognized in other comprehensive income.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any accumulated exchange differences recognized in the equity line item is reclassified to profit or loss at a point when the gain or loss on disposal is recognized.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period.

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.

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. Changes in fair value of non-designated equity investment are recognized in profit or loss.

(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.

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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:** 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 non-operating income or expenses' and impairment losses are presented in 'other non-operating expenses'.
- **Fair value through profit or loss:** 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 non-operating 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.

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(c) Impairment

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

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

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

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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.

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 lives
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 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 by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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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 lives
Software	5 years
Industrial property rights	10
Customer relationships	5
Trademark	5

2.14 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.

2.15 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.

2.16 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss 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

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present as 'trade and other payables', and 'borrowings' in the statement of financial position.

Preferred shares that require mandatory redemption on a specific date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(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. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.17 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 and subsequently at the higher of:

- 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*

The fair value of a financial guarantee contract is determined based on the market price of similar financial instruments, comparing the interest rates of borrowings with and without financial guarantees, or based on the amount to be paid for financial guarantees.

The related liability is recognized as 'other financial liabilities' in the statement of financial position.

2.18 Compound Financial Instruments

Compound financial instruments are convertible notes that can be converted into equity instruments at the option of the holder. The Group assesses the conditions of compound financial instrument and determines whether it holds both equity component and liability component.

If compound financial instrument holds both equity component and liability component, 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 measured 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 costs are allocated to the liability

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and equity components in proportion to their initial carrying amounts.

In other cases, the liability component of a compound financial instrument is recognized initially at fair value by each liability component. The debenture component is subsequently measured at amortized cost until extinguished on conversion or maturity of the debentures, and the conversion right component is remeasured at amortized cost until extinguished on its conversion or maturity. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2.19 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred 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.

The current income 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 profit nor taxable profit or loss.

Deferred 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 tax liability 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 tax asset for all deductible temporary differences arising from such investments

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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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.21 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. 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) Other long-term employee benefits

The Group provides long-term employee benefits that are entitled to employees with service period for five years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

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2.22 Revenue Recognition

(a) Identifying performance obligation

The Group is mainly engaged in the business of sales of Printed Circuit Board (PCB) and others. For the product sales contract, the Group separates contracts to identify a performance obligation from service rendered, apart from sales of goods or products.

The Group determines standard warranty coverage periods per product and country, considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If the Group provides an extended warranty beyond the standard warranty coverage periods or a customer has the option to purchase an additional warranty separately, the Group identifies the warranty as a separate performance obligation and recognizes revenue.

(b) Performance obligation satisfied at a point in time

Revenues from sales of goods are recognized at the time the goods are delivered to the customer. The delivery of goods occurs only when the goods are transferred to a specific location, the risk of obsolescence and loss is transferred to the customer, and the customer either approves the goods under the sales contract, or the approval periods elapse, or the Group has objective evidence that its delivery has been met the acceptance requirements.

(c) Variable considerations

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

(d) Refund

A gross contract liability (refund liability) for the expected returns to customers is recognized as adjustment to revenue, and the Group has a right to recover the product from the customer when the customer exercises his right of return and recognizes an asset and a corresponding adjustment to cost of sales. A right to recover the products is measured at former carrying amount of the product less the costs to recover the products.

(e) Significant financing component

In general, the period between the transfer of the promised goods or services to the customer and the payment made by the customer is less than one year. In this case, the Group uses the practical expedient in which the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

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2.23 Leases

The Group leases various offices, warehouses, equipment cars and others. Lease contracts are typically made for fixed periods of 1 to 6 years, but may have extension options as described in (b) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- 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 the 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.

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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
- 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 small items of office furniture.

(a) Variable lease payments

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

(b) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. 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.

2.24 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.

2.25 Approval of Issuance of the Financial Statements

The consolidated financial statements 2022 were approved for issue by the Board of Directors on March 9, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

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3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) 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).

(b) 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).

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) 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 at 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.

(d) 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

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assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 4).

(e) 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 21).

4. Financial Risk Management and Fair Value

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

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(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 amount of financial instruments represents the maximum amount of credit exposures.

<i>(in thousands of Korean won)</i>	2022		2021	
Cash and cash equivalents	₩	119,797,983	₩	16,724,589
Trade and other receivables (Current)		129,483,523		68,165,707
Trade and other receivables (Non-current)		106,924,634		32,655,987
Other financial assets (Current)		80,434,235		-
Other financial assets (Non-current) ¹		4,702,083		3,389,653
Performance guarantee		-		80,000
	₩	<u>441,342,458</u>	₩	<u>121,015,935</u>

¹ Equity instruments are excluded.

The aging analysis of the trade and other receivables as at December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Receivables not past due	₩	<u>226,981,333</u>	₩	<u>95,770,370</u>
		226,981,333		95,770,370
Overdue receivables ¹				
Less than 3 months		7,832,893		5,024,146
Between 3 and 6 months		917,272		62,766
Over 6 months		<u>733,620</u>		<u>10,015,263</u>
		9,483,785		15,102,175
	₩	<u>236,465,118</u>	₩	<u>110,872,545</u>

¹ Provision for overdue receivables amounts to ₩ 56,961 thousand and ₩ 10,050,851 thousand as at December 31, 2022 and 2021, respectively.

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The movements on provision for impairment of financial assets for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Beginning balance	₩ 56,543	₩ 9,994,307	₩ 2,522,255	₩ 9,994,307
Impairment loss (reversal)	349,170	-	(134,755)	-
Collection / Elimination	(346,418)	(9,903,471)	(2,331,282)	-
Foreign currency translation effect	(2,334)	(90,837)	326	-
Ending balance	₩ 56,961	₩ -	₩ 56,543	₩ 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.

The following is the contractual maturities of financial liabilities as at December 31, 2022 and 2021, including estimated interest payments and excluding the impact of netting agreements:

(in thousands of Korean won)

	2022			
	Contractual cash flows	12 months or less	1 to 2 years	More than 2 years
Derivative instruments				
Derivative financial liabilities	₩ 22,863,897	₩ 22,863,897	₩ -	₩ -
Non-derivative instruments				
Trade and other payables ¹	289,804,471	289,798,536	5,935	-
Lease liabilities	8,200,307	2,829,529	1,614,613	3,756,165
Borrowings	66,730,156	27,282,475	7,921,377	31,526,304
Convertible notes	47,610,000	47,610,000	-	-

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¹ The liabilities related to employee benefits that are not included in financial liabilities are excluded.

(in thousands of Korean won)

	2021			
	Contractual cash flows	12 months or less	1 to 2 years	More than 2 years
Derivative instruments				
Derivative financial liabilities	₩ 34,870,262	₩ 34,870,262	₩ -	₩ -
Non-derivative instruments				
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 notes	78,780,000	78,780,000	-	-
Performance guarantee	80,000	80,000	-	-

(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.

(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, US dollars and Japanese yen 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 at December 31, 2022 and 2021, is as follows:

(in US dollars, and Japanese yen)

	2022		2021	
	USD	JPY	USD	JPY
Cash and cash equivalents	75,154,083	551,331,316	4,848,499	-
Deposits	180,000	5,802,000	13,330	964,000
Trade and other receivables	269,348,123	1,375,149,567	71,057,878	3,113,666,942
Trade and other payables	(113,950,045)	(4,777,559,335)	(24,598,204)	(3,840,224,608)
Other liabilities	(29,064,280)	-	-	-
Borrowings	(18,360,000)	-	-	-
Exposure, net	<u>183,307,882</u>	<u>(2,845,276,452)</u>	<u>51,321,503</u>	<u>(725,593,666)</u>

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The following exchange rates were applied during 2022 and 2021:

<i>(in Korean won)</i>	Average exchange rate		Ending exchange rate	
	2022	2021	2022	2021
USD	₩ 1,291.95	₩ 1,144.42	₩ 1,267.30	₩ 1,185.50
JPY	9.83	10.41	9.53	10.30

The impact of appreciated/depreciated Korean won by 5% against foreign currencies on the profit or loss before income tax as at December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>		2022	2021
USD	Increase 5%	₩ 11,615,304	₩ 3,042,082
JPY	Increase 5%	(1,356,030)	(373,768)

As at December 31, 2022, 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 borrowings 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 at December 31, 2022 and 2021, was as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Fixed interest rate instruments:		
Trade and other receivables	₩ 128,800,135	₩ -
Other financial assets	81,624,235	1,405,000
Borrowings	(9,531,800)	(10,381,214)
Convertible notes	(29,207,730)	(44,939,897)
	<u>₩ 171,684,840</u>	<u>₩ (53,916,111)</u>
Floating interest rate instruments:		
Borrowings	<u>₩ (54,758,689)</u>	<u>₩ (67,171,648)</u>
	<u>₩ (54,758,689)</u>	<u>₩ (67,171,648)</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>	2022		2021	
	1% point increase	1% point decrease	1% point increase	1% point decrease
Variable rate financial instruments	₩ (547,587)	₩ 547,587	₩ (671,716)	₩ 671,716

(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 at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Total liabilities	₩	653,731,684	₩	476,157,713
Total equity		612,601,562		381,276,284
Debt-to-equity ratio		106.71%		124.89%
Cash and cash equivalents	₩	119,810,060	₩	16,724,589
Borrowings		64,290,489		77,552,862
Convertible notes		29,207,730		44,939,897
Derivatives liabilities		22,863,897		34,870,262
Net borrowings	₩	(3,447,944)	₩	140,638,432
Net borrowings-to-equity ratio		-0.56%		36.89%

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(f) Fair Value

(i) The carrying amount and fair value of financial instruments by category as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets measured at amortized cost:				
Cash and cash equivalents	₩ 119,810,060	1	₩ 16,724,589	1
Trade and other receivables	211,078,135	1	82,469,148	1
Other financial assets	75,277,083	1	3,245,213	1
Financial assets at fair value through other comprehensive income				
Other financial assets	10,037,384	₩ 10,037,384	144,440	₩ 144,440
Trade and other receivables	25,330,021	1	18,352,547	1
Liabilities measured at amortized cost:				
Trade and other payables ²	₩ 289,804,471	1	₩ 173,433,395	1
Borrowings	64,290,489	1	77,552,862	1
Convertible notes	29,207,730	1	44,939,897	1
Other financial liabilities	370,000	1	210,000	1
Financial liabilities at fair value through profit or loss				
Derivatives liabilities	22,863,897	₩ 22,863,897	34,870,262	₩ 34,870,262

¹ Fair value is not disclosed as the carrying amount is a reasonable approximation of fair value.

² The liabilities related to employee benefits that are not included in financial liabilities are excluded.

(ii) Fair value hierarchy

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date.
- Level 2: All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at

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(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income (other financial instruments)	₩ 156,989	₩ -	₩ 9,880,395	₩ 10,037,384
Financial liabilities at fair value through profit or loss				
Derivatives liabilities	-	-	22,863,897	22,863,897

(in thousands of Korean won)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income (other financial instruments)	₩ 121,465	₩ -	₩ 22,975	₩ 144,440
Financial liabilities at fair value through profit or loss				
Derivatives liabilities	-	-	34,870,262	34,870,262

There's no transfer between levels.

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(iii) Valuation technique and inputs

Valuation techniques and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>		2022			
	Fair value	Valuation techniques	Inputs	Range of inputs	
Derivatives liabilities (conversion right)	₩ 22,988,818	Binomial Tree Model	Stock price volatility and discount rate	Stock price volatility: 44.51%	
Derivatives liabilities (call/put)	(124,921)			Risk-free discount rate: 3.73%	
Financial assets at fair value through other comprehensive income (other financial instruments)	9,880,396	Present value technique	Credit risk adjusted discount rate	Company's discount rate: 15.33%	
				Discount rate: 9.82%	
				Discount rate: 9.86%	
<i>(in thousands of Korean won)</i>		2021			
	Fair value	Valuation techniques	Inputs	Range of inputs	
2 nd derivatives liability	₩ 10,381,874	Binomial 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%	

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(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 at December 31, 2022, are as follows:

(in thousands of Korean won)

	2022	
	Favorable changes	Unfavorable change
Financial liabilities:		
Derivatives liabilities (conversion right)	₩ (2,936,821)	₩ 2,729,802
Put option	(561,824)	1,093,058
Call option	826,111	(756,438)

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 $\pm 10\%$.

(g) Offsetting Financial Assets and Financial Liabilities

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

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5. Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Financial assets			
Cash and cash equivalents	₩ 119,810,060	₩ -	₩ 119,810,060
Trade and other receivables	211,078,135	25,330,021	236,408,156
Other financial assets	75,277,083	10,037,384	85,314,467
	<u>₩ 406,165,278</u>	<u>₩ 35,367,405</u>	<u>₩ 441,532,683</u>

(in thousands of Korean won)

	2022			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Others	Total
Financial liabilities				
Trade and other payables ¹	₩ -	₩ 289,804,471	₩ -	₩ 289,804,471
Borrowings	-	64,290,489	-	64,290,489
Convertible notes	-	29,207,730	-	29,207,730
Derivatives liabilities	22,863,897	-	-	22,863,897
Lease liabilities	-	-	6,692,517	6,692,517
	<u>₩ 22,863,897</u>	<u>₩ 383,302,690</u>	<u>₩ 6,692,517</u>	<u>₩ 412,859,105</u>

¹ The liabilities related to employee benefits that are not included in financial liabilities are excluded.

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(in thousands of Korean won)

	2021		
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Financial assets			
Cash and cash equivalents	₩ 16,724,589	₩ -	₩ 16,724,589
Trade and other receivables	82,469,148	18,352,547	100,821,694
Other financial assets	3,245,213	144,440	3,389,653
	<u>₩ 102,438,949</u>	<u>₩ 18,496,986</u>	<u>₩ 120,935,935</u>

(in thousands of Korean won)

	2021			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Others	Total
Financial liabilities				
Trade and other payables	₩ -	₩ 171,342,203	₩ -	₩ 171,342,203
Borrowings	-	77,552,862	-	77,552,862
Convertible notes	-	44,939,897	-	44,939,897
Derivatives liabilities	34,870,262	-	-	34,870,262
Lease liabilities	-	-	8,415,690	8,415,690
	<u>₩ 34,870,262</u>	<u>₩ 293,834,962</u>	<u>₩ 8,415,690</u>	<u>₩ 337,120,914</u>

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Net gains or net losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Interest income	₩ 2,246,255	₩ -	₩ 2,246,255
Exchange differences, net	(548,544)	-	(548,544)
Impairment loss	(349,170)	-	(349,170)
Loss on disposal of trade receivables	-	(5,783,802)	(5,783,802)
Dividend income	-	6,491	6,491
Loss on valuation of financial assets at fair value through other comprehensive income	-	(9,745)	(9,745)
Gain on disposal of financial assets at fair value through other comprehensive income	-	24,384	24,384

(in thousands of Korean won)

	2022			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Others	Total
Interest expenses	₩ -	₩ (7,777,484)	₩ (298,139)	₩ (8,075,623)
Exchange differences, net	-	485,894	-	485,894
Loss on valuation of derivatives	(1,795,006)	-	-	(1,795,006)
Gain on redemption of debentures	-	2,043,168	-	2,043,168

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(in thousands of Korean won)

	2021		
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Interest income	₩ 591,856	₩ -	₩ 591,856
Exchange differences, net	1,487,910	-	1,487,910
Impairment loss	(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 at fair value through other comprehensive income	-	10,989	10,989

(in thousands of Korean won)

	2021			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Others	Total
Interest expenses	₩ -	₩ (9,145,613)	₩ (394,421)	₩ (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	(1,535,250)	-	-	(1,535,250)

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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, 2022, 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 ₩ 5,783,801 thousand (2021: ₩ 3,953,471 thousand) was recognized. As at December 31, 2022, the trade receivables derecognized and not matured amount to ₩ 114,174,012 thousand (2021: ₩ 180,569,888 thousand).

7. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2022 and 2021, consist of the following:

<i>(in thousands of Korean won)</i>	2022	2021
Cash on hand	₩ 12,077	₩ 10,988
Demand deposits	119,584,708	16,019,663
	<u>₩ 119,596,785</u>	<u>₩ 16,030,651</u>

Restricted financial instruments as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Demand deposits	₩ 213,275	₩ 693,937

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8. Trade and Other Receivables

Details of trade and other receivables as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 102,136,974	₩ -	₩ 60,293,713	₩ -
Provision for impairment	(56,961)	-	(35,588)	-
Non-trade receivables	34,220,275	77,581,557	10,300,835	-
Provision for impairment	-	-	(20,955)	-
Accrued income	549,718	868,077	36,296	378,162
Loans	2,163,495	28,475,000	2,497,796	42,272,132
Provision for impairment	-	-	-	(9,994,307)
	<u>₩ 139,013,501</u>	<u>₩ 106,924,634</u>	<u>₩ 73,072,096</u>	<u>₩ 32,655,987</u>

9. Inventories

Details of inventories as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			2021		
	Cost	Valuation allowance	Book amount	Cost	Valuation allowance	Book amount
Finished goods	₩ 69,860,804	₩ (5,993,253)	₩ 63,867,551	₩ 43,041,824	₩ (9,660,819)	₩ 33,381,005
Work in process	37,117,119	(6,410,864)	30,706,255	81,223,902	(3,936,066)	77,287,835
Raw materials	42,050,876	(1,240,635)	40,810,241	27,080,155	(1,681,879)	25,398,276
Sub-materials	3,156,578	-	3,156,578	2,698,447	-	2,698,447
Supplies	5,920,771	-	5,920,771	4,881,142	-	4,881,142
Goods in transit	216,097	-	216,097	387,708	-	387,708
Merchandise	-	-	-	446,016	-	446,016
	<u>₩ 158,322,245</u>	<u>₩ (13,644,752)</u>	<u>₩ 144,677,493</u>	<u>₩ 159,759,195</u>	<u>₩ (15,278,765)</u>	<u>₩ 144,480,430</u>

Inventories recognized as an expense during the year ended December 31, 2022, amounted to ₩ 1,216,347,938 thousand (2021: ₩ 1,081,684,029 thousand). These were included in 'cost of sales'.

The reversal of loss on valuation of inventories amounted to ₩ (-)1,222,674 thousand (2021: ₩ (-) 6,731,388 thousand).

Inventories of the Parent Company are pledged as collateral for the loan agreement with the Export-Import Bank of Korea, and the collateral amount is USD 41,600,000.

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10. Other Financial Assets and Liabilities

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

(in thousands of Korean won)

	2022		2021	
	Current	Non-current	Non-current	
Other financial assets:				
Long-term and short-term financial instruments	₩ 70,575,000	₩ 1,190,000	₩	1,405,000
Financial assets at fair value through other comprehensive income	9,859,235	178,149		144,440
Guarantee deposits	-	3,512,084		1,840,213
	<u>₩ 80,434,235</u>	<u>₩ 4,880,233</u>	<u>₩</u>	<u>3,389,653</u>
Other financial liabilities:				
Leasehold deposits received	₩ -	₩ 370,000	₩	210,000
	<u>₩ -</u>	<u>₩ 370,000</u>	<u>₩</u>	<u>210,000</u>

Details of financial assets at fair value through other comprehensive income as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Current:		
MMT	₩ 9,859,235	₩ -
	<u>9,859,235</u>	<u>-</u>
Non-current:		
Listed stock		
The Hachijuni Bank, Ltd	156,989	121,465
Unlisted stock		
The Shoko Chukin Bank, Ltd.	19,064	20,605
Suwa Meal Service Cooperative Association	953	1,030
Business Cooperative Association Hi-Coop	953	1,030
Cooperative MBA	95	103
J-Wac Cooperative Association	-	103
JOE Cooperative Association	95	103
Total ¹	<u>178,149</u>	<u>144,440</u>
	<u>₩ 10,037,384</u>	<u>₩ 144,440</u>

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

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Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Non-current	
Beginning balance	₩ -	₩ 144,440	₩	131,993
Acquisition	63,255,019	-		-
Decreases	(53,335,912)	(103)		-
Changes in fair values	(59,872)	50,127		10,989
Exchange differences	-	(16,315)		1,458
Ending balance	₩ 9,859,235	₩ 178,149	₩	144,440

11. Other Assets and Liabilities

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

<i>(in thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Other assets				
Prepaid expenses	₩ 1,418,209	₩ 196,310	₩ 1,208,503	₩ 897,804
Advance payments	4,216,009	-	1,187,156	-
Right to recover returned goods	1,279,702	-	805,992	-
Others	-	197,779	-	-
	₩ 6,913,920	₩ 394,089	₩ 3,201,650	₩ 897,804
Other liabilities				
Advances from customers	₩ 14,854,674	₩ 72,236,034	₩ 7,515,001	₩ 22,517,460
Withholdings	6,145,654	-	4,841,885	-
Refund liabilities	1,697,127	-	962,130	-
Long-term employee benefits	-	4,590,376	-	-
	₩ 22,697,455	₩ 76,826,410	₩ 13,319,016	₩ 22,517,460

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12. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			
	Land	Buildings	Structures	Machinery
Opening net book amount	₩ 32,014,910	₩ 123,840,666	₩ 1,236,807	₩ 180,909,377
Changes in consolidation scope	-	247,066	-	24,601
Acquisition	2,575,086	3,779,956	409,224	24,812,472
Transfer ¹	9,524,413	1,082,840	-	34,129,460
Disposal	(439,967)	(315,035)	(2,888)	(3,610,213)
Scrapped	-	-	-	(1,889,137)
Depreciation	-	(7,501,946)	(331,901)	(44,821,810)
Exchange differences	(767,248)	3,893,708	602,562	(4,645,937)
Closing net book amount	<u>₩ 42,907,195</u>	<u>₩ 125,027,256</u>	<u>₩ 1,913,803</u>	<u>₩ 184,908,813</u>
Acquisition cost	₩ 42,907,195	₩ 193,286,518	₩ 10,134,263	₩ 656,740,306
Accumulated depreciation	-	(66,453,971)	(8,220,460)	(470,682,480)
Government grants	-	(1,805,292)	-	(1,149,012)

(in thousands of Korean won)

	2022			
	Vehicles	Facility equipment and others	Construction in progress	Total
Opening net book amount	₩ 124,955	₩ 136,028,580	₩ 27,149,720	₩ 501,305,015
Changes in consolidation scope	9,900	103,155	-	384,722
Acquisition	12,500	10,463,439	129,973,466	172,026,143
Transfer ¹	89,676	162,916	(47,288,813)	(2,299,509)
Disposal	(10,889)	(352,958)	-	(4,731,951)
Scrapped	-	-	-	(1,889,137)
Depreciation	(71,249)	(24,831,753)	-	(77,558,658)
Exchange differences	(32)	857,732	(450,212)	(509,427)
Closing net book amount	<u>₩ 154,862</u>	<u>₩ 122,431,110</u>	<u>₩ 109,384,161</u>	<u>₩ 586,727,198</u>
Acquisition cost	₩ 863,338	₩ 327,459,416	₩ 116,320,461	₩ 1,347,711,497
Accumulated depreciation	(708,476)	(205,028,306)	-	(751,093,694)
Government grants	-	-	(6,936,300)	(9,890,604)

¹ Transfer of assets held for sale is included.

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(in thousands of Korean won)

	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	<u>₩ 32,014,910</u>	<u>₩ 123,840,666</u>	<u>₩ 1,236,807</u>	<u>₩ 180,909,377</u>
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)

(in thousands of Korean won)

	2021			
	Vehicles	Facility equipment and others	Construction in progress	Total
Opening net book amount	₩ 187,863	₩ 144,022,294	₩ 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	-	1,051,571	-	2,747,253
Depreciation	(62,886)	(24,057,124)	-	(74,911,621)
Exchange differences	(22)	736,480	(332,880)	642,911
Closing net book amount	<u>₩ 124,955</u>	<u>₩ 136,028,580</u>	<u>₩ 27,149,720</u>	<u>₩ 501,305,015</u>
Acquisition cost	₩ 726,909	₩ 323,972,642	₩ 27,149,720	₩ 1,229,563,368
Accumulated depreciation	(601,954)	(187,944,062)	-	(725,616,513)
Government grants	-	-	-	(2,641,839)

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Line items including depreciation in the statements of comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Selling and administrative expenses	₩ 556,572	₩ 518,010
Cost of sales	77,002,086	74,393,611
	<u>₩ 77,558,658</u>	<u>₩ 74,911,621</u>

Details of property, plant and equipment provided as collateral as at December 31, 2022, are as follows:

(in thousands of Korean won, USD, JPY)

Provider	Secured assets	Carrying amount	Secured party	Secured amount	Related line item	Related amount
			Samsung Electronic Co.,Ltd.	₩ 35,000,000	Advances from customers	₩ 50,000,000
SIMMTECH CO., LTD.	Land, buildings and machinery ¹	₩ 158,554,725	SK Hynix Inc.	\$ 37,000,000	Advances from customers	\$ 18,993,280
			Korea Development Bank	₩ 125,000,000	L/C USANCE 2	\$ 20,000,000 ₩ 80,000,000
			Shinhan Bank	8,400,000	2	7,000,000
SIMMTECH GRAPHICS Co., Ltd.	Land, buildings and machinery	101,330,387	Group of lenders' syndicate	JPY 6,520,200,000	Borrowings	JPY 5,744,842,460

¹ It is the carrying amount of secured assets among land, buildings, and machinery owned by the Parent Company, such as a factory and training center.

² It is the maximum limit of the bank credit as listed in Note 34 Commitments and Contingencies.

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

As at December 31, 2022, the Group has commitments for acquisition of property, plant and equipment amounting to ₩ 8,343,955 thousand.

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13. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022				
	Software and others	Membership	Goodwill	Construction in progress	Total
Beginning balance	₩ 1,699,511	₩ 151,408	₩ 21,600,227	₩ -	₩ 23,451,146
Changes in consolidation scope	603	-	-	-	603
Acquisition	204,175	-	-	1,223,100	1,427,275
Transfer	1,779,999	-	-	(856,600)	923,399
Amortization	(778,816)	-	-	-	(778,816)
Exchange differences	(59,554)	(1,091)	1,490,425	-	1,429,779
Ending balance	<u>₩ 2,845,918</u>	<u>₩ 150,317</u>	<u>₩ 23,090,652</u>	<u>₩ 366,500</u>	<u>₩ 26,453,387</u>
Acquisition cost	₩ 26,695,066	₩ 150,317	₩ 23,090,652	₩ 366,500	₩ 50,302,534
Accumulated amortization	(23,849,148)	-	-	-	(23,849,148)

(in thousands of Korean won)

	2021				
	Software and others	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	₩ 798,656	₩ 21,600,227	₩ -	₩ 46,922,581
Accumulated amortization	(22,824,187)	(647,248)	-	-	(23,471,435)

Line items including amortization in the statements of comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Selling and administrative expenses	₩ 699,571	₩ 843,425
Cost of sales	79,245	101,430
	<u>₩ 778,816</u>	<u>₩ 944,855</u>

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Research and development costs incurred for the year ended December 31, 2022, are ₩ 14,855,360 thousand (2021: ₩ 21,589,893 thousand) and the amount of ₩ 12,964,068 thousand (2021: ₩ 14,118,283 thousand) and ₩ 1,891,293 thousand (2021: ₩ 7,471,611 thousand) are recognized as cost of manufacturing and selling and administrative expense, respectively.

Goodwill is allocated to the cash-generating unit. Details of goodwill as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Goodwill	₩ 23,090,652	₩ 21,600,227

The recoverable amount of cash-generating unit has been determined based on value-in-use or fair value less cost of disposal calculations. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period is only estimated in the maximum range of long-term average growth rate in the industry where the cash-generating units are affiliated to.

Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Also, the discount rate used is a rate which reflects particular risk of the cash-generating unit. The key assumptions applied in value-in-use calculations of the cash-generating unit as at December 31, 2022, are as follows:

	2022
Pre-tax discount rate	19.30%
Nominal permanent growth rate	0.00%

The sensitivity of the impairment test according to changes in the principal assumptions is:

	Simmtech Hong Kong Holdings Limited	
	1%p increase	1%p decrease
Pre-tax discount rate	-	-
Nominal permanent growth rate	-	-

(*) The amount relates to the impairment losses on Simmtech Hong Kong Holdings Limited and its subsidiaries, which are managed as a separate cash-generating unit.

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14. Right-of-use Assets

Changes in right-of-use assets for the years ended December 31, 2022 and 2021, are as follows:

*(in thousands of
Korean won)*

	2022					
	Facility equipment	Buildings	Vehicles	Machinery	Tools	Total
Beginning balance	₩ 8,637,029	₩ 4,813,297	₩ 879,930	₩ 741,792	₩ 44,080	₩ 15,116,128
Changes in consolidation scope	-	415,903	12,806	-	-	428,709
Acquisition	126,321	1,518,111	416,092	-	10,638	2,071,162
Termination	(26,382)	(195,706)	(223,598)	(741,792)	-	(1,187,477)
Depreciation	(574,098)	(2,339,856)	(664,281)	-	(46,175)	(3,624,410)
Exchange differences	782,014	(13,432)	15,699	-	738	785,019
Ending balance	<u>₩ 8,944,883</u>	<u>₩ 4,198,317</u>	<u>₩ 436,649</u>	<u>₩ -</u>	<u>₩ 9,282</u>	<u>₩ 13,589,131</u>

*(in thousands of
Korean won)*

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

Line items including depreciation of right-of-use assets in the statements of comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Selling and administrative expenses	₩ 1,340,295	₩ 1,125,331
Cost of sales	2,284,115	1,868,694
	<u>₩ 3,624,410</u>	<u>₩ 2,994,025</u>

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15. Assets held for sale

The management approved to sell some portion of machinery and changes in assets held for sale for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	SUSTIO SDN. BHD.		SUSTIO SDN. BHD.	
Beginning balance	₩	7,593,410	₩	-
Acquisition		57,909,198		2,327,077
Transfer		2,299,509		5,266,334
Disposal		(54,081,322)		-
Ending balance	₩	<u>13,720,795</u>	₩	<u>7,593,410</u>

For the year ended December 31, 2022, related gains and losses of ₩ 2,828,453 thousand (2021: ₩ - thousand) occurred in relation to assets held for sale.

16. Trade and Other Payables

Trade and other payables as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Trade payables	₩ 86,665,451	₩ -	₩ 45,553,026	₩ -
Non-trade payables	194,736,614	5,935	113,466,119	22,061
Accrued expenses	<u>19,632,987</u>	-	<u>27,165,882</u>	-
	<u>₩ 301,035,052</u>	<u>₩ 5,935</u>	<u>₩ 186,185,027</u>	<u>₩ 22,061</u>

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17. Lease Liabilities

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

<i>(in thousands of Korean won)</i>	2022		2021	
Current	₩	2,666,047	₩	3,136,093
Non-current		4,026,470		5,279,597
	₩	<u>6,692,517</u>	₩	<u>8,415,690</u>

The consolidated statement of comprehensive income shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2022	
Depreciation	₩	3,624,410
Interest expense relating to lease liabilities		298,139
Expense relating to short-term leases		1,652,952
Expense relating to leases of low-value assets that are not short-term leases		960,741
	₩	<u>6,536,242</u>

Depreciation of right-of-use assets is explained in Note 14.

The total outflow for short-term leases and leases of low-value assets, are ₩ 7,302,017 thousand.

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18. Borrowings

Details of borrowings as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Category	Creditor	Latest maturity date	Annual interest rate (%)	2022	2021
Short-term borrowings					
Loans in Japanese Yen	Sumitomo Mitsui Banking	2023-06-27	TIBOR+1.75	₩ 4,661,050	₩ 5,037,874
Loans in Japanese Yen	The Shoko Chukin Bank, Ltd	2023-06-27	TIBOR+1.75	1,143,816	1,236,288
Loans in Japanese Yen	The Nagano Bank Ltd.	2023-06-27	TIBOR+1.75	915,053	989,030
Loans in Japanese Yen	Mizuho Bank, Ltd.	2023-06-27	TIBOR+1.75	600,503	649,051
Loans in Japanese Yen	THE HACHIJUNI BANK, LTD.	2023-06-27	TIBOR+1.75	2,211,378	2,390,157
Loans in Japanese Yen	Woori Bank	2023-12-21	0.55	9,531,800	10,302,400
Reclassification of current portion				7,155,713	7,813,032
				<u>₩ 26,219,313</u>	<u>₩ 28,417,832</u>
Long-term borrowings					
Loans in Japanese Yen	Sumitomo Mitsui Banking	2025-12-30	TIBOR+2.10	₩ 22,135,162	₩ 27,833,221
Loans in Japanese Yen	THE HACHIJUNI BANK, LTD.	2025-12-30	TIBOR+2.10	10,503,101	13,206,822
Loans in Japanese Yen	The Shoko Chukin Bank, Ltd	2025-12-30	TIBOR+2.10	5,514,336	6,816,676
Loans in Japanese Yen	The Nagano Bank Ltd.	2025-12-30	TIBOR+2.10	4,222,095	5,426,120
Loans in Japanese Yen	Mizuho Bank, Ltd.	2025-12-30	TIBOR+2.10	2,852,194	3,586,410
Loans in Japanese Yen	Public Bank Berhad	-	2.0	-	78,814
Reclassification of current portion				(7,155,713)	(7,813,032)
				<u>38,071,176</u>	<u>49,135,030</u>
				<u>₩ 64,290,489</u>	<u>₩ 77,552,862</u>

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Changes in borrowings for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 77,552,862	₩ 126,473,552
Borrowing	53,794,600	181,397,634
Repayment	(64,679,980)	(228,142,912)
Others	(2,376,993)	(2,175,411)
Ending balance	<u>₩ 64,290,489</u>	<u>₩ 77,552,862</u>

Property, plant and equipment are provided as collaterals for certain portion of borrowings as at December 31, 2022 (Note 12).

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19. Convertible Notes

The issuer of the convertible notes is Global Simmtech Co., Ltd., a consolidated subsidiary.

Details of convertible notes as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022						
	Beginning balance	New issuance	Amortization	Gain on valuation	Repayment	Ending balance	
Issued amount	₩ 76,000,000	₩ -	₩ -	₩ -	₩ (30,000,000)	₩ 46,000,000	
Conversion right adjustment	(31,060,103)	-	4,247,346	-	10,020,487	(16,792,270)	
The net value of convertible notes	₩ 44,939,897	₩ -	₩ 4,247,346	₩ -	₩ (19,979,513)	₩ 29,207,730	
Conversion right consideration (liabilities)	₩ 26,893,234	₩ -	₩ -	₩ 7,046,351	₩ (11,075,688)	₩ 22,863,897	

(in thousands of Korean won)

	2021						
	Beginning balance	New issuance	Amortization	Loss on valuation	Transfer	Repayment	Ending balance
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 notes	₩ 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)	-

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Details of convertible notes issued in 2022 are as follows:

(in thousands of Korean won)

	#	Type	Par value	Issue date	Maturity date	Issued value	Interest rate and yield to maturity
KER Hana Bank and Industrial Bank of Korea	3 rd	Bearer and non-guaranteed private convertible notes	₩ 46,000,000	2021.08.06	2026.08.06	100% of par value	3.50%

Major terms and 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
3 rd	Par value/conversion price = Shares of stock to be issued Whole or part of conversion right is exercisable	₩ 9,882	4,654,928	2022.08.06	2026.07.01

The details about the conversion right are set forth in “*Clauses for conversion right*” below.

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

- The condensed significant terms and conditions are as follows:

	Remark
Type	3 rd bearer and non-guaranteed private convertible note
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 to one month before maturity date)
Repayment	Lump sum repayment at maturity
	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.
Interest payment method and dates	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: May 1, 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, February 1, 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 convertible notes being requested to be converted by conversion price mentioned on (3). The fraction share shall not be admitted. The bearers of convertible notes 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

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(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 notes with the ratio of conversion, by conversion price. (In case that two or more notes are requested, total par value of notes 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 shares issued shall not exceed total issue amount of convertible note, ₩ 46,000,000,000.

(6) Adjustment of conversion price

1) The conversion price of the Convertible note shall be adjusted if, before the bearers of the Convertible notes request conversion, the issuing company increases shares by issuing new share or paying share dividend or transferring capital surplus or retained earnings to stock with price lower than conversion price of the Convertible notes. In addition, the conversion price of the Convertible notes shall be adjusted if the issuer issues new convertible notes 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 notes and bonds with warrant.

Adjusted conversion price = Conversion price before adjustment x $\frac{\{\text{previous number of shares} + (\text{number of shares newly issued} \times \text{issue price per share} / \text{base price})\}}{\{\text{previous number of shares} + \text{number of shares newly issued}\}}$

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 notes would be converted into ordinary share 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 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.

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

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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 notes.

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. Derivative Instruments

Changes in derivative instruments for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		2021	
	Current		Current	
Beginning balance	₩	34,870,262	₩	5,061,398
Issuance of convertible notes		-		33,335,012
Repayment of convertible notes		(13,801,371)		(4,740,000)
Gain or loss on transaction		-		(321,398)
Gain or loss on valuation		1,795,006		1,535,250
Ending balance	₩	22,863,897	₩	34,870,262

The derivative instruments of the Group are conversion rights in relation to convertible notes issued and related put and call options during the year ended December 31, 2021.

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21. Net Defined Benefit Liability

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Present value of funded defined benefit obligations	₩ 107,988,883	₩ 102,083,525
Fair value of plan assets	<u>(49,040,995)</u>	<u>(45,085,177)</u>
Liability in the statements of financial position	<u>₩ 58,947,888</u>	<u>₩ 56,998,348</u>

Movements in the defined benefit obligations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 102,083,525	₩ 89,416,419
Current service cost	14,546,875	13,156,591
Interest expense	2,882,013	1,821,520
Remeasurements:		
Actuarial loss from experience adjustments	2,271,929	6,810,401
Actuarial gain from change in demographic assumptions	-	(14,425)
Actuarial gain from change in assumptions	(9,725,329)	(3,897,188)
Payments from plans:		
Benefit payments	(5,087,438)	(4,902,101)
Changes due to transfer of employee intra related-party	<u>1,017,308</u>	<u>(307,692)</u>
Ending balance	<u>₩ 107,988,883</u>	<u>₩ 102,083,525</u>

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Movements in the fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Beginning balance	₩	45,085,177	₩	21,037,193
Interest income		1,276,317		505,624
Remeasurements:				
Return on plan assets		(571,300)		(343,159)
Contributions:				
Contribution in plan assets		5,036,843		25,000,001
Payments from plans:				
Benefit payments		(2,179,670)		(1,055,389)
Changes due to transfer of employee intra related party		393,628		(59,092)
Ending balance	₩	<u>49,040,995</u>	₩	<u>45,085,177</u>

Plan assets as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022			
	Quoted price	Unquoted price	Total	Composition
Time deposits	₩ 49,040,995	₩ -	₩ 49,040,995	100%

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

Expense charged to profit or loss for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Current service costs	₩	14,546,875	₩	13,880,107
Net interest costs		1,605,696		1,315,896
	₩	<u>16,152,571</u>	₩	<u>15,196,003</u>

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The significant actuarial assumptions as at December 31, 2022 and 2021, are as follows:

<i>(in percentage)</i>	2022	2021
Salary growth rate		
Office workers	3.0%~4.3%	3.00%
Production workers	3.0%~4.3%	3.00%
Discount rate	5.18~5.33%	2.93%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in thousands of Korean won)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Salary growth rate	1%	₩ 8,947,614	₩ (7,991,671)
Discount rate	1%	(7,843,205)	8,939,066

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.

The expected maturity analysis of undiscounted pension benefits as at December 31, 2022, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 7,009,622	₩ 9,081,159	₩ 31,899,902	₩ 127,705,760	₩ 175,696,443

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2023, are ₩ 1,862,735 thousand. The weighted average duration of the defined benefit obligation is 8.15 years.

The expense recognized in the current period in relation to defined contribution plan was ₩ 821,219 thousand.

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22. Other Long-term and Short-term Employee Benefits

The short-term employee benefits include paid absences recognized in respect of service rendered by employees in the current period and long-term paid absences that are expected to be settled within 12 months after the end of the reporting period in which the employees render the related services.

<i>(in thousands of Korean won)</i>	2022	2021
Short-term employee benefits	₩ 11,179,258	₩ 8,870,710
Other long-term employee benefits	4,590,376	5,956,972

(*) As at December 31, 2021, other long-term employee benefits were classified as accrued expenses.

23. Revenue from Contracts with Customers and Relevant Contract Assets and Liabilities

The Group has recognized the following amounts relating to revenue in the statements of comprehensive income:

<i>(in thousands of Korean won)</i>	2022	2021
Revenue from contracts with customers		
Manufacture of print circuitry-base	₩ 1,670,049,920	₩ 1,336,052,044
Others	27,402,428	29,780,832
	<u>₩ 1,697,452,348</u>	<u>₩ 1,365,832,876</u>

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

<i>(in thousands of Korean won)</i>	2022	2021
Asset recognized for costs incurred to fulfill contracts	₩ 1,279,702	₩ 805,992
Total contract assets	<u>₩ 1,279,702</u>	<u>₩ 805,992</u>
Contract liabilities-expected customer refund	₩ 1,697,127	₩ 962,130
Unsatisfied contracts	87,090,708	30,032,461
Total contract liabilities	<u>₩ 88,787,834</u>	<u>₩ 30,994,591</u>

As at December 31, 2022 and 2021, 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.

The amount recognized as revenue for the year ended December 31, 2022 from the beginning balance of contract liabilities is ₩ 5,953,096 thousand.

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24. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2022 and 2021, consists of:

<i>(in thousands of Korean won)</i>	2022	2021
Current tax:		
Current tax on profits for the year	₩ 88,486,252	₩ 29,023,520
Adjustments in respect of prior years	(30,591)	1,056,342
Total current tax	<u>88,455,661</u>	<u>30,079,862</u>
Deferred tax:		
Impact of changes in Korean tax rate	717,492	-
Origination and reversal of temporary differences	10,992,326	5,641,128
Income tax expense	<u>₩ 100,165,479</u>	<u>₩ 35,720,990</u>

Reconciliation of effective tax rate for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit before income tax expense	₩ 346,266,490	₩ 154,013,908
Income tax expense by applicable tax rate	83,966,061	61,928,510
Adjustments:		
Expenses not deductible for tax purposes	9,826,911	4,160,995
Tax credit, tax reduction and tax exemption	(3,074,544)	(4,293,390)
Tax effects directly recognized in other comprehensive income	-	634,020
Differences in change in the tax rate	717,492	-
Changes in tax effects on the temporary differences which deferred income tax assets were not recognized	7,127,565	(15,517,587)
Tax payment for the previous year	(246,246)	1,056,342
Changes in income taxes paid in foreign countries	-	(1,263,684)
Tax effects on tax loss carryforward	-	(281,822)
Others	1,848,241	(10,702,395)
Income tax expense	<u>₩ 100,165,479</u>	<u>₩ 35,720,990</u>
Effective tax rate	28.93%	23.29%

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The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2022 and 2021, is as follows:

(in thousands of
Korean won)

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurement of net defined benefit liabilities	₩ 6,882,100	₩ (1,859,148)	₩ 5,022,952	₩ (3,241,947)	₩ 634,020	₩ (2,607,927)
Gain (loss) on valuation of financial instruments at fair value through other comprehensive income	(11,738)	1,993	(9,745)	10,989	-	10,989
	<u>₩ 6,870,362</u>	<u>₩ (1,857,155)</u>	<u>₩ 5,013,207</u>	<u>₩ (3,230,958)</u>	<u>₩ 634,020</u>	<u>₩ (2,596,938)</u>

The analysis of deferred income tax assets and liabilities as at December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

	2022	2021
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 33,264,764	₩ 6,648,893
Deferred tax asset to be recovered within 12 months	7,308,751	44,506,460
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(17,838,520)	(293,622)
Deferred tax liability to be recovered within 12 months	(1,197,734)	(15,315,662)
Deferred tax assets, net	<u>₩ 21,537,262</u>	<u>₩ 35,546,070</u>

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The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022				
	Beginning balance	Profit or loss	Other comprehensive income	Exchange differences	Ending balance
Temporary differences:					
Employee benefits	₩ 13,070,371	₩ 1,459,000	₩ (1,859,148)	₩ (54,737)	₩ 12,615,486
Non-deductible depreciation	428,603	(33,339)	-	-	395,264
Provision for impairment	2,272,859	(2,262,020)	-	(698)	10,140
Valuation allowances for inventories	1,305,075	(138,749)	-	-	1,166,326
Accrued expenses	3,535,419	(368,094)	-	(23,699)	3,143,626
Revaluation of land	(2,458,229)	111,738	-	-	(2,346,491)
Investment securities	1,135,276	(1,135,276)	-	-	-
Property, plant and equipment and intangible assets	9,771,850	(7,651,466)	-	(24,524)	2,095,860
Inventories		960,823		(118,763)	842,060
Tax losses carryforward	-	2,615,888	-	(219,414)	2,396,474
Others	6,484,847	(5,268,323)	1,993	-	1,218,517
	<u>₩ 35,546,070</u>	<u>₩ (11,709,818)</u>	<u>₩ (1,857,155)</u>	<u>₩ (441,835)</u>	<u>₩ 21,537,262</u>

(in thousands of Korean won)

	2021			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Temporary differences:				
Employee benefits	₩ 13,802,493	₩ (1,366,143)	₩ 634,020	₩ 13,070,371
Non-deductible depreciation	398,525	30,079	-	428,603
Provision for impairment	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>

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Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021	Remarks
Investments in subsidiary	₩ 70,671,330	₩ 4,480,586	No plan for dividend / disposal
Other temporary differences	22,569,093	-	Unlikely to be realizable
Tax losses carryforward	100,163,429	107,044,694	Uncertainty of future taxable profit

¹ The maturity of tax losses carryforward for which tax effect are not recognized:

<i>(in thousands of Korean won)</i>	2022	2021
Within 5 years	₩ 57,724,603	₩ 49,149,074
Within 10 years	39,676,143	57,895,620
Over 10 years	2,762,683	-
	<u>₩ 100,163,429</u>	<u>₩ 107,044,694</u>

25. Share Capital and Reserves

As at December 31, 2022, the number of shares authorized is 100,000,000 shares and par value per share is ₩ 500. The number of shares issued as at December 31, 2022 is 31,854,143 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 8,266 shares of treasury share (2021: 8,266 shares).

(in thousands of Korean won and in number of shares)

	2022		
	Number of shares issued	Amount	
	Ordinary share	Ordinary share	Preferred share
Beginning balance	31,854,143	₩ 15,927,072	₩ 1,152,143
Ending balance	31,854,143	15,927,072	1,152,143

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(in thousands of Korean won
and in number of shares)

	2021			
	Number of shares issued		Amount	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Beginning balance	31,854,143	710,660	₩ 15,927,072	₩ 1,152,143
Retirement of redeemable preferred share ¹	-	(710,660)	-	-
Ending balance	<u>31,854,143</u>	<u>-</u>	<u>₩ 15,927,072</u>	<u>₩ 1,152,143</u>

¹ The Group retired redeemable preferred shares with profit available for dividend within the limit of the acquisition of treasury shares, so there is no decrease in share capital.

¹ The summary of issuance and repayment of redeemable preferred shares is as follows:

<i>(in thousands of Korean won and in number of shares)</i>	Date	Number of shares	Amount
Issuance of redeemable preferred share #1	2017-11-21	1,593,625	₩ 19,999,994
1 st redemption of redeemable preferred share #1	2019-02-26	(557,769)	(7,000,001)
2 nd redemption of redeemable preferred share #1	2019-05-03	(637,451)	(8,000,010)
3 rd redemption of redeemable preferred share #1	2020-02-10	(398,405)	(4,999,983)
Issuance of redeemable preferred share #2	2020-09-17	710,660	14,000,002
Redemption of redeemable preferred share #2	2021-10-01	(710,660)	(14,000,002)
		<u>-</u>	<u>₩ -</u>

Reserves as at December 31, 2022 and 2021, consist of:

(in thousands of
Korean won)

	2022			2021		
	Ordinary share	Preferred share	Total	Ordinary share	Preferred share	Total
Share premium	₩ 80,006,121	₩ 32,845,040	₩ 112,851,162	₩ 80,006,121	₩ 32,845,040	₩ 112,851,162
Other reserves	1,539,468	-	1,539,468	1,539,468	-	1,539,468
Changes in subsidiaries	(3,776,987)	-	(3,776,987)	(3,752,780)	-	(3,752,780)
Consideration for conversion rights	(196,898)	-	(196,898)	(196,898)	-	(196,898)
	<u>₩ 77,571,703</u>	<u>₩ 32,845,040</u>	<u>₩ 110,416,744</u>	<u>₩ 77,595,911</u>	<u>₩ 32,845,040</u>	<u>₩ 110,440,951</u>

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26. Other Components of Equity and Accumulated Other Comprehensive Income

Other components of equity as at December 31, 2022 and 2021, consist of the following:

(in thousands of Korean won)

	2022		2021	
	The number of shares (in shares)	Amount	The number of shares (in shares)	Amount
Treasury share	(8,266)	₩ (93,821)	(8,266)	₩ (93,821)

Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Beginning balance	Changes	Ending balance
Gain (loss) on foreign currency translation for foreign operations	₩ 7,476,079	₩ (3,662,144)	₩ 3,813,935
Gain (loss) on valuation of financial assets at fair value through profit or loss	(42,424)	(10,243)	(52,667)
	<u>₩ 7,433,655</u>	<u>₩ (3,672,387)</u>	<u>₩ 3,761,268</u>

(in thousands of Korean won)

	2021		
	Beginning balance	Changes	Ending balance
Gain (loss) on foreign currency translation for foreign operations	₩ (1,924,392)	₩ 9,400,471	₩ 7,476,079
Gain (loss) on valuation of financial assets at fair value through profit or loss	(54,489)	12,065	(42,424)
	<u>₩ (1,978,882)</u>	<u>₩ 9,412,537</u>	<u>₩ 7,433,655</u>

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27. Retained Earnings

Retained earnings as at December 31, 2022 and 2021, consist of:

<i>(in thousands of Korean won)</i>	2022	2021
Legal reserves ¹	₩ 10,801,231	₩ 9,208,937
Retained earnings before appropriation	468,546,059	235,215,867
	<u>₩ 479,347,290</u>	<u>₩ 244,424,804</u>

¹ The Commercial Code of the Republic of Korea requires the Group 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 reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

Dividends of the Parent Company

The dividends paid in 2022 and 2021, are as follows, and a dividend in respect of the year ended December 31, 2022 is to be proposed to shareholders at the annual general meeting on March 30, 2023. These financial statements do not reflect this dividend payable.

<i>(in thousands of Korean won)</i>	2022	2021
	Ordinary shares	Ordinary shares
Number of shares issued	31,854,143	31,854,143
Number of treasury shares	(8,266)	(8,266)
Number of shares to be distributed	31,845,877	31,845,877
Par value <i>(in Korean won)</i>	₩ 500	₩ 500
Dividend rate	100%	100%
Dividend per share <i>(in Korean won)</i>	₩ 500	₩ 500
Amounts to be distributed	₩ 15,922,939	₩ 15,922,939
Dividend payout ratios (Dividend amounts/Profit for the year)	7%	10%
Stock price <i>(in Korean won)</i> ¹	₩ 28,570	₩ 44,130
Dividend yield (Dividend per share/Stock price)	2%	1%

¹ Average price in the stock market during the week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

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28. Selling and Administrative Expenses

<i>(in thousands of Korean won)</i>	2022	2021
Salaries	₩ 51,016,233	₩ 42,279,838
Post-employment benefits	3,642,412	3,603,665
Welfare benefits	7,436,560	5,409,557
Rent	525,547	226,696
Entertainment	377,617	181,256
Depreciation	1,896,867	1,643,340
Amortization	699,571	843,425
Taxes and dues	2,371,812	5,219,877
Transportation	1,736,107	3,252,834
Insurance	1,600,229	1,011,147
Communications	428,358	348,201
Supplies	603,728	403,574
Research and development	1,891,293	7,471,611
Fees and commissions	19,986,726	18,236,832
Overseas marketing	901,287	79,047
Export expenses	30,109,921	17,312,137
Education and training	1,376,850	1,271,422
Travel	226,447	165,312
Impairment loss (reversal)	349,170	(134,755)
Others	1,573,427	1,004,823
	<u>₩ 128,750,162</u>	<u>₩ 109,829,836</u>

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29. Breakdown of Expenses by Nature

<i>(in thousands of Korean won)</i>	2022	2021
Changes in inventories	₩ (197,063)	₩ (20,665,297)
Purchase of inventories	489,831,266	461,023,693
Employee benefits	282,737,666	236,735,547
Depreciation and amortization	81,961,883	78,850,501
Outsourcing costs	216,506,477	202,579,346
Fees and commissions	30,311,976	30,445,897
Power	39,036,542	30,733,284
Repairs	27,379,419	19,545,703
Welfare benefits	34,477,137	26,330,052
Supplies	40,636,831	33,941,120
Others	102,415,966	91,994,020
Total cost of sales and selling and administrative expenses	<u>₩ 1,345,098,100</u>	<u>₩ 1,191,513,865</u>

30. Other Non-operating Income and Expenses

<i>(in thousands of Korean won)</i>	2022	2021
Other non-operating income		
Rent	₩ 648,340	₩ 630,306
Gain on disposal of property, plant and equipment	310,432	2,404,840
Gain on disposal of intangible assets	-	59,333
Gain on disposal of assets held for sale	2,828,453	-
Reversal of impairment loss on property, plant and equipment	-	2,747,253
Miscellaneous gain	6,221,846	3,935,096
	<u>₩ 10,009,070</u>	<u>₩ 9,776,829</u>
Other non-operating expenses		
Loss on disposal of property, plant and equipment	₩ 431,445	₩ 96,755
Loss on scrapped property, plant and equipment	1,889,137	3,635,144
Loss on disposal of intangible assets	-	45,500
Donation	16,115	10,952
Loss on disposal of trade receivables	5,783,802	3,953,472
Miscellaneous loss	2,363,348	4,816,248
	<u>₩ 10,483,846</u>	<u>₩ 12,558,071</u>

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31. Finance Income and Costs

(in thousands of Korean won)

	2022	2021
Finance income		
Interest income	₩ 2,246,255	₩ 591,856
Gain on foreign currency transactions	47,910,689	31,946,381
Gain on foreign currency translation	11,542,498	1,118,344
Dividend income	6,491	4,999
Gain on redemption of debentures	2,043,168	-
Gain on transaction of derivatives	-	321,398
Gain on valuation of derivatives	5,376,266	184,922
Gain on disposal of financial assets at fair value through other comprehensive income	24,418	-
	<u>₩ 69,149,784</u>	<u>₩ 34,167,900</u>
Finance costs		
Interest expenses	₩ 8,075,623	₩ 9,540,034
Loss on foreign currency transactions	42,666,028	36,463,525
Loss on foreign currency translation	16,849,808	3,417,480
Loss on redemption of debentures	-	550,549
Loss on valuation of derivatives	7,171,272	1,720,172
Loss on disposal of financial assets at fair value through other comprehensive income	35	-
	<u>₩ 74,762,767</u>	<u>₩ 51,691,761</u>

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32. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

(a) Basic earnings per share

<i>(in Korean won and number of shares)</i>	2022	2021
Profit attributable to the ordinary equity holders of the Parent Company	₩ 245,820,150,142	₩ 117,185,182,302
Weighted average number of ordinary shares outstanding ¹	31,845,877	31,845,877
Basic earnings per share	<u>₩ 7,719</u>	<u>₩ 3,680</u>

¹ Weighted average number of ordinary shares outstanding for the years ended December 31, 2022 and 2021, is as follows:

<i>(in number of shares)</i>	2022	2021
Issued shares at the beginning	31,854,143	31,854,143
Acquisition of treasury shares	<u>(8,266)</u>	<u>(8,266)</u>
Weighted average number of ordinary shares outstanding	<u>31,845,877</u>	<u>31,845,877</u>

For the years ended December 31, 2022 and 2021, the Group has no dilutive securities. Therefore, basic earnings per share is identical to diluted earnings per share.

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33. Cash Flows

(a) Non-cash transactions

<i>(in thousands of Korean won)</i>		2022		2021
Transfer of construction in progress to property, plant and equipment and intangible assets	₩	47,288,813	₩	80,833,449
Changes in non-trade payables in relation to acquisition of property, plant and equipment		20,589,099		17,431,512
Changes in non-trade payables in relation to acquisition of intangible assets		164,700		(187,000)
Changes in non-trade receivables in relation to disposal of assets held for sale		56,909,775		-
Changes in non-trade payables in relation to acquisition of assets held for sale		15,356,891		-
Transfer of long-term loans of affiliated company to current position		1,125,000		-
Transfer of long-term borrowings to current position		7,388,647		9,720,179
Transfer of convertible notes to current position		-		44,939,897
Transfer of advance from customers to current position		13,760,670		7,505,820

(b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the year ended December 31, 2022, are as follows:

(in thousands of Korean won)

	Liabilities arising from financial activities					
	Beginning balance	Transactions affecting cash flows		Transactions not affecting cash flows		Ending balance
		Borrowing	Repayment	Interest expenses and others	Others	
Short-term borrowings	₩ 28,417,832	₩ 53,794,600	₩ (61,262,793)	₩ -	₩ 5,269,675	₩ 26,219,313
Long-term borrowings	49,135,030	-	(3,417,186)	-	(7,646,668)	38,071,176
Convertible notes	44,939,897	-	(31,737,716)	2,204,178	13,801,371	29,207,730
Derivative liabilities	34,870,262	-	-	1,795,006	(13,801,371)	22,863,897
Lease liabilities	8,415,690	-	(4,390,184)	298,139	2,368,871	6,692,517
	<u>₩ 165,778,711</u>	<u>₩ 53,794,600</u>	<u>₩ (100,807,880)</u>	<u>₩ 4,297,324</u>	<u>₩ (8,121)</u>	<u>₩ 123,054,634</u>

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34. Commitments and Contingencies

(a) Commitments in relation to borrowings with financial institutions

Commitments in relation to borrowings with financial institutions as at December 31, 2022, are as follows:

(in thousands of Korean won and in USD and Japanese Yen)

	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
KEB Hana Bank	Secured loan of accounts receivable	₩ 10,000,000
	USANCE L/C	USD 5,000,000
	Purchasing on credit	₩ 26,000,000
	Trade finance	5,000,000
	Enterprise loan of accounts receivable(trade receivable factoring)	17,437,331
Kookmin Bank	Trade finance	9,000,000
	USANCE L/C	13,000,000
Shinhan Bank	Trade finance	7,000,000
	O/A Factoring	USD 8,000,000
	L/C	USD 4,000,000
	USANCE L/C	USD 3,000,000
	USANCE L/C	USD 8,400,000
Industrial Bank of Korea	USANCE L/C	USD 3,000,000
Woori Bank	Working capital loan	₩ 5,000,000
	Stand-by L/C	JPY 1,000,000,000
Korea Trade Insurance Corporation	Short-term export insurance	USD 282,456,250
Hyundai Commercial	Non-recourse factoring	₩ 22,000,000
Seoul Guarantee Insurance Co., Ltd.	Guarantee insurance including performance guarantee	9,088,007
BNP PARIBAS	Foreign currency factoring	USD 150,000,000
Sumitomo Mitsui Banking Corporation ¹	Syndicated long-term loan	JPY 2,322,243,660
	Syndicated short-term working capital loan	JPY 489,000,000
THE HACHIJUNI BANK, LTD. ¹	Syndicated long-term loan	JPY 1,101,901,126

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(in thousands of Korean won and in USD and Japanese Yen)

	Description	Maximum credit
	Syndicated short-term working capital loan	JPY 232,000,000
The Shoko Chukin Bank, Ltd. ¹	Syndicated long-term loan	JPY 578,519,926
	Syndicated short-term working capital loan	JPY 120,000,000
The Nagano Bank, Ltd. ¹	Syndicated long-term loan	JPY 442,948,384
	Syndicated short-term working capital loan	JPY 96,000,000
Mizuho Bank, Ltd. ¹	Syndicated long-term loan	JPY 299,229,364
	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

¹ Commitment line contracts which the Group has entered into with five banks under the syndicate loan agreement (outstanding balance of borrowings of JPY 5,744,842 thousand) include following financial covenants in relation to financial position and operating results of SIMMTECH GRAPHICS Co., Ltd. If the covenants were breached, an event of default could occur.

	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 profit or loss for the current year and the subsequent reporting periods.

² Commitment 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 operating results of SIMMTECH GRAPHICS Co., Ltd. If the covenants were breached, an event of default could occur.

	Net Asset	Ordinary Net Income
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 profit or loss for the current year and subsequent reporting periods.

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(b) Commitments in relation to convertible notes

a) Agreements on call option / put option

A. Transaction details

	Issuer	Put option right-holder/ Call option setter	Call option right-holder/ Put option setter
The 3 rd convertible notes	GLOBAL SIMMTECH Co., Ltd.	KEB Hana Bank and Industrial Bank of Korea	SIMMTECH CO., LTD., GLOBAL SIMMTECH Co., Ltd.

b) Call option and put option

	Call option	Put option
3 rd convertible notes	<ul style="list-style-type: none"> · Maximum exercisable amount: 30% of the acquisition amount of convertible notes (₩ 13.8 billion) · Exercise period: From September 6, 2021 to August 6, 2024 (exercisable from one month to thirty six months from the issue date) · Transaction amount: Par value of convertible notes subject to call option plus early redemption interest rate of 5.0% per annum (YTC) 	<ul style="list-style-type: none"> · Maximum exercisable amount: All or part (exercisable multiple times) · Exercise period: From August 6, 2023 to August 6, 2026 (exercisable from twenty four months to maturity date from the issue date) · Transaction amount: Par value of convertible notes subject to put option plus early redemption interest rate of 3.5% per annum (YTP)

c) Key commitments

3rd convertible notes

Consent and prior consultations	<p>1. The issuer shall obtain the prior written consent of the bondholder in the event that any of the following events occurs to the issuer:</p> <p>(1) Special resolutions at the general shareholders' meeting under the Articles of Incorporation or laws such as any changes in the Articles of Incorporation</p> <p>(2) Capital increase/capital increase without consideration, issuance of equity linked securities, grant of share options and any other actions that cause a change in the voting rights ratio of the bondholder.</p> <p>(3) Actions that cause or may result in a change in the number of issued shares, such as capital reduction, retirement of shares, merger and split of shares, merger and split of companies, etc.</p> <p>(4) Transfer of major business, acquisition of major business, business leasing, consignment management, dissolution and liquidation, and other major changes in the company organization</p> <p>(5) Purchase, selling, transfer, or disposal of assets equivalent to 10% or more of the equity capital of the issuer, borrowing new funds or bearing non-recurring debts, providing collateral to a third party, lending funds, guarantees or investments, filing or withdrawal of lawsuits</p> <p>(6) Establishment of a subsidiary or joint venture, entry into a new business unrelated to the existing business</p> <p>(7) Matters that have a significant impact on management, such as suspension of all</p>
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3rd convertible notes

- or part of the business in operation
- (8) Transactions of funds, collateral, guarantees and other commercial transactions with related parties irrelevant to the normal business activities of the issuer
- (9) Matters concerning the listing of the issuer and the conditions of listing
- (10) Profit sharing
- (11) Transfer, provision of collateral or disposal by other methods for the shares held by the issuer or the issuer's related parties
- (12) Selection and change of external auditor
- (13) Sale of the industrial property rights ,etc. held by the issuer to a third party

2. The issuer shall deliver written notice to the bondholder in the event that any of the following events occurs to the issuer:

- (1) Agenda of the shareholders' meeting and board of directors of the issuer
- (2) Other matters that have significant impacts on the issuer's business

3. The obligation to obtain prior written consent and the obligation to deliver prior notice, which is borne by the issuer pursuant to this Article, shall be extinguished at the same time when the shares of the issuer are listed as stipulated in Article 9 of this agreement.

Listing obligation

- (1) The issuer shall list itself by the date of two years from the issue date of the convertible notes. However, the deadline may be extended if the bondholder and the issuer agree in writing.
- (2) In proceeding with the listing procedure for the issuer, the issuer shall ensure that the sale of the ordinary shares held or to be held by the bondholder be made at a level desired by the bondholder within the scope permitted by relevant laws and the practice of listing review of the Korea Exchange.
- (3) The issuer shall proceed with the listing procedure under mutual agreement with the bondholder.
- (4) In case where the issuer fails to complete the listing specified in (1) above, the resulting liability of the shareholder is in accordance with the provision of Article 3 (5) of the agreements on call option/put option of the 3rd bearer and non-guaranteed private convertible notes concluded between the bondholder and the shareholder on the same date as this agreement.

Guarantee resulting from exercise of put option

If one put option setter fails to fulfill the share purchase agreement concluded thereunder despite the exercise of the put option by the put option right-holder, the other put option setter shall jointly fulfill obligations under the share purchase agreement of the put option setter.

Adjustments of early redemption rate of return

If the put option setter fails to proceed with/execute the IPO and/or listing in the stock market due to the put option setter's intentional or gross negligence even though the put option setter satisfies the requirements for the IPO and/or listing in the stock market (meaning KOSPI or KOSDAQ market) within the period of two years from the issue date of the convertible notes (however, if the deadline for fulfilling the listing obligation is extended under a written agreement between the bondholder and the issuer, the extended deadline shall be deemed the last day of the same period), the early redemption yield (YTP) according to this paragraph is adjusted to 8.0% per annum and applied.

d) Agreements with call option right holder/put option setter

The Parent Company and Global SIMMTECH CO., Ltd. agreed that the call option right will be

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exercised by the Parent Company and the put option liability will be transferred to the Parent Company. Accordingly, it is accounted for assuming that the Parent company is both the call option right-holder and put option-setter for the 3rd convertible notes.

(c) Joint and several liability

As of July 1, 2015, the Parent Company has spun-off the printing circuit board production and sales business from SIMMTECH HOLDINGS CO., LTD. and is jointly and severally 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.

(d) Payment guarantees provided

Payment guarantees provided by others as at December 31, 2022, are as follows:

(in thousands of Korean won and in USD and Japanese Yen)

Provided by	Provided to	Guaranteed amount	Guaranteed by
SIMMTECH HOLDINGS Co., Ltd.	SIMMTECH Co., Ltd.	USD	7,200,000 Shinhan Bank ¹
		USD	3,600,000 Industrial Bank of Korea
		₩	6,000,000 KEB Hana Bank ¹
		USD	6,000,000 KEB Hana Bank
SIMMTECH HOLDINGS Co., Ltd.	SIMMTECH GRAPHICS Co., Ltd	JPY	489,359,000 Sumitomo Mitsui Banking ²
		JPY	232,196,000 THE HACHIJUNI BANK, LTD. ²
		JPY	119,887,000 The Shoko Chukin Bank, Ltd. ²
		JPY	95,504,000 The Nagano Bank, Ltd. ²
		JPY	63,054,000 Mizuho Bank, Ltd. ²

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

² The maturity date of the guarantee is February 28, 2023, and after the reporting period, it is extended to February 29, 2024.

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.

As at December 31, 2022, certain inventories and property, plant and equipment have been provided as collateral in relation to commitments with financial institutions (Notes 9 and 12).

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35. Related Party Transactions

The Group's related parties as at December 31, 2022 and 2021, are as follows:

Relationship	2022	2021
Parent Company	SIMMTECH HOLDINGS Co., Ltd.	SIMMTECH HOLDINGS Co., Ltd.
Other related parties	Simmtech America Inc. Simmtech Japan Inc. STNC Hong Kong Holdings Limited SIMMTECH NICHING (SUZHOU) Co., LTD. Niching Industrial Corp. SIMMTECH SE ASIA PTE. LTD Simmtech Taiwan Co., Ltd. SIMMTECH INTERNATIONAL PTE. LTD. SIMMTECH ASIA OPERATION PTE. LTD. SUSTIO SDN. BHD.	Simmtech America Inc. Simmtech Japan Inc. STNC Hong Kong Holdings Limited SIMMTECH NICHING (SUZHOU) Co., LTD. Niching Industrial Corp. SIMMTECH SE ASIA PTE. LTD Simmtech Taiwan Co., Ltd. SIMMTECH INTERNATIONAL PTE. LTD. SIMMTECH ASIA OPERATION PTE. LTD. SUSTIO SDN. BHD.

Sales and purchases with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022						
	Revenue			Expenses			
	Sales	Disposal of assets held for sale	Others ¹	Fees and commission	Acquisition of property, plant and equipment	Outsourcing costs	Others
SIMMTECH HOLDINGS Co., Ltd.	₩ 127,510	₩ -	₩ 1,413,008	₩ 3,400,780	₩ 6,092,580	₩ -	₩ 902,367
Simmtech America Inc.	-	-	-	3,195,243	-	-	-
Simmtech Japan Inc.	6,127,307	-	-	-	-	-	830,845
STNC Hong Kong Holdings Limited	-	-	4,845	-	-	-	-
SIMMTECH NICHING (SUZHOU) Co., LTD.	-	-	-	2,765,192	-	-	-
Niching Industrial Corp.	-	-	-	6,534,957	-	84,091	-
SIMMTECH SE ASIA PTE. LTD	-	-	1,870	7,877,377	-	-	-
Simmtech Taiwan Co., Ltd.	-	-	-	511,053	-	-	-
SIMMTECH INTERNATIONAL PTE. LTD.	40,662,890	-	1,556,054	-	-	-	9,031
SUSTIO SDN. BHD.	-	56,909,775	43,321,336	944,442	-	3,998,553	-
	<u>₩ 46,917,707</u>	<u>₩ 56,909,775</u>	<u>₩ 46,297,113</u>	<u>₩ 25,229,044</u>	<u>₩ 6,092,580</u>	<u>₩ 4,082,644</u>	<u>₩ 1,742,243</u>

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¹ The amount includes the purchasing service transactions with SUSTIO SDN. BHD. amounting to ₩ 35,792,498 thousand.

(in thousands of Korean won)	2021						
	Revenue			Expenses			
	Sales	Disposal of assets held for sale	Others	Fees and commission	Acquisition of property, plant and equipment	Outsourcing costs	Others
SIMMTECH HOLDINGS Co., Ltd.	₩ 77,391	₩ -	₩ 475,015	₩ 3,632,368	₩ 17,000	₩ -	₩ 19,776,490
Simmtech America Inc.	-	-	-	3,209,484	-	-	-
Simmtech Japan Inc.	1,947,484	-	-	-	-	-	-
SIMMTECH NICHING (SUZHOU)	-	-	4,047	1,467,872	-	-	-
Niching Industrial Corp.	-	-	-	3,895,986	-	17,514	-
SIMMTECH SE ASIA PTE. LTD	-	-	4,292	2,725,389	-	-	-
SUSTIO SDN. BHD.	-	31,084,718	247,658	-	-	-	8,114
	<u>₩ 2,024,875</u>	<u>₩ 31,084,718</u>	<u>₩ 731,012</u>	<u>₩ 14,931,100</u>	<u>₩ 17,000</u>	<u>₩ 17,514</u>	<u>₩ 19,784,603</u>

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022				
	Receivables				
	Trade receivables	Non-trade receivables	Loan	Leasehold deposit	Accrued income
SIMMTECH HOLDINGS Co., Ltd.	₩ 105,045	₩ 734,427	₩ 28,430,000	₩ 200,000	₩ 870,706
Simmtech America Inc.	-	-	-	-	-
Simmtech Japan Inc.	2,309,513	-	-	-	-
STNC Hong Kong Holdings Limited	-	-	190,095	-	12,383
SIMMTECH NICHING (SUZHOU) Co., LTD.	-	-	-	-	-
Niching Industrial Corp.	-	-	-	-	-
SIMMTECH SE ASIA PTE. LTD	-	-	-	-	-
Simmtech Taiwan Co., Ltd.	-	-	-	-	-
SIMMTECH INTERNATIONAL PTE. LTD.	23,677,504	1,462,469	-	-	-
SUSTIO SDN. BHD.	-	98,161,640	-	-	-
	<u>₩ 26,092,062</u>	<u>₩ 100,358,535</u>	<u>₩ 28,620,095</u>	<u>₩ 200,000</u>	<u>₩ 883,088</u>

(in thousands of Korean won)

	2021					
	Receivables					
	Trade receivables	Non-trade receivables	Loan	Assets held for sale	Leasehold deposit	Accrued income
Simmtech Japan Inc.	₩ 1,956,315	₩ -	₩ -	₩ -	₩ -	₩ -
Niching Industrial Corp.	-	-	-	-	-	-
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>

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(in thousands of Korean won)

	2022				2021			
	Payables				Payables			
	Trade payables	Non-trade payables	Advance from customers	Lease liabilities	Non-trade payables			
SIMMTECH HOLDINGS Co., Ltd.	₩	-	₩ 114,202	₩	-	₩ 2,120,005	₩	166,197
Simmtech America Inc.		-	1,179,928		-	-		-
Simmtech Japan Inc.		-	-		-	-		7,462
STNC Hong Kong Holdings Limited		-	-		-	-		-
SIMMTECH NICHING (SUZHOU) Co., LTD.		-	2,348,520		-	-		-
Niching Industrial Corp.		-	1,614,273		-	-		6,022
SIMMTECH SE ASIA PTE. LTD		-	1,528,600		-	-		-
Simmtech Taiwan Co., Ltd.		-	46,390		-	-		-
SIMMTECH INTERNATIONAL PTE. LTD.		-			76,038	-		-
SUSTIO SDN. BHD.		23,908	846,088		-	-		8,114
	₩	23,908	₩ 7,678,001	₩	76,038	₩ 2,120,005	₩	187,795

The impairment loss (reversal) for the receivables above as at December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

Related party	Related accounts	2022		
		Outstanding balance	Write off	Impairment loss
Simmtech Japan Inc	Trade receivables	₩ 2,309,513	₩ 325,462	₩ 325,462

(in thousands of Korean won)

Related party	Related accounts	2021		
		Outstanding balance	Write off	Reversal of impairment loss
Simmtech Japan Inc	Trade receivables	₩ 1,956,315	₩ 5,667	₩ (305,454)

The Group's assets held for sale amounting to ₩ 13,720,795 thousand as at December 31, 2022, are expected to be sold to SUSTIO SDN. BHD., a related party.

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On July 26, 2022, the Group entered into a contract to purchase the 2nd convertible notes issued by GLOBAL SIMMTECH Co., Ltd., a subsidiary, for ₩ 31,737,716 thousand from Shinhan Securities Co., Ltd., the existing bondholder.

Loan transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

		2022			2021		
		SUSTIO SDN. BHD	STNC Hong Kong Holdings Limited	SIMMTECH HOLDINGS CO., Ltd.	STNC Hong Kong Holdings Limited	SIMMTECH HOLDINGS CO., Ltd.	
Dividend	Payments	₩ -	₩ -	₩ 5,263,575	₩ -	₩ 3,836,099	
Loan	Beginning balance	₩ -	₩ 177,825	₩ 34,000,000	₩ 163,200	₩ -	
	Loans	-	-	1,930,000	-	34,000,000	
	Collection	-	-	(7,500,000)	-	-	
	Exchange differences	-	12,270	-	14,625	-	
	Ending balance	₩ -	₩ 190,095	₩ 28,430,000	₩ 177,825	₩ 34,000,000	
Lease liabilities	Beginning balance	₩ -	₩ -	₩ 2,167,729	₩ -	₩ -	
	Repayments	-	-	(136,416)	-	-	
	Depreciation	-	-	88,693	-	-	
	Ending balance	₩ -	₩ -	₩ 2,120,005	₩ -	₩ -	
Leasehold deposit	Beginning balance	₩ -	₩ -	₩ 200,000	₩ -	₩ 200,000	
	Ending balance	₩ -	₩ -	₩ 200,000	₩ -	₩ 200,000	
Non-trade receivables ¹	Beginning balance	₩ 247,658	₩ -	₩ -	₩ -	₩ -	
	Disposal	100,011,303	-	-	-	-	
	Exchange differences	(2,097,321)	-	-	-	-	
	Ending balance	₩ 98,161,640	₩ -	₩ -	₩ -	₩ -	

¹ The amount represents the changes in non-trade receivables in relation to transactions of purchasing services and assets held for sale with SUSTIO SDN. BHD., a subsidiary, during the year ended December 31, 2022.

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

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Key management includes directors (executive and non-executive), members of the Executive Committee, the Group Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services for the years ended December 31, 2022 and 2021, consists of:

<i>(in thousands of Korean won)</i>		2022	2021
Short-term employee benefits	₩	8,299,662	7,036,280
Post-employment benefits		1,868,552	1,712,320

Loans to employees as at December 31, 2022, are as follows:

<i>(in thousands of Korean won)</i>		2022	2021
Long-term and short-term loans	₩	105,900	₩ 597,796

36. Operating Segment Information

Details of the revenue of the Group for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>		2022	2021
Sale of goods	₩	1,697,452,348	₩ 1,365,832,876

Revenues from external customers by geographical basis for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>		2022	2021
Korea	₩	764,346,797	₩ 629,943,755
China		397,962,746	282,038,355
Singapore		160,418,054	115,597,523
Taiwan		237,073,295	194,241,537
Japan		31,465,992	25,496,751
Hong Kong		11,420,280	6,106,791
Thailand		14,847,800	5,859,865
USA		4,884,706	5,146,161
Malaysia		55,638,856	55,017,315
Brazil		-	107,520
Others		19,393,823	46,277,305
	₩	<u>1,697,452,348</u>	<u>₩ 1,365,832,876</u>

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Details of non-current assets by geographical basis as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Korea	₩	459,229,456	₩	497,010,738
China		60,920,571		52,855,987
Japan		103,683,085		61,213,768
Malaysia		2,936,604		1,281,309
	₩	<u>626,769,716</u>	₩	<u>612,361,802</u>

Details of external customers, who contribute more than 10% of the Group's revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Samsung Electronics Co., Ltd.	₩	578,704,792	₩	479,290,340
SK Hynix Inc.		289,118,258		225,981,227
MICRON SEMICONDUCTOR ASIA OPERATIONS PTE LTD.		336,593,837		311,607,258

37. Business Combination

(a) Acquisition of interests in Bestics Co., Ltd.

The Group acquired 100% of shares of Bestics Co., Ltd. The acquisition date is March 17, 2022, and the deemed acquisition date is March 31, 2022.

The following table summarizes the consideration paid for Bestics Co., Ltd., and identifiable assets and liabilities:

<i>(in thousands of Korean won)</i>	Amount	
Consideration		
Cash and cash equivalents	₩	<u>805,660</u>
Total consideration transferred	₩	<u>805,660</u>
Assets		
Cash and cash equivalents	₩	408,172
Trade and other receivables		198
Other current assets		14,963
Other financial assets		200,130
Current tax assets		2
Property, plant and equipment		384,722
Intangible assets		603
Right-of-use assets		<u>428,709</u>
Total assets		<u>1,437,499</u>

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<i>(in thousands of Korean won)</i>	Amount
Liabilities	
Trade and other payables	681,277
Other current liabilities	101,545
Total liabilities	782,822
Total identifiable net assets	654,678
Percentage of ownership	100%
Amount held by the Group	654,678
Difference between the consideration transferred and the net assets acquired ¹	₩ 150,982

¹ The difference between the consideration transferred and the net assets acquired is recognized in profit or loss.

38. Events after the Reporting Period

(a) Acquisition of the 3rd bearer and non-guaranteed private convertible notes of GLOBAL SIMMTECH Co., Ltd.

The Parent Company decided to acquire the 3rd bearer and non-guaranteed private convertible notes of GLOBAL SIMMTECH Co., Ltd., a subsidiary, with a resolution by the Board of Directors on February 6, 2023, and the details are as follows:

<i>(in Korean won)</i>	Details
Subject of acquisition	The 3rd bearer and non-guaranteed private convertible notes of GLOBAL SIMMTECH Co., Ltd.
Purpose of acquisition	To strengthen financial soundness through early payment (acquisition) of convertible notes with debt characteristics
Total acquisition amount	₩ 50,695,920,000
Acquiree	Shinhan Financial Group, Industrial Bank of Korea, KEB Hana Bank
Date of acquisition payment and receipt of right for notes	2023-02-06