

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

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

**ATTACHMENT: INDEPENDENT AUDITORS' REPORT**

**SIMMTECH HOLDINGS CO., LTD.**

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

**Index**

**December 31, 2022 and 2021**

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# Independent Auditors' report

(English Translation of a Report Originally Issued in Korean)

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

## Opinion

We have audited the accompanying consolidated financial statements of SIMMTECH HOLDINGS Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

## Basis for Opinion

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

## Key Audit Matter

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

### *Revenue recognition of export sales*

As described in Note 2.22 to the consolidated financial statements, when control of the goods is transferred to the customer, the Group recognizes revenue at the amount that reflects the consideration it expects to be entitled to receive in return for the goods.

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

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

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

- Reviewing the terms of trade for revenue transactions occurring before and after the reporting period and to checking the period of revenue recognition in accordance with those terms of trade;
- Review of the appropriateness of valuation model used by management to estimate recoverable amount;
- External 3<sup>rd</sup> party inquiry for outstanding balances of trade receivables on a sample basis; and
- Checking the terms and conditions of contracts with customers.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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 auditors' report is Dong Woon LEE, Certified Public Accountant.

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

Shinhan Accounting Corp.  
Seoul, Korea  
March 21, 2023

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

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

## **CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

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

KWANG JOON PARK

Chief Executive Officer

SIMMTECH HOLDINGS CO., LTD.

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

Phone Number: 043-909-8000

**SIMMTECH HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 and 2021**

	Notes	Korean won		Translation into U.S. dollars	
		2022	2021	2022	2021
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	₩ 141,882,333,845	₩ 72,695,045,074	\$ 111,956,391	\$ 57,362,144
Trade and other receivables	8,36	134,059,261,730	70,369,936,106	105,783,368	55,527,449
Inventories	9	171,153,954,770	144,480,440,414	135,054,016	114,006,502
Current income tax assets	25	153,380,832	19,640	121,030	16
Other current financial assets	10	80,434,235,000	-	63,468,977	-
Other current assets	11,24	7,809,046,262	3,213,764,359	6,161,956	2,535,914
Assets held for sale	16	-	7,593,410,387	-	5,991,802
		<u>535,492,212,439</u>	<u>298,352,615,980</u>	<u>422,545,737</u>	<u>235,423,827</u>
<b>Non-current assets</b>					
Trade and other receivables	8,36	3,164,710,075	2,516,796,028	2,497,207	1,985,951
Investment in associates	15	1,954,462,502	2,093,235,713	1,542,226	1,651,729
Other financial assets	10	4,713,312,559	3,229,755,030	3,719,177	2,548,532
Property, plant and equipment	12	788,001,823,657	580,810,854,863	621,795,805	458,305,733
Intangible assets	13	39,830,934,798	38,883,059,675	31,429,760	30,681,811
Right-of-use assets	14	19,625,174,804	13,188,320,953	15,485,816	10,406,629
Other non-current assets	11	394,088,690	897,804,283	310,967	708,439
Deferred income tax assets	25	23,207,025,348	37,726,281,307	18,312,180	29,769,022
		<u>880,891,532,433</u>	<u>679,346,107,852</u>	<u>695,093,137</u>	<u>536,057,846</u>
<b>Total assets</b>		<u>₩ 1,416,383,744,872</u>	<u>₩ 977,698,723,832</u>	<u>\$ 1,117,638,874</u>	<u>\$ 771,481,673</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17,23,36	₩ 321,701,609,670	₩ 197,642,719,205	\$ 253,848,031	\$ 155,955,748
Borrowings	19	75,548,594,077	28,417,831,613	59,613,820	22,423,918
Convertible bonds	20	29,207,730,065	44,939,896,773	23,047,211	35,461,135
Derivatives liabilities	21	22,863,896,943	34,870,261,562	18,041,424	27,515,396
Other current liabilities	11,24	22,908,311,543	13,649,284,362	18,076,471	10,770,366
Current tax liabilities	25	70,000,048,233	32,057,223,828	55,235,578	25,295,687
Lease liabilities	18	2,595,141,125	3,142,147,610	2,047,772	2,479,403
		<u>544,825,331,656</u>	<u>354,719,364,953</u>	<u>429,910,307</u>	<u>279,901,653</u>
<b>Non-current liabilities</b>					
Trade and other payables	17,23,36	11,664,248,604	165,958,381	9,204,015	130,954
Net defined benefit liabilities	22	61,565,962,360	59,663,854,293	48,580,417	47,079,503
Borrowings	19	88,889,906,464	72,845,030,272	70,141,171	57,480,494
Other financial liabilities	10	370,000,000	210,000,000	291,959	165,707
Other non-current liabilities	11,24	72,236,034,027	22,517,460,000	56,999,948	17,768,058
Deferred income tax liabilities	25	1,740,373,353	666,749,423	1,373,292	526,118
Lease liabilities	18	2,062,809,461	3,311,425,310	1,627,720	2,612,977
		<u>238,529,334,269</u>	<u>159,380,477,679</u>	<u>188,218,523</u>	<u>125,763,811</u>
<b>Total liabilities</b>		<u>783,354,665,925</u>	<u>514,099,842,632</u>	<u>618,128,830</u>	<u>405,665,464</u>
<b>Shareholders' equity</b>					
<b>Equity attributable to owners of the Parent Company</b>					
Capital stock	26	25,742,236,500	25,742,236,500	20,312,662	20,312,662
Capital surplus	26	74,243,468,350	65,678,289,942	58,583,973	51,825,369
Other components of equity	27	(1,084,509,464)	(1,084,509,464)	(855,764)	(855,764)
Cumulated other comprehensive income	27	(7,115,998,566)	4,207,335,969	(5,615,086)	3,319,921
Retained earnings	28	138,555,450,115	105,877,224,603	109,331,216	83,545,510
		<u>230,340,646,935</u>	<u>200,420,577,550</u>	<u>181,757,001</u>	<u>158,147,698</u>
<b>Non-controlling interests</b>		<u>402,688,432,012</u>	<u>263,178,303,650</u>	<u>317,753,043</u>	<u>207,668,511</u>
<b>Total shareholders' equity</b>		<u>633,029,078,947</u>	<u>463,598,881,200</u>	<u>499,510,044</u>	<u>365,816,209</u>
<b>Total liabilities and shareholders' equity</b>		<u>₩ 1,416,383,744,872</u>	<u>₩ 977,698,723,832</u>	<u>\$ 1,117,638,874</u>	<u>\$ 771,481,673</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 40.

**SIMMTECH HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Notes	Korean won		Translation into U.S. dollars	
		2022	2021	2022	2021
<b>Sales</b>	24,36,37	₩ 1,710,417,170,744	₩ 1,366,128,529,444	\$1,349,654,518	\$1,077,983,531
<b>Cost of sales</b>	30	1,261,762,899,534	1,079,665,792,013	995,630,790	851,941,760
<b>Gross profit</b>		448,654,271,210	286,462,737,431	354,023,729	226,041,772
Selling and administrative expenses	29,30,36	148,779,972,284	115,705,166,966	117,399,173	91,300,534
<b>Operating profit</b>		299,874,298,926	170,757,570,465	236,624,555	134,741,238
Other non-operating income	31	7,696,239,444	8,248,472,053	6,072,942	6,508,697
Other non-operating expenses	31	12,568,666,073	17,592,884,694	9,917,672	13,882,178
Finance income	32	76,875,208,737	35,490,847,752	60,660,624	28,005,088
Finance costs	32	83,193,674,678	52,313,668,901	65,646,394	41,279,625
Share of profit (loss) of associates	15	(92,092,872)	(1,575,471,133)	(72,669)	(1,243,171)
<b>Profit before income tax</b>		288,591,313,484	143,014,865,542	227,721,387	112,850,048
<b>Income tax expense</b>	25	102,141,114,704	36,446,950,673	80,597,423	28,759,529
<b>Profit for the year</b>		₩ 186,450,198,780	₩ 106,567,914,869	\$ 147,123,963	\$ 84,090,519
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit or loss:					
Share of other comprehensive income of associates		(46,680,339)	217,849,624	(36,834)	171,901
Exchange differences		(15,553,567,066)	9,014,417,965	(12,272,995)	7,113,089
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income ("FVTOCI")		(44,065,682)	-	(34,771)	-
Items that will be reclassified to profit or loss:					
Gain (loss) on valuation of financial assets measured at FVTOCI		33,823,066	12,065,494	26,689	9,521
Remeasurements of net defined benefit liabilities	22	5,393,403,388	(3,242,533,348)	4,255,822	(2,558,615)
<b>Other comprehensive income for the year</b>		(10,217,086,633)	6,001,799,735	(8,062,090)	4,735,895
<b>Total comprehensive income for the year</b>		₩ 176,233,112,147	₩ 112,569,714,604	\$ 139,061,873	\$ 88,826,414
<b>Profit attributable to:</b>					
Owners of the parent company		33,122,419,177	27,391,844,889	26,136,210	21,614,334
Non-controlling interests		153,327,779,603	79,176,069,980	120,987,753	62,476,186
<b>Comprehensive income attributable to:</b>					
Owners of the parent company		23,828,441,877	28,664,254,741	18,802,527	22,618,366
Non-controlling interests		152,404,670,270	83,905,459,863	120,259,347	66,208,048
<b>Earnings per share attributable to the shareholders of the parent company</b>					
Basic earnings per share	33	₩ 711	₩ 695	\$ 0.56	\$ 0.55
Diluted earnings per share	33	609	543	0.48	0.43

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 40.



**SIMMTECH HOLDINGS CO., LTD. AND IT'S SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Korean won							
	Attributable to the shareholders of parent company							
	Capital Stock	Capital Surplus	Other Components of Equity	Cumulated Other Comprehensive Income	Retained Earnings	Total	Non-controlling Interests	Total Shareholders' Equity
<b>Balance of January 1, 2021</b>	₩ 20,331,789,500	₩ 35,251,089,220	₩ (1,084,509,464)	₩ 1,862,634,613	₩ 80,717,174,938	₩ 137,078,178,807	₩ 182,677,277,811	₩ 319,755,456,618
<b>Total comprehensive income:</b>								
Profit for the year	-	-	-	-	27,391,844,889	27,391,844,889	79,176,069,980	106,567,914,869
Other comprehensive income								
Share of other comprehensive income of associates	-	-	-	217,849,624	-	217,849,624	-	217,849,624
Gain on valuation of financial assets measured at fair value through other comprehensive income	-	-	-	3,988,545	-	3,988,545	8,076,949	12,065,494
Exchange differences	-	-	-	2,122,863,187	-	2,122,863,187	6,891,554,778	9,014,417,965
Remeasurement of net defined employee benefit liabilities	-	-	-	-	(1,072,291,504)	(1,072,291,504)	(2,170,241,844)	(3,242,533,348)
Total other comprehensive income	-	-	-	2,344,701,356	(1,072,291,504)	1,272,409,852	4,729,389,883	6,001,799,735
<b>Total comprehensive income for the year</b>	-	-	-	2,344,701,356	26,319,553,385	28,664,254,741	83,905,459,863	112,569,714,604
<b>Transactions with owners:</b>								
Dividend	-	-	-	-	(1,159,503,720)	(1,159,503,720)	(6,581,992,640)	(7,741,496,360)
Issuance of convertible preferred stock	5,410,447,000	23,438,714,290	-	-	-	28,849,161,290	-	28,849,161,290
Redemption of convertible bonds	-	(886,174,099)	-	-	-	(886,174,099)	(5,329,546,768)	(6,215,720,867)
Intra-group unequal increase of share with consideration	-	(1,884,290,656)	-	-	-	(1,884,290,656)	1,884,290,656	-
Acquisition of non-controlling interests	-	138,637,000	-	-	-	138,637,000	(1,849,121,085)	(1,710,484,085)
Disposal of subsidiaries	-	9,620,314,187	-	-	-	9,620,314,187	8,471,935,813	18,092,250,000
Total transactions with owners	5,410,447,000	30,427,200,722	-	-	(1,159,503,720)	34,678,144,002	(3,404,434,024)	31,273,709,978
<b>Balance as of December 31, 2021</b>	₩ 25,742,236,500	₩ 65,678,289,942	₩ (1,084,509,464)	₩ 4,207,335,969	₩ 105,877,224,603	₩ 200,420,577,550	₩ 263,178,303,650	₩ 463,598,881,200
<b>Balance of January 1, 2022</b>	₩ 25,742,236,500	₩ 65,678,289,942	₩ (1,084,509,464)	₩ 4,207,335,969	₩ 105,877,224,603	₩ 200,420,577,550	₩ 263,178,303,650	₩ 463,598,881,200
<b>Total comprehensive income:</b>								
Profit for the year	-	-	-	-	33,122,419,177	33,122,419,177	153,327,779,603	186,450,198,780
Other comprehensive income								
Share of other comprehensive income of associates	-	-	-	(46,680,339)	-	(46,680,339)	-	(46,680,339)
Gain on valuation of financial assets measured at FVTOCI	-	-	-	(3,385,948)	-	(3,385,948)	(6,856,668)	(10,242,616)
Exchange differences	-	-	-	(11,273,268,248)	-	(11,273,268,248)	(4,280,298,818)	(15,553,567,066)
Remeasurement of net defined employee benefit liabilities	-	-	-	-	2,029,357,235	2,029,357,235	3,364,046,153	5,393,403,388
Total other comprehensive income	-	-	-	(11,323,334,535)	2,029,357,235	(9,293,977,300)	(923,109,333)	(10,217,086,633)
<b>Total comprehensive income for the year</b>	-	-	-	(11,323,334,535)	35,151,776,412	23,828,441,877	152,404,670,270	176,233,112,147
<b>Transactions with owners:</b>								
Dividend	-	-	-	-	(2,473,550,900)	(2,473,550,900)	(10,659,363,500)	(13,132,914,400)
Issuance of convertible preferred stock	-	-	-	-	-	-	-	-
Redemption of convertible bonds	-	-	-	-	-	-	-	-
Intra-group unequal increase of share with consideration	-	-	-	-	-	-	6,330,000,000	6,330,000,000
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Effect of changes in ownership interest of a subsidiary	-	8,565,178,408	-	-	-	8,565,178,408	(8,565,178,408)	-
Total transactions with owners	-	8,565,178,408	-	-	(2,473,550,900)	6,091,627,508	(12,894,541,908)	(6,802,914,400)
<b>Balance as of December 31, 2022</b>	₩ 25,742,236,500	₩ 74,243,468,350	₩ (1,084,509,464)	₩ (7,115,998,566)	₩ 138,555,450,115	₩ 230,340,646,935	₩ 402,688,432,012	₩ 633,029,078,947

**SIMMTECH HOLDINGS CO., LTD. AND IT'S SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Translation into U.S dollars							
	Attributable to the shareholders of parent company							
	Capital Stock	Capital Surplus	Other Components of Equity	Cumulated Other Comprehensive Income	Retained Earnings	Total	Non-controlling Interests	Total Shareholders' Equity
<b>Balance of January 1, 2021</b>	\$ 16,043,391	\$ 27,815,899	\$ (855,764)	\$ 1,469,766	\$ 63,692,239	\$ 108,165,532	\$ 144,146,830	\$ 252,312,362
<b>Total comprehensive income:</b>								
Profit for the year	-	-	-	-	21,614,334	21,614,334	62,476,186	84,090,519
Other comprehensive income								
Share of other comprehensive income of associates	-	-	-	171,901	-	171,901	-	171,901
Gain on valuation of financial assets measured at fair value through other comprehensive income	-	-	-	3,147	-	3,147	6,373	9,521
Exchange differences	-	-	-	1,675,107	-	1,675,107	5,437,982	7,113,089
Remeasurement of net defined employee benefit liabilities	-	-	-	-	(846,123)	(846,123)	(1,712,493)	(2,558,615)
Total other comprehensive income	-	-	-	1,850,155	(846,123)	1,004,032	3,731,863	4,735,895
<b>Total comprehensive income for the year</b>	-	-	-	1,850,155	20,768,211	22,618,366	66,208,048	88,826,414
<b>Transactions with owners:</b>								
Dividend	-	-	-	-	(914,940)	(914,940)	(5,193,713)	(6,108,653)
Issuance of convertible preferred stock	4,269,271	18,495,001	-	-	-	22,764,272	-	22,764,272
Redemption of convertible bonds	-	(699,262)	-	-	-	(699,262)	(4,205,434)	(4,904,696)
Intra-group unequal increase of share with consideration	-	(1,486,854)	-	-	-	(1,486,854)	1,486,854	-
Acquisition of non-controlling interests	-	109,396	-	-	-	109,396	(1,459,103)	(1,349,707)
Disposal of subsidiaries	-	7,591,189	-	-	-	7,591,189	6,685,028	14,276,217
Total transactions with owners	4,269,271	24,009,470	-	-	(914,940)	27,363,800	(2,686,368)	24,677,432
<b>Balance as of December 31, 2021</b>	<b>\$ 20,312,662</b>	<b>\$ 51,825,369</b>	<b>\$ (855,764)</b>	<b>\$ 3,319,921</b>	<b>\$ 83,545,510</b>	<b>\$ 158,147,698</b>	<b>\$ 207,668,511</b>	<b>\$ 365,816,209</b>
<b>Balance of January 1, 2022</b>	<b>\$ 20,312,662</b>	<b>\$ 51,825,369</b>	<b>\$ -</b>	<b>\$ 3,319,921</b>	<b>\$ 83,545,510</b>	<b>\$ 158,147,698</b>	<b>\$ 207,668,511</b>	<b>\$ 365,816,209</b>
<b>Total comprehensive income:</b>								
Profit for the year	-	-	-	-	26,136,210	26,136,210	120,987,753	147,123,963
Other comprehensive income								
Share of other comprehensive income of associates	-	-	-	(36,834)	-	(36,834)	-	(36,834)
Gain on valuation of financial assets measured at FVTOCI	-	-	-	(2,672)	-	(2,672)	(5,410)	(8,082)
Exchange differences	-	-	-	(8,895,501)	-	(8,895,501)	(3,377,495)	(12,272,995)
Remeasurement of net defined employee benefit liabilities	-	-	-	-	1,601,323	1,601,323	2,654,499	4,255,822
Total other comprehensive income	-	-	-	(8,935,007)	1,601,323	(7,333,684)	(728,406)	(8,062,090)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,935,007)</b>	<b>27,737,534</b>	<b>18,802,527</b>	<b>120,259,347</b>	<b>139,061,873</b>
<b>Transactions with owners:</b>								
Dividend	-	-	-	-	(1,951,827)	(1,951,827)	(8,411,081)	(10,362,909)
Issuance of convertible preferred stock	-	-	-	-	-	-	-	-
Redemption of convertible bonds	-	-	-	-	-	-	-	-
Intra-group unequal increase of share with consideration	-	-	-	-	-	-	4,994,871	4,994,871
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-
Effect of changes in ownership interest of a subsidiary	-	-	-	-	-	6,758,604	(6,758,604)	-
Total transactions with owners	-	6,758,604	-	-	(1,951,827)	4,806,776	(10,174,814)	(5,368,038)
<b>Balance as of December 31, 2022</b>	<b>\$ 20,312,662</b>	<b>\$ 58,583,973</b>	<b>\$ (855,764)</b>	<b>\$ (5,615,086)</b>	<b>\$ 109,331,216</b>	<b>\$ 181,757,001</b>	<b>\$ 317,753,043</b>	<b>\$ 499,510,044</b>

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 40.

**SIMMTECH HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Korean won		Translation into U.S. dollars	
	2022	2021	2022	2021
<b>Cash flows from operating activities</b>				
Cash generated from operations	₩ 476,856,383,367	₩ 115,287,915,327	\$ 376,277,427	\$ 90,971,290
Profit for the year	186,450,198,780	106,567,914,869	147,123,963	84,090,519
Adjustments for:	225,913,321,890	157,672,264,526	178,263,491	124,415,896
Post-employment benefits	17,997,141,049	16,290,984,779	14,201,169	12,854,876
Gain on valuation of inventories	(1,222,674,191)	6,874,808,359	(964,787)	5,424,768
Bad debt expense (reversal)	23,707,436	170,699,325	18,707	134,695
Other bad debt expense (reversal)	13,922,662	-	10,986	-
Gain on foreign currency translation	(18,166,131,684)	(1,514,307,104)	(14,334,516)	(1,194,908)
Loss on foreign currency translation	23,063,976,878	3,417,480,062	18,199,303	2,696,662
Share of loss (profit) of associates and joint ventures	92,092,872	1,575,471,133	72,669	1,243,171
Depreciation	89,629,116,920	77,226,309,042	70,724,467	60,937,670
Amortization	1,491,487,334	1,651,304,757	1,176,902	1,303,010
Loss on disposal of intangible assets	-	45,500,000	-	35,903
Gain on disposal of intangible assets	-	(59,333,333)	-	(46,819)
Impairment loss on intangible assets	-	4,123,796,196	-	3,254,002
Loss on disposal of property, plant and equipment	434,526,511	96,754,505	342,876	76,347
Gain on disposal of property, plant and equipment	(310,431,692)	(809,853,101)	(244,955)	(639,038)
Reversal of impairment loss on tangible assets	-	(2,747,252,942)	-	(2,167,800)
Loss on scrapped property, plant and equipment	1,889,137,015	3,663,471,237	1,490,679	2,890,769
Gain on valuation of derivatives	(5,376,265,967)	(184,921,946)	(4,242,299)	(145,918)
Loss on valuation of derivatives	7,171,272,398	1,720,171,861	5,658,701	1,357,352
Gain on transaction of derivatives	-	(321,398,274)	-	(253,609)
Gain on disposal of financial assets	(24,418,495)	-	(19,268)	-
Loss on disposal of financial assets	34,932	-	28	-
Gain on redemption of bonds	(2,043,167,782)	-	(1,612,221)	-
Loss on repayment of debentures	-	550,549,351	-	434,427
Miscellaneous loss	150,982,217	14,339,158	119,137	11,315
Dividend income	(6,490,704)	(4,998,960)	(5,122)	(3,945)
Interest income	(1,012,842,598)	(379,456,263)	(799,213)	(299,421)
Interest expenses	9,977,232,075	9,825,196,011	7,872,826	7,752,857
Income tax expenses	102,141,114,704	36,446,950,673	80,597,423	28,759,529
Changes in assets and liabilities:	64,492,862,697	(148,952,264,068)	50,889,973	(117,535,125)
Decrease (increase) in trade receivables	(59,928,590,878)	(6,641,727,551)	(47,288,401)	(5,240,849)
Decrease (increase) in other receivables	(52,427,383,442)	(3,728,867,905)	(41,369,355)	(2,942,372)
Decrease (increase) in other financial assets	(19,767,544)	(7,536,161)	(15,598)	(5,947)
Decrease (increase) in advance payments	(3,157,813,926)	(243,770,924)	(2,491,765)	(192,355)
Decrease (increase) in prepaid expenses	(1,129,418,992)	288,653,612	(891,201)	227,771
Decrease (increase) in prepaid V.A.T	14,963,136	-	11,807	-
Decrease (increase) in right to recover returned goods	(485,785,324)	(441,586,594)	(383,323)	(348,447)
Decrease (increase) in inventories	(28,671,967,551)	(27,110,678,040)	(22,624,452)	(21,392,471)
Decrease (increase) in long-term prepaid expenses	(218,286,244)	-	(172,245)	-
Decrease (increase) in other non-current assets	(208,820,879)	-	(164,776)	-
Increase (decrease) in trade payables	9,561,256,221	(26,482,198,845)	7,544,588	(20,896,551)
Increase (decrease) in other payables	99,291,754,684	(48,587,487,516)	78,349,053	(38,339,373)
Increase (decrease) in long-term accounts payable	175,921,381	(138,289,639)	138,816	(109,121)
Increase (decrease) in accrued expenses	54,102,916,204	9,239,603,241	42,691,483	7,290,778
Increase (decrease) in advances from customers	(7,353,879,913)	(17,996,393,506)	(5,802,793)	(14,200,579)
Increase (decrease) in withholdings	1,123,103,266	1,667,386,150	886,217	1,315,700
Increase (decrease) in V.A.T withheld	(33,979,126)	(122,071,837)	(26,812)	(96,324)
Increase (decrease) in refund liabilities	816,969,205	534,724,319	644,653	421,940
Increase (decrease) in long-term guarantee deposit received	-	210,000,000	-	165,707
Increase (decrease) in long-term advances from customers	62,233,379,027	-	49,107,061	-
Severance payments	(3,200,159,547)	(4,116,332,629)	(2,525,179)	(3,248,112)
Decrease (increase) in plan assets	(5,020,964,306)	(25,275,690,243)	(3,961,938)	(19,944,520)
Increase (decrease) of other non-current employee benefit liabilities	(970,582,755)	-	(765,867)	-
Interest received	332,052,083	277,224,737	262,015	218,752
Interest paid	(5,514,873,368)	(6,474,668,349)	(4,351,672)	(5,109,026)
Income taxes paid	(50,591,708,251)	(24,761,196,939)	(39,920,862)	(19,538,544)
Dividend received	6,490,704	4,998,960	5,122	3,945
<b>Net cash flows provided by operating activities</b>	<b>421,088,344,535</b>	<b>84,334,273,736</b>	<b>332,272,031</b>	<b>66,546,417</b>

**SIMMTECH HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Korean won		Translation into U.S. dollars	
	2022	2021	2022	2021
<b>Cash flows from investing activities</b>				
Decrease of short-term financial instruments	20,000,000,000	-	15,781,583	-
Decrease of loan	187,500,000	-	147,952	-
Decrease in long-term loans	497,795,670	2,929,503,000	392,800	2,311,610
Decrease of financial assets measured at FVTOCI	53,360,398,283	-	42,105,577	-
Government grants received	7,510,000,000	-	5,925,984	-
Disposal of property, plant and equipment	4,749,621,723	1,315,820,200	3,747,827	1,038,286
Disposal of intangible assets	8,252,307	187,000,000	6,512	147,558
Decrease of deposits	34,353,663	-	27,108	-
Disposal of subsidiaries	-	18,092,250,000	-	14,276,217
Increase of short-term financial instruments	(90,030,000,000)	-	(71,040,795)	-
Increase in long-term financial instruments	(330,000,000)	(180,000,000)	(260,396)	(142,034)
Increase of financial assets measured at FVTOCI	(63,255,018,546)	-	(49,913,216)	-
Increase in loan to the affiliated companies	(605,900,000)	(2,297,000,000)	(478,103)	(1,812,515)
Increase in loan to shareholders, directors and employee	(1,647,632,500)	(497,795,670)	(1,300,112)	(392,800)
Acquisition of property, plant and equipment	(297,392,105,564)	(82,120,186,951)	(234,665,908)	(64,799,327)
Acquisition of intangible assets	(1,423,102,435)	(920,213,943)	(1,122,940)	(726,122)
Increase in guarantee deposits	(1,517,066,073)	(593,502,605)	(1,197,085)	(468,321)
Net cash outflow by business combination	(397,487,350)	(1,710,484,085)	(313,649)	(1,349,707)
<b>Net cash flows used in investing activities</b>	<b>(370,250,390,822)</b>	<b>(65,794,610,054)</b>	<b>(292,156,862)</b>	<b>(51,917,155)</b>
<b>Cash flows from financing activities</b>				
Increase in short-term borrowings	103,804,724,135	143,530,785,600	81,910,143	113,257,150
Increase in long-term borrowings	23,134,235,800	70,276,848,000	18,254,743	55,453,995
Issuance of convertible bonds	-	76,000,000,000	-	59,970,015
Issuance of preferred stocks	-	28,849,161,290	-	22,764,272
Increase of long-term leasehold deposits	160,000,000	-	126,253	-
Capital increase in a subsidiary through equity investment	6,330,000,000	-	4,994,871	-
Repayment of short-term borrowings	(61,262,793,453)	(160,509,479,370)	(48,341,193)	(126,654,683)
Repayment of current portion of long-term borrowings	-	(50,652,582,509)	-	(39,968,896)
Repayment of long-term borrowings	(3,417,186,158)	(25,177,205,919)	(2,696,430)	(19,866,808)
Repayment of debentures	-	(1,401,126,400)	-	(1,105,600)
Repayment of convertible bonds	(31,737,716,029)	(30,000,000,000)	(25,043,570)	(23,672,374)
Decrease in derivatives liabilities	-	(4,740,000,000)	-	(3,740,235)
Repayment of lease liabilities	(4,698,613,733)	(4,499,164,646)	(3,707,578)	(3,550,197)
Dividend paid	(13,132,914,400)	(7,741,496,360)	(10,362,909)	(6,108,653)
<b>Net cash flows provided by financing activities</b>	<b>19,179,736,162</b>	<b>33,935,739,686</b>	<b>15,134,330</b>	<b>26,777,984</b>
<b>Net increase in cash and cash equivalents</b>	<b>70,017,689,875</b>	<b>52,475,403,368</b>	<b>55,249,499</b>	<b>41,407,246</b>
Cash and cash equivalents at the beginning of the financial year	72,695,045,074	20,137,763,871	57,362,144	15,890,289
Effects of exchange rate changes on cash and cash equivalents	(830,401,104)	81,877,835	(655,252)	64,608
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 141,882,333,845</b>	<b>₩ 72,695,045,074</b>	<b>\$ 111,956,391</b>	<b>\$ 57,362,144</b>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes. The U.S. dollar amounts are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 40.

## 1. General Information

SIMMTECH HOLDINGS Co., Ltd. (“the Company”) and its subsidiaries (collectively referred to as “the Group”) manufacture various electronic products and parts, including print circuitry-base (“PCB”) plates. The Company was incorporated on August 24, 1987 and listed its common shares on the KOSDAQ market in the Korea Exchange (“KRX”) on December 29, 1999. The head office of the Group is located in 73, Sandan-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Korea.

The Company spun off its manufacturing and selling business segment and incorporated SIMMTECH Co., Ltd. on July 1, 2015, the spin-off date, as approved by the Board of Directors on February 23, 2015 and by the shareholders’ meeting on May 29, 2015. After the spin-off, the Company, the existing company from the spin-off, changed its name from SIMMTECH Co., Ltd. to SIMMTECH HOLDINGS Co., Ltd. and mainly engages in the investment business such as management of subsidiaries and others.

As of December 31, 2022, common stock of the Company consists of:

Shareholders	Type	Number of shares	Percentage of ownership
Seho Chun	Individual	19,444,223	40.22%
LIGHTMAC PTE.LTD.	Corporation	7,686,566	15.90%
SIMMTECH HOLDINGS Co., Ltd.	Corporation	2,013,455	4.16%
Others	-	19,205,901	39.72%
		<u>48,350,145</u>	<u>100.00%</u>

As of December 31, 2022, preferred stock of the Company consists of:

Shareholders	Type	Number of shares	Percentage of ownership
Hana Bank Trust Business Department (Shinhan Main the Third)	Bank	2,873,134	91.67%
INDUSTRIAL BANK OF KOREA	Bank	261,194	8.33%
		<u>3,134,328</u>	<u>100.00%</u>

### 1.1 Consolidated Subsidiaries

The details of investments in subsidiaries as of December 31, 2022 and 2021, are as follows:

Subsidiaries	Location	Percentage of ownership		Closing month	Main business	Parent company
		2022	2021			
SIMMTECH Co., Ltd.	Korea	33.05%	33.05%	December	Supporting PCB sales	SIMMTECH HOLDINGS Co., Ltd.
GLOBAL SIMMTECH Co., Ltd.	Korea	99.14%	99.14	December	Holding company	SIMMTECH Co., Ltd.
Simmtech Hong Kong Holdings Limited	Hong Kong	100%	100%	December	Holding company	GLOBAL SIMMTECH Co., Ltd.
Simmtech (Xian) Co., Ltd.	China	100%	100%	December	PCB manufacturing	Simmtech Hong Kong Holdings Limited
STJ Holdings Co., Ltd.	Japan	100%	100%	December	Holding company	GLOBAL SIMMTECH Co., Ltd.
SIMMTECH GRAPHICS CO., Ltd. <sup>1</sup>	Japan	99.26%	99.18%	December	PCB manufacturing	STJ Holdings Co., Ltd.
T.E. TECH(M) SDN. BHD.	Malaysia	99.89%	95.80%	December	PCB manufacturing	SIMMTECH Co., Ltd.
Nippon Via Co., Ltd.	Japan	-	100%	December	Laser drilling	STJ Holdings Co., Ltd.
A.I. TECH Co., Ltd.	Korea	100%	100%	December	PCB inspection	SIMMTECH Co., Ltd.
Bestics Co., Ltd. <sup>2</sup>	Korea	100%	-	December	Logistics services	SIMMTECH Co., Ltd.
Simmtech Taiwan Co., Ltd.	Taiwan	100%	100%	December	Supporting PCB sales	SIMMTECH HOLDINGS Co., Ltd.
SIMMTECH INTERNATIONAL PTE. LTD. <sup>3</sup>	Singapore	83.93%	100%	December	Holding company	SIMMTECH HOLDINGS Co., Ltd.
Simmtech America Inc.	USA	100%	100%	December	Supporting PCB sales	SIMMTECH HOLDINGS Co., Ltd.
Simmtech Japan Inc.	Japan	100%	100%	December	Supporting PCB	SIMMTECH

**SIMMTECH HOLDINGS CO., LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

Entity	Location	Ownership %	Reporting Period	Business Type	Parent Company
STNC Hong Kong Holdings Limited <sup>4</sup>	Hong Kong	70%	December	sales	HOLDINGS Co., Ltd.
SIMMTECH NICHING (SUZHOU) Co., Ltd. <sup>4</sup>	China	100%	December	Holding company	SIMMTECH HOLDINGS Co., Ltd.
SIMMTECH ASIA OPERATION PTE. LTD.	Singapore	100%	December	Supporting PCB sales	STNC Hong Kong Holdings Limited
SUSTIO SDN. BHD.	Malaysia	100%	December	Holding company	SIMMTECH INTERNATIONAL PTE. LTD.
				PCB manufacture	SIMMTECH ASIA OPERATION PTE. LTD.

<sup>1</sup> SIMMTECH GRAPHICS Co., Ltd. merged Nippon Via Co., Ltd. for the year ended December, 31, 2022

<sup>2</sup> The Group acquired 100% ownership and it became a subsidiary of the Group for the year ended December, 31, 2022.

<sup>3</sup> The Group underwent a capital increase and the ownership percentage changed to 83.93% for the year ended December, 31, 2022.

<sup>4</sup> The parent company, SIMMTECH Holdings Co., Ltd., sold all of its shares in its subsidiary, SIMMTECH INTERNATIONAL PTE. LTD., for the year ended December, 31, 2022.

Bestics Co., Ltd. has been newly included in the consolidation by acquiring the stock and Nippon Via Co., Ltd. has been excluded from the consolidation due to its merge with a third party for the year ended December 31, 2022

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

<b>Subsidiaries</b>	<b>Main business</b>
A.I. TECH Co., Ltd. <sup>5</sup>	Domestic PCB inspection
SUSTIO SDN.BHD. <sup>6</sup>	PCB manufacture
Simmtech Taiwan Co., Ltd. <sup>7</sup>	Supporting PCB sales
SIMMTECH INTERNATIONAL PTE. LTD. <sup>8</sup>	Holding company
SIMMTECH ASIA OPERATION PTE. LTD. <sup>9</sup>	Holding company

<sup>5</sup> The Group acquired 1,800,000 shares of common stock during the year ended December 31, 2021 and owns 100% of shares as of December 31, 2021.

<sup>6</sup> The Group acquired 333,956,172 shares of common stock during the year ended December 31, 2021 and owns 100% of shares as of December 31, 2021.

<sup>7</sup> The Group acquired 500,000 shares of common stock during the year ended December 31, 2021 and owns 100% of shares as of December 31, 2021.

<sup>8</sup> The Group acquired 15,000,000 shares of common stock during the year ended December 31, 2021 and owns 100% of shares as of December 31, 2021.

<sup>9</sup> The Group acquired 50,000,000 shares of common stock during the year ended December 31, 2021 and owns 100% of shares as of December 31, 2021.



## **2. Significant Accounting Policies**

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

### **2.1 Basis of Preparation**

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

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

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

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

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

### **2.2 Changes in accounting policies and disclosures**

#### **2.2.1 New standards and interpretations adopted by the Group**

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

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

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

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

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



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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group currently is evaluating the effect of these amendments, if any, to the Group's consolidated financial statements.

### **Amendments to Korean IFRS 1037 Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract**

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

### **Annual Improvements to Korean IFRS 2018-2020**

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

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

### **2.2.2 New standards and interpretations not yet adopted by the Group**

The amended accounting standards issued that are not mandatory for the annual reporting periods commencing on January 1, 2022 and has not been early adopted by the Group are as follows:

#### **Amendments to Korean IFRS 1001 Presentation of Financial Statements**

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and elucidate that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

#### **Amendments to Korean IFRS 1001 Presentation of Financial Statements**

The amendments require companies to define and disclose their 'material' accounting policy information instead of its 'significant' accounting policies. The amendments explain how an entity can identify material accounting policy information. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively.

#### **Amendments to Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors**

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

### **Amendments to Korean IFRS 1012, Income Taxes**

The amendments add to the initial recognition exemption that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

### **Enactment of Korean IFRS 1117, Insurance Contracts**

Korean IFRS 1117, Insurance Contracts, replaces Korean IFRS 1104, Insurance Contracts. It requires the estimation of all cash flows arising from insurance contracts and measurement of insurance liabilities using discount rates that reflect assumptions and risks at the reporting date, as well as recognition of revenue using the accrual basis, reflecting services provided (insurance coverage) to policyholders in each accounting year. Additionally, investment components paid to policyholders regardless of insurance events (surrender/maturity benefits) are excluded from insurance revenue, and insurance profit and investment profit are separately presented to enable users of information to identify sources of gains and losses. This standard is effective from the first accounting year beginning on or after January 1, 2023, and early adoption is permitted for entities that have applied Korean IFRS 1109, "Financial Instruments." The Group expects that the revised standard will not have a significant impact on its financial statements.

Entities that apply Korean IFRS 1117 for the first time may apply an optional comparative adjustment ("overlay") for the comparative period. Such classification adjustments may be applied to all financial assets, including financial assets unrelated to contracts included in the scope of Korean IFRS 1117. Entities applying classification adjustments to financial assets present comparative information as if they had applied the classification and measurement requirements of Korean IFRS 1109 to those financial assets, and such classification adjustments may be applied by product.

### **Amendments to Korean IFRS 1001, Financial Statement Presentation**

Korean IFRS 1001, Financial Statement Presentation, requires disclosure of the carrying amount and related gains and losses of financial liabilities when all or a portion of financial instruments with conditions that adjust the exercise price based on the issuer's share price are classified as financial liabilities. This revision is effective for accounting years beginning on or after January 1, 2023, and early adoption is permitted. The Group expects that the revised standard will not have a significant impact on its 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 (including special purpose entities) are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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 recoded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

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

(b) Associates

Associates are entities over which the Group has significant influence but not control 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 objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

## **2.4 Foreign Currency Translation**

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(C) Translation into the presentation currency

The results and financial position of all the foreign entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the foreign exchange rate at the end of the reporting date.
- Income and expenses for each consolidated statement of profit or loss are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the as-of rate on the dates of the transactions.
- All resulting exchange differences are recognized in other comprehensive income."

If control over a subsidiary is lost, the cumulative amount of foreign currency translation adjustments recognized as a capital item is reclassified to profit or loss as a revaluation gain/loss at the point of disposal recognition.

The goodwill and fair value adjustments arising from the acquisition of a foreign entity are recognized as assets and liabilities of the acquired company and are translated at the exchange 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.

### **(b) Measurement**

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

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

#### *A. Debt instruments*

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

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

- Fair value through profit or loss (“FVTPL”): Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within ‘other income or expenses’ in the year in which it arises.

#### *B. Equity instruments*

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

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

#### (c) Impairment

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

#### (d) Recognition and Derecognition

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

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

#### (e) Offsetting of financial instruments

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

### **2.6 Derivative Instruments**

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

## **2.7 Trade receivables**

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

## **2.8 Inventories**

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

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

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

## **2.10 Property, Plant and Equipment**

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

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:

	<u>Useful life</u>
Buildings	30 - 40 years
Structures	8 - 10
Machinery	3 - 10
Vehicles	8
Tools and equipment	8
Facility equipment	20

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

## **2.11 Borrowing Costs**

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

## **2.12 Government Grants**

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

## **2.13 Intangible Assets**

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

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

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

## **2.14 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 ("FVTPL") are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

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

Preferred stocks that must be repaid on a specific date are classified as liabilities. Interest expense for such preferred stocks, in accordance with the effective interest rate method, is recognized as "financial expenses" in the income statement along with interest expense recognized on other financial liabilities.

Borrowings are classified as current liabilities unless the entity 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.

### **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, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

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

### **2.18 Compound Financial Instruments**

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

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

In other cases, the liability components of compound financial instruments are initially recognized at their fair values for each component. The bond component is subsequently recognized at the amortized cost using the effective interest method until the conversion or maturity date, and the conversion option component is remeasured at fair value until the conversion or maturity date. Transaction costs directly attributable to the issuance of the compound financial instrument are allocated to the liability and equity components in proportion to their initial recognition amounts.

### **2.19 Provisions**

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

### **2.20 Current and Deferred Income Tax**

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between



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

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

The Group recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognizes a deferred income tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

## **2.21 Employee Benefits**

### **(a) Post-employment benefits**

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

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

### **(b) Long-term employee benefits**

The Group provides long-term employee benefits to employees who have worked for more than 5 years, primarily to those who are long-serving employees. The long-term employee benefits are measured using the defined benefit plan method, and the cost of employee services, net interest expense on the net defined benefit liability, and remeasurement components are recognized in profit or loss. Additionally, these liabilities are evaluated annually by an independent and qualified actuary.

## **2.22 Revenue Recognition**

### **(a) Identification of performance obligations**

The Group primarily engages in the business of selling goods such as printed circuit boards to customers. Services provided separately from the sale of goods in the product sales contract with customers are identified as separate performance obligations.

At the time of entering into the product sales contract with customers, the standard warranty period for each product is calculated based on the legal warranty period and other factors such as the product type and country. If additional warranties for product quality are provided after the standard warranty period has expired or if the customer has the option to purchase additional warranties separately, those warranties are identified

as separate performance obligations for revenue recognition.

(b) Performance Obligations Satisfied at a Point in Time

Revenue from the sale of goods is recognized when the goods are delivered to the buyer. Delivery occurs when the goods are transferred to a specific location, the risk of obsolescence and loss is transferred to the buyer, and the buyer has accepted the goods in accordance with the sales contract, or objective evidence of delivery acceptance is available.

(c) Variable consideration

The company estimates variable consideration using the expected value method, which is expected to better predict the consideration to be received, and includes the estimated amount of variable consideration in the transaction price for revenue recognition up to the amount that is highly probable of not being reversed upon the occurrence of a significant reversal event, such as expiration of the return period. Amounts that the company does not expect to be entitled to from amounts received or receivable are recognized as refund liabilities.

(d) Refund

The estimated total amount expected to be refunded to customers is recognized as a contract liability (refund liability) and revenue is adjusted accordingly. When customers exercise their right to return the product, the company recognizes the right to collect the product from the customer as a contract asset and adjusts the cost of sales by the corresponding amount. The right to collect the product is measured by deducting the cost of collecting the product from the historical book value of the product.

(e) Significant Financing Components

In general, the period between the transfer of goods or services and the payment of consideration is within one year, and in such cases, a practical simplified method that does not adjust the promised consideration for significant financing components is used, taking into account the impact of significant financing components.

## **2.23 Lease**

The contract may include 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 standalone prices. However, for real estate leases where the Company is a lessee, it applied a practical expedient of not separating lease and non-lease components and accounting for them as a single lease component.

The lease terms are negotiated on an individual basis and include various contractual terms. There are no other restrictions imposed by the lease agreements, although the lessee cannot use the leased asset as collateral for borrowings.

The Group calculates the lease term including the periods covered by a lessee's extension option, if it is reasonably certain that the lessee will exercise that option, and periods covered by a lessee's termination option, if it is reasonably certain that the lessee will not exercise that option. The Group determines the lease term taking into account the economic penalty that would be incurred by the lessee and lessor if they were to terminate the contract without the consent of the other party.

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

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

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

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

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

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

#### (a) Variable lease payments

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

#### (b) Lessee extension and termination options

The Group's lease agreements of real estate and fixtures generally contain options to extend or terminate lease.

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

### **2.24 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 2022 consolidated financial statements were approved for issuance by the Board of Directors on March 9, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

### **3. Critical Accounting Estimates and Assumptions**

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

The following estimates and assumptions about management judgment and significant risks that could affect the adjustment of asset and liability book values for the next reporting period are as follows. Additional information on significant judgments and estimates for certain items is included in the 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 25).

Regarding taxes payable in Korea, if a certain portion of taxable income is not used for investments or for increases in wages or dividends, in accordance with the Tax System For Recirculation of Corporate Income, the Company is liable to pay additional income tax calculated based on the Korean tax law. The current and deferred taxes at the end of the fiscal year are based on the best estimate of future taxes payable, which can differ from the actual future taxes payable as a result of changes in investments, wages and dividends; this results in an additional uncertainty in 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 of December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. To calculate the value in use, the Group estimates the expected future cash inflows derived from the CGU and selects a discount rate for calculating the present value of the expected future cash inflows.

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

#### **(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 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 22).

#### 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 receivables from customers 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 Group has entered into bond insurance program with Korea Trade Insurance Corporation and the status of delinquent receivables and measures to collect them is reported, and appropriate actions are taken depending on the reasons for delay.

##### (ii) Investments

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

##### (iii) Exposure to credit risk

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

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Cash and cash equivalents	₩	141,869,508	₩	72,695,045
Trade and other receivables (current)		124,529,285		70,369,936
Trade and other receivables (non-current)		3,164,710		2,516,796
Other financial assets (current)		80,434,235		-
Other financial assets (non-current)		4,535,163		3,229,755
Performance guarantee		-		80,000
	₩	<u>354,532,902</u>	₩	<u>148,891,532</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Receivables not past due	₩	118,281,094	₩	72,886,732
		118,281,094		72,886,732
Impaired <sup>1</sup> :				
Under 3 months		7,832,893		-
Over 3 months to 6 months		917,272		7,905
Over 6 months		733,620		10,042,946
		9,483,785		10,050,851
	₩	127,764,879	₩	82,937,583

<sup>1</sup> Allowances for doubtful accounts amount to ₩70,884 thousand and ₩10,050,851 thousand as of December 31, 2022 and 2021, respectively.

The movements on allowances for doubtful accounts for the years ended December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Beginning balance	₩ 2,218,780	₩ 9,994,307	₩ 2,218,780	₩ 9,994,307
Bad debt expenses (reversal)	170,699	-	170,699	-
Collection / Elimination	(2,332,611)	-	(2,332,611)	-
Foreign currency translation effect	(326)	-	(326)	-
Ending balance	₩ 56,543	₩ 9,994,307	₩ 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 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 of December 31, 2022 and 2021, including estimated interest payments and excluding the impact of netting agreements:

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Contractual cash flows</b>	<b>12 months or less</b>	<b>1 to 2 years</b>	<b>More than 2 years</b>
<b>Derivative financial liabilities</b>				
Financial liabilities measured at FVTPL	₩ 22,863,897	₩ 22,863,897	₩ -	₩ -
<b>Non-derivative financial liabilities</b>				
Financial liabilities measured at amortized cost:				
Trade and other payables	322,129,342	310,465,093	11,664,249	-
Lease liabilities	8,307,310	2,938,885	1,699,944	3,780,190
Borrowings	171,717,358	79,676,727	60,514,327	31,526,304
Convertible bonds	47,610,000	47,610,000	-	-
	₩ 549,764,010	₩ 440,690,705	₩ 73,878,520	₩ 35,306,494

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<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Contractual cash flows</b>	<b>12 months or less</b>	<b>1 to 2 years</b>	<b>More than 2 years</b>
<b>Derivative financial liabilities</b>				
Financial liabilities measured at FVTPL	₩ 34,870,262	₩ 34,870,262	₩ -	₩ -
<b>Non-derivative financial liabilities</b>				
Financial liabilities measured at amortized cost:				
Trade and other payables	197,808,678	197,786,617	22,061	-
Lease liabilities	6,891,613	3,273,368	1,914,465	1,703,780
Borrowings	107,905,627	30,794,768	9,607,289	67,503,570
Convertible bonds	78,780,000	78,780,000	-	-
Performance guarantee	80,000	80,000	-	-
	<u>₩ 426,336,179</u>	<u>₩ 345,585,015</u>	<u>₩ 11,543,815</u>	<u>₩ 69,207,350</u>

*(d) Market risk*

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

*(i) Foreign Currency risk*

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

The Group's exposure to foreign currency risk based on notional amounts as of December 31, 2022 and 2021, is as follows:

<i>(In US dollars and Japanese yen)</i>	<b>2022</b>	
	<b>USD</b>	<b>JPY</b>
Cash and cash equivalents	₩ 75,693,834	₩ 551,331,316
Leasehold deposits	180,000	5,802,000
Trade and other receivables	337,122,096	1,375,149,567
Trade and other payables	(183,215,194)	(4,777,559,335)
Other liabilities	(29,064,280)	-
Borrowings	(97,360,000)	-
Exposure, net	<u>₩ 103,356,456</u>	<u>₩ (2,845,276,452)</u>

<i>(In US dollars and Japanese yen)</i>	<b>2021</b>	
	<b>USD</b>	<b>JPY</b>
Cash and cash equivalents	₩ 4,848,779	₩ -
Leasehold deposits	13,330	964,000
Trade and other receivables	73,057,878	3,113,666,942
Trade and other payables	(24,598,204)	(3,804,224,608)
Other liabilities	-	-
Borrowings	-	-
Exposure, net	<u>₩ 53,321,783</u>	<u>₩ (725,593,666)</u>

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The following significant exchange rates were applied during 2022 and 2021:

<i>(In unit of Korean won)</i>	<b>Average exchange rate</b>		<b>Ending exchange rate</b>	
	<b>2022</b>	<b>2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
USD	1291.95	1,144.42	1267.30	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 of December 31, 2022 and 2021 is as follows:

<i>(In thousands of Korean won)</i>		<b>2022</b>	<b>2021</b>
USD	5% appreciation	₩ 6,549,182	₩ 3,160,649
JPY	5% appreciation	(1,356,030)	(373,768)

As of 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 debt obligations with floating interest rates. The Group borrows long-term borrowings with floating interest rates when borrowing with floating interest is more favorable than borrowing with fixed interest rate.

The interest rate profile of the Group's interest-bearing financial instruments as of December 31, 2022 and 2021 was as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Fixed interest rate instruments:		
Trade and other receivables	4,553,000	-
Other financial assets	81,624,235	1,405,000
Borrowings	(109,679,811)	(34,091,214)
Convertible bonds	(29,207,730)	(44,939,897)
	<u>(52,710,306)</u>	<u>(77,626,111)</u>
Floating interest rate instruments:		
Borrowings	(54,758,689)	(67,171,648)
	<u>(54,758,689)</u>	<u>(67,171,648)</u>

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>	<b>Profit or loss</b>	
	<b>1% point increase</b>	<b>1% point decrease</b>
December 31, 2022		
Variable rate financial instruments	₩ (547,587)	₩ 547,587
December 31, 2021		
Variable rate financial instruments	₩ (671,716)	₩ 671,716



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(e) *Capital management*

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

The Group's debt-to-equity ratio and net borrowings-to-equity ratio as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
Total liabilities	₩	783,354,666	₩	514,099,843
Total equity		633,029,079		463,598,881
Debt-to-equity ratio (%)		123.75%		110.89%
Cash and cash equivalents	₩	141,882,334	₩	(72,695,045)
Borrowings		164,438,501		101,262,862
Convertible bonds		29,207,730		44,939,897
Derivatives liabilities		22,863,897		34,870,262
Net borrowings	₩	74,627,794	₩	108,377,975
Net borrowings-to-equity ratio (%)		11.79%		23.38%

(f) *Fair Value*

(i) The carrying amount and fair value of financial instruments by category

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

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Assets measured at amortized cost:				
Cash and cash equivalents	₩ 141,882,334	(*1)	₩ 72,695,045	(*1)
Trade and other receivables	102,363,974	(*1)	54,534,186	(*1)
Other financial assets	75,110,163	(*1)	3,085,315	(*1)
Financial assets measured at FVTOCI:				
Trade and other receivables	25,330,021	(*1)	18,352,547	(*1)
Other financial assets	10,037,384	10,037,384	144,440	144,440
Liabilities measured at amortized cost:				
Trade and other payables	322,129,342	(*1)	197,808,678	(*1)
Borrowings	164,438,501	(*1)	101,262,862	(*1)
Convertible bonds	29,207,730	(*1)	44,939,897	(*1)
Other financial liabilities	370,000	(*1)	210,000	(*1)
Liabilities measured at FVTPL:				
Derivatives liabilities	22,863,897	(*1)	34,870,262	34,870,262

(\*1) We have excluded the amounts whose book value is a reasonable approximation of fair value from fair value disclosures.

(\*2) Liabilities related to employees that do not qualify as financial instruments have been excluded.

(ii) *Fair value hierarchy*

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

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

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Fair value measurement of financial instruments by fair value hierarchy levels as of December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets measured at FVTPL:				
Other financial instruments	₩ 156,989	₩ -	₩ 9,880,396	₩ 10,037,384
Liabilities measured at FVTPL:				
Derivatives liabilities	₩ -	₩ -	₩ 22,863,897	₩ 22,863,897

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

<i>(In thousands of Korean won)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets measured at FVTPL:				
Other financial instruments	₩ 121,465	₩ -	₩ 22,974	₩ 144,440
Liabilities measured at FVTPL:				
Derivatives liabilities	₩ -	₩ -	₩ 34,870,262	₩ 34,870,262

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

(iii) Valuation technique and inputs

The valuation technique and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>Fair value</b>	<b>Valuation method</b>	<b>Input variables</b>	<b>Range of input variables</b>
Derivative liabilities (Convertible bonds)				
	₩ 22,988,818	Binomial Tree Model	- Stock price volatility - Discount rate	Stock price volatility: 44.51% Risk-free discount rate: 3.73% Issuer's discount rate: 15.33% Company discount rate: 9.82%
Derivative liabilities (Call/Put) Other comprehensive income - Other financial assets at FVTPL	(124,921) ₩ 9,880,396	Present value method	credit risk-adjusted discount rate	Discount rate: 9.86%

The valuation technique and inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2021 are as follows:

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

(iv) Sensitivity analysis of the recurring fair value measurements

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

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

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

Results of the sensitivity analysis of changes in unobservable inputs as of December 31, 2022 are as follows:

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<i>(In thousands of Korean won)</i>	<b>Favorable changes</b>	<b>Unfavorable changes</b>
Financial liabilities:		
Derivatives liabilities (conversion right)	₩ (2,936,821)	₩ 2,729,802
Early repayment claim (put)	(561,824)	1,093,058
Redemption right (call)	826,111	(756,438)
	<u>₩ (2,672,534)</u>	<u>₩ 3,066,422</u>

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.

**5. Financial Instruments by Category**

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

<i>(In thousands of Korean won)</i>	<b>2022</b>		
	<b>Financial assets measured at amortized cost</b>	<b>Financial assets measured at FVTOCI</b>	<b>Total</b>
<b>Financial assets</b>			
Cash and cash equivalents	₩ 141,882,334	₩ -	₩ 141,882,334
Trade and other receivables	102,363,974	25,330,021	127,693,995
Other financial assets	75,110,163	10,037,384	85,147,548
	<u>₩ 319,356,471</u>	<u>₩ 35,367,405</u>	<u>₩ 354,723,876</u>

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other</b>	<b>Total</b>
<b>Financial liabilities</b>				
Trade and other payables	₩ -	₩ 322,129,342	₩ -	₩ 322,129,342
Borrowings	-	164,438,501	-	164,438,501
Convertible bonds	-	29,207,730	-	29,207,730
Derivatives liabilities	22,863,897	-	-	22,863,897
Lease liabilities	-	-	4,657,951	4,657,951
	<u>₩ 22,863,897</u>	<u>₩ 515,775,572</u>	<u>₩ 4,657,951</u>	<u>₩ 543,297,420</u>

<i>(In thousands of Korean won)</i>	<b>2021</b>		
	<b>Financial assets measured at amortized cost</b>	<b>Financial assets measured at FVTOCI</b>	<b>Total</b>
<b>Financial assets</b>			
Cash and cash equivalents	₩ 72,695,045	₩ -	₩ 72,695,045
Trade and other receivables	54,534,186	18,352,547	72,886,732
Other financial assets	3,085,315	144,440	3,229,755
	<u>₩ 130,314,546</u>	<u>₩ 18,496,986</u>	<u>₩ 148,811,532</u>

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<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other</b>	<b>Total</b>
<b>Financial liabilities</b>				
Trade and other payables	₩ -	₩ 182,943,794	₩ -	₩ 182,943,794
Borrowings	-	101,262,862		101,262,862
Convertible bonds	-	44,939,897		44,939,897
Derivatives liabilities	34,870,262	-		34,870,262
Lease liabilities			6,453,573	6,453,573
	<u>₩ 34,870,262</u>	<u>₩ 329,146,552</u>	<u>₩ 6,453,573</u>	<u>₩ 370,470,387</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Financial assets measured at amortized cost</b>	<b>Financial assets measured at FVTOCI</b>		<b>Total</b>
Interest income	₩ 1,012,843	₩ -		₩ 1,012,843
Dividend income	-	6,491		6,491
Exchange differences, net	5,914,767	-		5,914,767
Bad debt expenses	(23,707)	-		(23,707)
Other bad debt expenses	(13,923)	-		(13,923)
Loss on disposal of trade receivables	-	(5,783,802)		(5,783,802)
Gain on valuation of financial assets measured at FVTOCI	-	(10,243)		(10,243)
Gain on disposal of financial assets measured at FVTOCI	-	24,384		₩24,384

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	<b>Other</b>	<b>Total</b>
Interest expenses	₩ -	₩ (9,762,219)	₩ (215,013)	₩ (9,977,232)
Exchange difference, net	-	(3,547,880)	-	(3,547,880)
Gain on transaction of derivatives	(1,795,006)	-	-	(1,795,006)
Loss on valuation of derivatives, net	-	2,043,168	-	2,043,168

<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Financial assets measured at amortized cost</b>	<b>Financial assets measured at FVTOCI</b>		<b>Total</b>
Interest income	₩ 379,456	₩ -	₩ -	₩ 379,456
Dividend income	-	4,999		4,999
Exchange differences, net	(480,696)	-		(480,696)
Bad debt expenses	170,699	-		170,699
Loss on disposal of trade receivables	-	(4,737,858)		(4,737,858)
Gain on valuation of financial assets measured at FVTOCI	-	12,065		12,065

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<i>(In thousands of Korean won)</i>	<b>2021</b>		<b>Total</b>
	<b>Financial liabilities measured at FVTPL</b>	<b>Financial liabilities measured at amortized cost</b>	
Interest expenses	₩ -	₩ (9,825,196)	₩ (9,825,196)
Exchange difference, net	-	(5,136,983)	(5,136,983)
Gain on transaction of derivatives	321,398	-	321,398
Loss on valuation of derivatives, net	(1,535,250)	-	(1,535,250)

## 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 of 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 ₩5,783,802 thousand (2021: ₩4,737,858 thousand) was recognized. As of December 31, 2022, the amount of trade receivables derecognized and not matured is ₩ 114,174,012 thousand (2021: ₩180,569,888 thousand).

## 7. Cash and Cash Equivalents

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Cash on hand	₩ 12,826	₩ 16,053
Demand deposits	141,656,233	71,985,055
	₩ 141,669,059	₩ 72,001,108

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	₩ 213,275	₩ 693,937

## 8. Trade and Other Receivables

Gross amounts of trade and other receivables as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 116,921,135	₩ -	₩ -	₩ -
Allowances for doubtful accounts	(56,961)	-	(35,588)	-
Other receivables	15,084,035	-	10,454,877	-
Allowances for doubtful accounts	-	-	(20,955)	-
Loans	1,543,400	3,009,600	497,796	12,465,307
Allowances for doubtful accounts	-	-	-	(9,994,307)
Accrued income	547,089	163,998	-	45,796
present value discount	-	(13,923)	-	-
Others	20,565	5,035	7,455	-
	<u>₩ 134,059,262</u>	<u>₩ 3,164,710</u>	<u>₩ 70,369,936</u>	<u>₩ 2,516,796</u>

## 9. Inventories

The details of inventories as of December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022		
	Acquisition cost	Valuation allowance	Net book value
Merchandise	₩ -	₩ -	₩ -
Finished goods	77,119,449	(5,993,253)	71,126,197
Work in progress	45,214,765	(6,410,864)	38,803,902
Raw materials	50,056,387	(1,240,635)	48,815,752
Sub-materials	6,271,236	-	6,271,236
Supplies	5,920,771	-	5,920,771
Goods in transit	216,097	-	216,097
	<u>₩ 184,798,707</u>	<u>₩ (13,644,752)</u>	<u>₩ 171,153,955</u>

  

<i>(In thousands of Korean won)</i>	2021		
	Acquisition cost	Valuation allowance	Net book value
Merchandise	₩ 446,027	₩ -	₩ 446,027
Finished goods	43,041,824	(9,660,819)	33,381,005
Work in progress	81,223,902	(3,936,066)	77,287,835
Raw materials	27,080,155	(1,681,879)	25,398,276
Sub-materials	2,698,447	-	2,698,447
Supplies	4,881,142	-	4,881,142
Goods in transit	387,708	-	387,708
	<u>₩ 159,759,205</u>	<u>₩ (15,278,765)</u>	<u>₩ 144,480,440</u>

For the year ended December 31, 2022, the cost of inventories recognized as 'cost of sales' amounts to ₩1,261,762,900 thousand (2021: ₩1,079,665,792 thousand).

Loss (reversal of loss) on valuation of inventories amounts to (-)₩1,222,674 thousand for the year ended December 31, 2022 (2021: ₩6,731,388 thousand).

## 10. Other Financial Assets and Liabilities

The details of other financial assets and liabilities as of December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	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 measured at FVTOCI	9,859,235	178,149	144,440
Guarantee deposits	-	3,345,163	1,680,315
	₩ 80,434,235	₩ 4,713,313	₩ 3,229,755
Other financial liabilities:			
Leasehold deposits received	₩ -	₩ 370,000	₩ 210,000
	₩ -	₩ 370,000	₩ 210,000

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

<i>(In thousands of Korean won)</i>	2022	2021
Current Assets		
MMT	₩ 9,859,235	₩ -
Non-current Assets		
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
Subtotal <sup>1</sup>	178,149	144,440
Total	₩ 10,037,384	₩ 144,440

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

The changes in financial assets measured at FVTOCI are as of December 31, 2022 and 2021, are as follows:

<i>(In thousands of Korean won)</i>	2022		2021
Beginning balance	₩ -	₩ 144,440	₩ 131,993
Increase	63,255,019	-	-
Decrease	(53,335,912)	(103)	-
Changes in fair values	(59,872)	50,127	10,989
Exchange differences	-	(16,314)	1,458
Ending balance	₩ 9,859,235	₩ 178,149	₩ 144,440

## 11. Other Assets and Liabilities

The details of other assets and liabilities as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	2022		2021	
	Current	Non-current	Current	Non-current
<b>Other assets</b>				
Advance payments	₩ 4,217,286	₩ -	₩ 1,187,316	₩ -
Other non-current assets	-	197,779		
Prepaid expenses	2,312,058	196,310	1,220,457	897,804
Right to recover returned goods	1,279,702	-	805,992	-
	<u>₩ 7,809,046</u>	<u>₩ 394,089</u>	<u>₩ 3,213,764</u>	<u>₩ 897,804</u>
<b>Other liabilities</b>				
Advances from customers	₩ 14,854,674	₩ 72,236,034	₩ 7,572,860	₩ 22,517,460
Withholdings	6,290,655	-	5,014,797	-
Refund liabilities	1,762,983	-	962,130	-
	<u>₩ 22,908,312</u>	<u>₩ 72,236,034</u>	<u>₩ 13,649,284</u>	<u>₩ 22,517,460</u>

## 12. Property, Plant and Equipment

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

<i>(In thousands of Korean won)</i>	2022			
	Land	Buildings	Structures	Machinery
<b>Opening net book amount</b>	₩ 43,958,871	₩ 98,293,908	₩ 1,365,543	₩ 189,444,402
Changes in consolidation scope	-	247,066	-	24,601
Acquisition	2,575,086	65,187,982	409,224	72,714,337
Transfer	7,085,689	43,447,874	-	66,550,749
Disposal	(439,967)	(315,035)	(2,888)	(3,610,213)
Scrapped	-	-	-	(1,889,137)
Depreciation	-	(7,957,765)	(363,849)	(51,732,232)
Exchange differences	(767,248)	1,467,454	602,562	(6,447,513)
<b>Closing net book amount</b>	<u>₩ 52,412,431</u>	<u>₩ 200,371,483</u>	<u>₩ 2,010,591</u>	<u>₩ 265,054,994</u>
Acquisition cost	₩ 52,412,431	₩ 252,980,263	₩ 10,453,747	₩ 744,188,564
Accumulated depreciation	-	(50,803,488)	(8,443,156)	(477,984,558)
Government grants	-	(1,805,292)	-	(1,149,012)

<i>(In thousands of Korean won)</i>	2022 (cont'd)			
	Vehicles	Facility, equipment and others	Construction in-progress	Total
<b>Opening net book amount</b>	₩ 141,916	₩ 144,837,250	₩ 102,768,964	₩ 580,810,854
Changes in consolidation scope	9,900	103,155	-	384,722
Acquisition	78,766	14,327,383	155,178,428	310,471,205
Transfer	89,676	(4,430,652)	(121,231,549)	(8,488,214)
Disposal	(17,800)	(487,813)	-	(4,873,717)
Scrapped	-	-	-	(1,889,137)
Depreciation	(75,853)	(25,526,645)	-	(85,656,344)
Exchange differences	16,464	978,496	1,392,240	(2,757,546)
<b>Closing net book amount</b>	<u>₩ 243,068</u>	<u>₩ 129,801,174</u>	<u>₩ 138,108,083</u>	<u>₩ 788,001,824</u>
Acquisition cost	₩ 807,629	₩ 336,430,054	₩ 145,044,383	₩ 1,535,380,771
Accumulated depreciation	(564,560)	(206,628,882)	-	(744,424,644)
Government grants	-	-	(6,936,300)	(2,954,304)



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<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery</b>
<b>Opening net book amount</b>	₩ 43,768,241	₩ 100,877,017	₩ 1,742,647	₩ 206,665,979
Acquisition	24,970	4,999	-	17,125,358
Transfer	-	3,054,868	14,114	54,484,664
Disposal	-	-	(8,147)	(43,715,097)
Scrapped	-	(3,325,785)	(39,335)	-
Reversal of impairment losses	266,453	606,204	44,952	778,073
Depreciation	-	(2,885,471)	(208,408)	(46,508,802)
Exchange differences	(100,793)	(37,923)	(180,281)	614,227
<b>Closing net book amount</b>	₩ 43,958,871	₩ 98,293,908	₩ 1,365,543	₩ 189,444,402
Acquisition cost	₩ 43,958,871	₩ 148,606,208	₩ 10,519,576	₩ 654,332,001
Accumulated depreciation	-	(48,442,218)	(9,154,033)	(464,115,841)
Government grants	-	(1,870,082)	-	(771,757)

<i>(In thousands of Korean won)</i>	<b>2021 (cont'd)</b>				
	<b>Vehicles</b>	<b>Facility equipment and others</b>	<b>Leased assets</b>	<b>Construction in-progress</b>	<b>Total</b>
<b>Opening net book amount</b>	₩ 226,533	₩ 144,759,071	₩ 1,381	₩ 10,686,296	₩ 508,727,165
Acquisition	-	1,899,837	8,188,729	173,521,772	200,765,665
Transfer	-	18,013,436	-	(83,175,806)	(7,608,724)
Disposal	-	(5,265,633)	-	-	(48,988,878)
Scrapped	-	(298,351)	-	-	(3,663,471)
Reversal of impairment losses	-	1,051,020	551	-	2,747,253
Depreciation	(68,112)	(24,267,276)	(204,718)	-	(74,142,787)
Exchange differences	(16,505)	736,434	222,770	1,736,703	2,974,632
<b>Closing net book amount</b>	₩ 141,916	₩ 136,628,537	₩ 8,208,713	₩ 102,768,964	₩ 580,810,854
Acquisition cost	₩ 673,269	₩ 325,347,262	₩ 8,996,903	₩ 102,768,964	₩ 1,295,203,055
Accumulated depreciation	(531,353)	(188,718,725)	(788,190)	-	(711,750,361)
Government grants	-	-	-	-	(2,641,839)

Depreciation costs of Property, Plant and Equipment are allocated to manufacturing and selling and administrative expense as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
selling and administrative expense	₩ 655,877	₩ 3,483,819
manufacturing expense	85,000,467	70,658,968
<b>Total</b>	₩ 85,656,344	₩ 74,142,787

The details of property, plant and equipment provided as collateral as of December 31, 2022, are as follows:  
(Unit: Korean won in thousand, USD 1, JPY 1 and MYR 1)

<b>Pledger</b>	<b>Pledged assets</b>	<b>Book value of the pledged assets</b>	<b>Secured creditor</b>	<b>Pledged amount</b>	<b>Related account</b>	<b>Related amount in the account</b>
SIMMTECH Co., Ltd.	Land, buildings and machinery <sup>(1)</sup>	₩ 161,745,152	Samsung Electronics Co., Ltd.	₩ 35,000,000	Advances from customers	₩ 50,000,000
			SK Hynix Inc.	USD 37,000,000	Advances from customers	USD 18,993,280
			Korea Development Bank	₩ 125,000,000	L/C USANC	\$20,000,000
			Shinhan Bank	₩ 8,400,000	( <sup>2</sup> )	USD 80,000,000
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
SUSTIO SDN. BHD.	Buildings and machinery	₩ 185,889,455	United Oversea Bank (Malaysia) Berhad	MYR 172,185,000	Borrowings	MYR 172,185,000
			Micron Semiconductor Asia Operations Pte. Ltd	MYR 176,600,000	Borrowings	MYR 176,600,000

<sup>1</sup> This is the book value of the pledged assets, including land, buildings, and machinery, provided as collateral by the parent company.

<sup>2</sup> This is the banking limit amount in Note 35."

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**13. Intangible Assets**

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

	<b>2022</b>			
<i>(In thousands of Korean won)</i>	<b>Software and others</b>	<b>Membership</b>	<b>Technology</b>	<b>Customer relationships</b>
Beginning balance	₩ 1,736,764	₩ 151,408	₩ -	₩ 9,586,141
Changes in consolidation scope	603	-	-	-
Acquisition	364,702	-	-	-
Transfer	1,779,999	-	-	-
Disposal	(8,252)	-	-	-
Amortization	(798,513)	-	-	(692,974)
Exchange differences	(63,099)	(1,091)	-	-
Ending balance	₩ 3,012,205	₩ 150,317	₩ -	₩ 8,893,167
Acquisition cost	₩ 26,933,753	₩ 150,317	₩ 20,690,654	₩ 13,859,480
Accumulated amortization	(23,921,548)	-	(20,690,654)	(4,966,314)
	<b>2022 (cont'd)</b>			
<i>(In thousands of Korean won)</i>	<b>Goodwill</b>	<b>Construction in-progress</b>	<b>Total</b>	
Beginning balance	₩ 27,408,747	₩ -	₩ 38,883,060	
Changes in consolidation scope	-	-	603	
Acquisition	-	1,223,100	1,587,802	
Transfer	-	(856,600)	923,399	
Disposal	-	-	(8,252)	
Amortization	-	-	(1,491,487)	
Exchange differences	-	-	(64,190)	
Ending balance	₩ 27,408,747	₩ 366,500	₩ 39,830,935	
Acquisition cost	₩ 27,408,747	₩ 366,500	₩ 89,409,451	
Accumulated amortization	-	-	(49,578,516)	
	<b>2021</b>			
<i>(In thousands of Korean won)</i>	<b>Software and others</b>	<b>Membership</b>	<b>Technology</b>	<b>Customer relationships</b>
Beginning balance	₩ 1,933,737	₩ 324,584	₩ -	₩ 10,279,115
Acquisition	61,838	-	-	-
Transfer	692,489	-	-	-
Disposal	-	(173,167)	-	-
Impairment losses	-	-	-	-
Amortization <sup>1</sup>	(958,331)	-	-	(692,974)
Exchange differences	7,031	(9)	-	-
Ending balance	₩ 1,736,764	₩ 151,408	₩ -	₩ 9,586,141
Acquisition cost	₩ 24,560,951	₩ 151,408	₩ 20,690,654	₩ 13,859,481
Accumulated amortization	(22,824,187)	-	(20,690,654)	(4,273,340)
	<b>2021 (cont'd)</b>			
<i>(In thousands of Korean won)</i>	<b>Goodwill</b>	<b>Construction in-progress</b>	<b>Total</b>	
Beginning balance	₩ 31,532,543	₩ -	₩ 44,069,979	
Acquisition	-	671,376	733,214	
Transfer	-	(671,376)	21,113	
Disposal	-	-	(173,167)	
Impairment losses	(4,123,796)	-	(4,123,796)	
Amortization <sup>1</sup>	-	-	(1,651,305)	
Exchange differences	-	-	7,022	
Ending balance	₩ 27,408,747	₩ -	₩ 38,883,060	
Acquisition cost	₩ 27,408,747	₩ -	₩ 86,671,241	
Accumulated amortization	-	-	(47,788,181)	

<sup>1</sup> Amortization expense of ₩772,219 thousand (2021: ₩794,405 thousand) has been charged to cost of sales and ₩719,269 thousand (2021: ₩856,900 thousand) to selling and administrative expenses.

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Research and development costs incurred for the year ended December 31, 2022 are ₩14,857,501 thousand (2021: ₩21,591,068 thousand) and the amount of ₩12,964,068 thousand (2021: ₩14,118,283 thousand) and ₩1,893,433 thousand (2021: ₩7,472,785 thousand) are recognized as cost of manufacturing and selling and administrative expense, respectively.

**Impairment Tests for Goodwill**

Goodwill is tested annually for impairment and the book values of goodwill as of December, 31, 2022 and 2021 are ₩27,408,747 and ₩27,408,747, respectively.

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

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them, long-term growth rate and discount rate used in the value-in-use calculations. Additionally, where there has been an impairment loss in a CGU, the recoverable amount is also presented below.

	<u>SIMMTECH Co., Ltd.</u>
Sales growth rate	(-) 0.35% ~ 7.23%
Gross margin (% of revenue)	20.81% ~ 22.41%
Operating Margin (% of revenue)	13.74% ~ 15.94%
Permanent growth rate	0.00%
Discount rate before tax	14.34%

**14. Right-of-use Assets**

The changes in right-of-use assets during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>			
<i>(In thousands of Korean won)</i>	<u>Land</u>	<u>Buildings</u>	<u>Facility equipment</u>	<u>Vehicles</u>
Beginning	₩ -	₩ 2,836,619	₩ 8,637,029	₩ 928,801
Changes in consolidation scope	-	415,903	-	12,806
Increase	-	1,351,134	126,321	416,092
Transfer	8,483,157	-	-	-
Termination of lease(s)	-	-	(26,382)	(233,594)
Depreciation	(290,022)	(2,384,868)	(574,098)	(677,610)
Exchange differences	(191,324)	(8,846)	782,014	12,762
Ending	<u>₩ 8,001,810</u>	<u>₩ 2,209,942</u>	<u>₩ 8,944,883</u>	<u>₩ 459,257</u>
		<u>2022 (cont'd)</u>		
<i>(In thousands of Korean won)</i>	<u>Machinery</u>	<u>Tools</u>	<u>Total</u>	
Beginning	₩ 741,792	₩ 44,080	₩ 13,188,321	
Changes in consolidation scope	₩ 741,792	₩ 44,080	₩ 13,188,321	
Increase	-	-	428,709	
Transfer	-	10,638	1,904,185	
Termination of lease(s)	-	-	8,483,157	
Depreciation	(741,792)	-	(1,001,768)	
Exchange differences	-	(46,175)	(3,972,773)	
Ending	<u>₩ -</u>	<u>₩ 9,282</u>	<u>₩ 19,625,174</u>	

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<i>(In thousands of Korean won)</i>	<b>2021</b>		
	<b>Buildings</b>	<b>Facility equipment</b>	<b>Vehicles</b>
Beginning	₩ 1,558,004	₩ 10,093,899	₩ 347,079
Increase	3,597,489	762,941	958,289
Termination	(140,033)	(47,771)	-
Depreciation	(2,154,014)	(409,079)	(407,314)
Exchange differences	(24,827)	(1,762,961)	30,747
Ending	<u>₩ 2,836,619</u>	<u>₩ 8,637,029</u>	<u>₩ 928,801</u>
<i>(In thousands of Korean won)</i>			
	<b>2021 (cont'd)</b>		
	<b>Machinery</b>	<b>Tools</b>	<b>Total</b>
Beginning			
Increase	₩ -	₩ -	₩ 11,998,982
Termination	815,971	80,926	6,215,616
Depreciation	-	-	(187,804)
Exchange differences	(74,179)	(38,936)	(3,083,522)
Ending	<u>-</u>	<u>2,090</u>	<u>(1,754,951)</u>
	<u>₩ 741,792</u>	<u>₩ 44,080</u>	<u>₩ 13,188,321</u>

Depreciation expense of ₩2,284,115 thousand (2021: ₩1,868,695 thousand ) has been charged to cost of sales, ₩1,688,658 thousand (2021: ₩1,214,827 thousand) to selling and administrative expenses.

## 15. Investments in Associates

The details of book value of investments in associates for an of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Investments in associates	₩ 1,954,463	₩ 2,093,236

Summary of investments in associates as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>Fiscal year end</b>	<b>Location</b>	<b>Main business</b>	<b>2022</b>		<b>2021</b>	
				<b>Percentage of ownership</b>	<b>Carrying amount</b>	<b>Percentage of ownership</b>	<b>Carrying amount</b>
<b>Associates</b>							
Niching Industrial Corp. <sup>1</sup>	Dec.,31	Taiwan	PCB Sales	4.44%	₩1,952,492	4.44%	₩1,796,182
Simmtech SE Asia PTE Ltd.	Dec., 31	Singapore	Market research, Consulting	49.00%	1,971	49.00%	297,054
Total					<u>₩1,954,463</u>		<u>₩2,093,236</u>

The Group classifies its investment in Niching Industrial Corp. as associate, despite ownership interest below 20%. The Group has ability to exercise voting rights in selection of directors in accordance with the contract among shareholders and thus, significantly influence financial and operating policy decisions.

Details of investments in associates as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>			<b>2021</b>		
	<b>Acquisition cost</b>	<b>Net asset value</b>	<b>Book value</b>	<b>Acquisition cost</b>	<b>Net asset value</b>	<b>Book value</b>
Niching Industrial Corp.	₩1,444,257	₩1,687,949	₩1,952,492	₩1,444,257	₩1,531,639	₩1,796,182
Simmtech SE Asia PTE Ltd.	80,212	1,971	1,971	80,212	297,054	297,054
Total	<u>₩1,524,469</u>	<u>₩1,689,920</u>	<u>₩1,954,463</u>	<u>₩1,524,469</u>	<u>₩1,828,693</u>	<u>₩2,093,236</u>

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The changes in investments in associates for the years ended December 31, 2022 and 2021 are as follows:

<b>2022</b>				
<i>(In thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Share of profit(loss)of associates</b>	<b>Other changes</b>	<b>Ending balance</b>
Niching Industrial Corp.	₩ 1,796,182	₩ 223,097	(66,787)	₩ 1,952,492
Simmtech SE Asia PTE Ltd.	297,054	(315,189)	20,107	1,971
Total	₩ 2,093,236	(92,093)	(46,680)	₩ 1,954,463

  

<b>2021</b>				
<i>(In thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Share of profit(loss)of associates</b>	<b>Other changes</b>	<b>Ending balance</b>
Niching Industrial Corp.	₩ 1,480,969	₩ 176,134	₩ 139,079	₩ 1,796,182
Simmtech SE Asia PTE Ltd.	1,969,888	(1,751,605)	78,771	297,054
Total	₩ 3,450,857	(1,575,471)	₩ 217,850	₩ 2,093,236

Goodwill in relation to associates for the years ended December 31, 2022 and 2021 are as follows:

<b>2022</b>			
<i>(In thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Impairment</b>	<b>Ending balance</b>
Niching Industrial Corp.	₩ 264,543	₩ -	₩ 264,543

  

<b>2021</b>			
<i>(In thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Impairment</b>	<b>Ending balance</b>
Niching Industrial Corp.	₩ 264,543	₩ -	₩ 264,543

The condensed financial information of associates for the years ended December 31, 2022 and 2021 is as follows:

<b>2022</b>				
<i>(In thousands of Korean won)</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>
Niching Industrial Corp.	₩ 59,002,316	₩ 21,023,062	₩ 45,957,649	₩ 8,493,600
Simmtech SE Asia PTE Ltd.	2,913,481	3,479,118	7,099,311	(126,029)

  

<b>2021</b>				
<i>(In thousands of Korean won)</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>
Niching Industrial Corp.	₩ 57,043,602	₩ 22,021,859	₩ 49,975,679	₩ 5,570,014
Simmtech SE Asia PTE Ltd.	3,826,926	3,396,122	2,745,632	(3,437,592)

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Fair value of marketable investments in associates as of December 31, 2022 and 2021 is as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Number of shares owned</b>	<b>Market price per share (in Korean won)</b>	<b>Fair value</b>	<b>Book amount</b>
Niching Industrial Corp.	₩ 1,738,408	₩ 2,617	₩ 4,548,576	₩ 1,952,492

  

<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Number of shares owned</b>	<b>Market price per share (in Korean won)</b>	<b>Fair value</b>	<b>Book amount</b>
Niching Industrial Corp.	₩ 1,738,408	₩ 2,660	₩ 4,624,798	₩ 1,796,182

**16. Assets held for sale**

The management approved to sell some portion of machinery and assets held for sale as of December 31, 2022 and 2021 are as follows (Unit: in thousands of Korean won):

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning	₩ 7,593,410	₩ -
Increase	-	2,327,077
Transfer	-	5,266,334
Disposal	(7,593,410)	₩ -
Ending	₩ -	₩ 7,593,410

**17. Trade and Other Payables**

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

<i>(In thousands of Korean won)</i>	<b>2022</b>		<b>2021</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Trade payables	₩ 55,463,819	₩ -	₩ 44,389,848	₩ -
Other payables	194,255,512	5,935	125,678,007	27,271
Accrued expenses	71,982,279	7,021,085	27,574,864	138,687
Long-term employee benefit liabilities	-	4,637,229	-	-
	₩ 321,701,610	₩ 11,664,249	₩ 197,642,719	₩ 165,958

**18. Lease Liabilities**

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current	₩ 2,595,141	₩ 3,142,148
Non-current	2,062,809	3,311,425
	₩ 4,657,951	₩ 6,453,573

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The details of the lease payments recognized in the consolidated statement of comprehensive income is as follows:

(In thousands of Korean won)

	<b>2022</b>
Depreciation Expense	₩ 3,972,773
Interest Expense on Lease Liabilities	215,013
Short-term Lease Payments	1,662,791
Low-value Lease Payments (excluding short-term leases)	982,411
	<u>₩ 6,832,988</u>

The depreciation expense of the right-of-use assets is disclosed in Note 14.

The total expenses related to leases, including short-term and low-value lease assets, amounts to ₩7,558,829 thousand.

## 19. Borrowings and Debentures

The details of borrowings as of December 31, 2022 and 2021 are as follows:

(In thousands of Korean won)	Creditor	Maturity	Interest rate (%)	2022	2021
<b>Short-term borrowings</b>					
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
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-01-17	4.27	2,529,707	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-01-27	4.18	3,162,133	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-02-15	4.48	3,794,560	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-02-23	4.56	2,529,707	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-02	4.66	1,264,853	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-07	4.7	1,897,280	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-09	4.76	2,529,707	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-20	5.12	1,264,853	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-21	5.17	3,794,560	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-03-28	5.21	3,162,133	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-04-06	5.32	5,059,413	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-04-13	5.49	2,529,707	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-04-28	5.66	4,426,987	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-05-31	6.13	2,529,707	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-06-14	6.15	3,794,560	-
Loans in local currency	United Oversea Bank (Malaysia) Berhad.	2023-06-27	6.22	5,059,413	-
Reclassification of current portion				<u>7,155,713</u>	<u>7,813,032</u>
				<u>₩ 75,548,594</u>	<u>₩ 28,417,832</u>
<b>Long-term borrowings</b>					
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 local currency	Public Bank Berhad	-	2	-	78,814
Loans in local currency	MICRON SEMICONDUCTOR ASIA OPERATIONS PTE LTD.	2024-12-31	3.5	50,692,000	23,710,000
Loans in local currency	SIMMTECH SE SIA PTE.LTD.	2024-05-03	2.1	126,730	-
Reclassification of current portion				<u>(7,155,713)</u>	<u>(7,813,032)</u>
				<u>88,889,906</u>	<u>72,845,030</u>
				<u>₩ 164,438,500</u>	<u>₩ 101,262,862</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	₩ 101,262,862	₩ 127,371,034
Borrowing	126,938,960	213,807,634
Repayment	(64,679,980)	(237,740,394)
Others	916,658	(2,175,411)
Ending balances	₩ 164,438,501	₩ 101,262,862

A certain part of the borrowings of the group as of the end of the reporting period are secured by property, plant, and equipment assets (refer to Note 12).

## 20. Convertible Bonds

The convertible bonds as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>						
	<b>Beginning</b>	<b>New issuance</b>	<b>Amortization</b>	<b>Loss on valuation</b>	<b>Repayment</b>	<b>Ending</b>	
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 bonds	₩ 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	
<i>(In thousands of Korean won)</i>	<b>2021</b>						
	<b>Beginning</b>	<b>New issuance</b>	<b>Amortization</b>	<b>Loss on valuation</b>	<b>Transfer</b>	<b>Repayment</b>	<b>Ending</b>
Issued amount	₩ 30,000,000	₩ 76,000,000	₩ -	₩ -	₩ -	₩(30,000,000)	₩ 76,000,000
Conversion right adjustment	(6,933,619)	(33,795,012)	6,371,860	-	-	3,296,667	(31,060,103)
The net value of convertible bonds	₩ 23,066,381	₩ 42,204,988	₩ 6,371,860	-	-	₩(26,703,333)	₩ 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)	₩ -

The details of convertible bonds as of December, 31, 2022 are as follows:

*(In thousands of Korean won)*

<b>Lender</b>	<b>#</b>	<b>Type</b>	<b>Par value</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Issued value</b>	<b>Interest rate and yield to maturity</b>
KEB Hana Bank and Industrial Bank of Korea	3 <sup>rd</sup>	Bearer and non-guaranteed private convertible bonds	₩46,000,000	2021.08.06	2026.08.06	100% of par value	3.50%

Major conditions of conversion are as follows:

<b>#</b>	<b>Conversion ratio</b>	<b>Conversion price (Korean won)</b>	<b>The number of shares upon conversion</b>	<b>Beginning date of conversion claim</b>	<b>Ending date of conversion claim</b>
3 <sup>rd</sup>	Whole or part of conversion right is exercisable	₩9,982	4,652,928	2021.08.06	2026.07.01

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



**Conversion condition for 3<sup>rd</sup> bearer and non-guaranteed private convertible bond**

- The condensed significant terms and conditions are as follows:

	<b>Remark</b>
Type	3 <sup>rd</sup> bearer and non-guaranteed private convertible bond
Interest rate	3.50% per annum
Yield to maturity	3.50% per annum
Conversion price	₩ 9,882(conversion ratio of 100%)
Conversion option claim period	2022.08.06- 2026.07.01 (from the one year after issuance of issuance to one month before maturity date)
Repayment	Lump sum repayment at maturity
Interest payment method and dates	Interest shall be calculated for the period from the issuance date to the day before maturity and be paid on three-month period at an amount of one quarter of annual interest (the amount after decimal point of Korean won shall be rounded down). If the dates of interest payment do not fall into the bank business days, interest shall be paid on the business day immediately after these interest payment date. However, interest after the interest payment date will not be calculated.
	The dates of interest payment are as follows:
	November 6, 2021, February 6, 2022, May 6, 2022, August 6, 2022, November 6, 2022, February 6, 2023, May 6, 2023, August 6, 2023, November 6, 2023, February 6, 2024, May 6, 2024, August 6, 2024, November 6, 2024, February 6, 2025, May 6, 2025, August 6, 2025, November 6, 2025 February 6, 2026, May 6, 2026, and August 6, 2026.
Overdue interest rate	6.9% per annum
Other conditions	Clauses for conversion option
	(1) Type of capital shares which will be issued as per conversion claim: The registered common stock
	(2) Conversion ratio: One hundred percent of the number of shares which are divided total amount of par value of the convertible bonds being requested to be converted by conversion price mentioned on (3). The fraction share shall not be admitted. The bearers of convertible bonds can claim conversion wholly or partly.
	(3) Conversion price: ₩9,882(base on the par value of share capital of ₩500)
	(4) Period of conversion claim: From one year after the date of issuance to one month before the date of maturity
	(5) Number of shares to be issued
	1) The number of shares to be issued shall be calculated dividing amount which is multiplied par value of each conversion bonds with the ratio of conversion, by conversion price. (In case that two or more bonds are requested, total par value of bonds being claimed for conversion. If conversion of less than par value of one bond is requested, par value of that part.) The issuer shall pay cash for fraction share.
	2) If the conversion price is adjusted according to terms of issuance, the number of shares to be issued shall be calculated by the adjusted conversion price. In such case, the total amount of share issued shall not be exceed more than total issue amount of convertible bond, ₩46,000,000,000.
	(6) Adjustment of conversion price
	1) The conversion price of the Convertible bond shall be adjusted if, before the bearers of the Convertible bonds request conversion, with price lower than conversion price of the Convertible bonds, the issuing company increases shares by issuing new share or paying share dividend or transferring capital surplus or retained earnings to stock. In addition, the conversion price of the Convertible bonds shall be adjusted if the issuer issues new convertible bonds or bonds with warrant with an exercise price or a conversion price which is lower than the base price. If the issuer raises capital with consideration and without consideration parallelly, and the amount per share of capital increase with consideration is more than the base price, the conversion price shall not be adjusted for that capital increase with consideration. However, in such cases, the conversion

**Remark**

- price shall be adjusted for capital increase without consideration.  
 Conversion price shall be adjusted on the dates of issue of new capital, share dividend, transferring share from capital surplus or retained earnings or issue date of additional convertible bonds and bonds with warrant.  
 Adjusted conversion price = Conversion price before adjustment x  $\left\{ \frac{\text{previous number of shares} + (\text{number of shares newly issued} \times \text{issue price per share} / \text{base price})}{\text{previous number of shares} + \text{number of shares newly issued}} \right\}$
- 2) If the conversion price needs to be adjusted due to the merger of the Company, reduction of capital, split or reverse split of shares, the conversion price shall be adjusted to correspond the unit price of shares to be converted assuming the entire convertible bonds would be converted into common stock before such events happen.
  - 3) If any case that increases price of stock due to events such as reduction of stock and reverse split of shares, the conversion price shall be adjusted upwardly corresponding the adjusted ratio caused by reduction of stock and reverse split of shares.  
 However, if the Calculated price<sup>1</sup> 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.  
<sup>1</sup> The Calculated price according to the provisions of the Paragraph 1 of the Article 5-22 of "Regulations of the Issuance and Disclosure of Securities" and other equivalent regulations.
  - 4) When the issuer is listed, the conversion price shall be adjusted to the lower of the price equivalent to 70% of the offering price at the time of listing and the conversion price immediately before the public offering.
  - 5) The conversion price adjustment according to each of the above clauses is applied repeatedly over and over again when the cause occurs.
  - 6) If the adjusted conversion price according to the clauses stipulated above is lower than par value, par value shall be the conversion price. The total amount of shares of stock to be issued pursuant to the conversion shall not exceed the issued amount of each the Convertible bonds.
  - 7) The adjusted conversion price after the decimal point of Korean won shall be rounded down.
  - 8) In case of conversion price being adjusted, the issuer shall notify underwriters in writing

**21. Derivatives Liabilities**

The changes in derivatives liabilities during the years ended December 31, 2022 and 2021 are as follows:

(In thousands of Korean won)	2022		2021	
		Current		Current
Beginning	₩	34,870,262	₩	5,061,398
Issuance of convertible bonds		-		33,335,012
Repayment of convertible bonds		(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	₩	22,863,897	₩	34,870,262

The derivative liabilities of the group are the put and call options related to the embedded conversion rights in the convertible bonds issued during the year ended December 31, 2021.

## 22. Net Defined Benefit Liabilities

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Present value of funded defined benefit obligations	₩ 111,630,854	₩ 105,686,056
Fair value of plan assets	(50,064,892)	(46,022,201)
Liability in the statements of financial position	₩ 61,565,962	₩ 59,663,854

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Beginning balance	₩ 105,686,056	₩ 90,983,474
Business combination	-	272,445
Current service cost	15,450,277	13,299,096
Interest cost	2,980,020	1,842,042
Remeasurements:		
Actuarial gains or losses arising from changes in experience adjustments	2,587,853	7,465,126
Actuarial gains or losses arising from changes in demographic assumptions	-	(13,519)
Actuarial gains or losses arising from changes in financial assumptions	(9,913,004)	(3,926,575)
Payment from the plans:		
Benefits paid	(5,160,348)	(4,923,123)
Changes due to transfer of employee intra related- party	-	687,089
Ending balance	₩ 111,630,854	₩ 105,686,056

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>	<b>2022</b>	<b>2021</b>
Beginning balance	₩ 46,022,201	₩ 21,922,997
Interest income on plan assets	1,301,828	527,134
Remeasurement of plan assets	(74,921)	(351,521)
Contributions by employer	5,036,843	25,000,001
Benefits paid	(2,221,060)	(1,001,735)
Changes due to transfer of employee intra related- party	-	(74,675)
Ending balance	₩ 50,064,892	₩ 46,022,201

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

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Quoted price</b>	<b>Unquoted price</b>	<b>Total</b>	<b>Composition</b>
Time deposits	₩ 50,064,892	₩ -	₩ 50,064,892	100%
<i>(In thousands of Korean won)</i>	<b>2021</b>			
	<b>Quoted price</b>	<b>Unquoted price</b>	<b>Total</b>	<b>Composition</b>
Time deposits	₩ 46,022,201	₩ -	₩ 46,022,201	100%

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The components of defined benefit costs recognized in profit or loss for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current service cost	₩ 15,497,730	₩ 14,976,077
Net interest income	1,678,192	1,314,908
Past service cost	17,175,922	16,290,985

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

	<b>2022</b>	<b>2021</b>
Salary growth rate		
Office workers	3.00 ~ 4.30%	3.00%
Production workers	3.00 ~ 4.30%	3.00%
Discount rate	5.18 ~ 5.33%	2.78%

The sensitivity of the defined benefit obligations as of December 31, 2022, to changes in the weighted principal assumptions is:

<i>(In thousands of Korean won)</i>	<b>Changes in assumption</b>	<b>Effect on defined benefit obligation</b>	
		<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Salary growth rate	1.00%	₩ 9,124,114	₩ (8,155,575)
Discount rate	1.00%	(8,004,151)	9,115,578

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 principle 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 methods and assumptions used in the sensitivity analysis are the same as those used in the period ended as of December, 31, 2021.

The maturity analysis of the undiscounted benefit payments as of the end of the reporting period is as follows:

<i>(In thousands of Korean won)</i>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Benefit payment	₩ 7,152,179	₩ 9,222,102	₩ 34,843,579	₩ 129,280,011	₩ 180,497,871

The Group reviews the funding level annually and has a policy to maintain the fund in case of any shortfall. The estimated contributions for the year ended December 31, 2023 is ₩2,180,274 thousand. The weighted average maturity of the defined benefit obligations is 8.0 years as of December 31, 2022.

The expenses recognized for the year ended as of December, 31, 2022 related to the defined benefit plan amounted to ₩821,219 thousand.

### 23. Other Employee Benefit Liabilities:

Current employee benefit liabilities are the amount recognized for the service provided for the reporting period ended as of December, 31, 2022 under the annual paid leave system and the current portion of non-current employee benefit liabilities which will be paid for long-term paid leave for the period of employment.

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current employee benefit liabilities	₩ 11,226,111	₩ 8,957,218
Other non-current employee benefit liabilities	4,637,229	6,051,964

### 24. Assets and Liabilities related to Contracts with Customers

The revenue from the contracts with customers are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Revenue from the contracts with customers		
Manufacturing PCB	₩ 1,682,335,138	₩ 1,336,286,466
Others	28,082,033	29,842,064
	<u>₩ 1,710,417,171</u>	<u>₩ 1,366,128,529</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
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	₩ 1,762,983	₩ 962,130
Unsatisfied contracts	87,090,708	30,090,320
Total contract liabilities	<u>₩ 88,853,691</u>	<u>₩ 31,052,450</u>

As of 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 revenue from contract liabilities for the reporting period ended as of December, 31, 2022 is ₩5,953,096 thousand.

### 25. Income Tax Expense and Deferred income Tax

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Current tax:		
Current tax on profits for the year	₩ 89,126,464	₩ 41,960,247
Adjustments on income taxes for the prior year	(282,134)	1,065,605
Tax effects directly recognized in other comprehensive income	-	634,020
Total current tax	<u>₩ 88,844,330</u>	<u>₩ 43,659,872</u>
Deferred income tax		
Changes in temporary differences and tax credit	13,296,785	(7,212,921)
Income tax expense	<u>₩ 102,141,115</u>	<u>₩ 36,446,951</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Profit before income taxes	₩ 288,024,477	₩ 142,660,630
Income tax expense by applicable tax rate	85,157,814	64,335,899
Adjustments:		
Expenses not deductible for tax purposes	9,748,015	6,085,144
Tax credit, tax reduction and tax exemption	(3,088,054)	(5,486,552)
Tax effects directly recognized in other comprehensive income	-	634,020
Tax effects from the change in the tax rate	759,552	
Changes in tax effects on the temporary differences which deferred income tax assets were not recognized	6,616,770	(19,768,879)
Additional payment of income taxes / Refund	-	9,263
Tax payment for the previous year	(497,789)	1,056,342
Changes in income taxes paid in foreign countries	-	(1,263,684)
Tax effects on tax loss carryforward	-	(1,622,551)
Others	3,444,807	(7,532,051)
Income tax expense	<u>₩ 102,141,115</u>	<u>₩ 36,446,951</u>
Effective tax rate	35.46%	31.23%

Income tax effects related to components of other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurement of net defined benefit liabilities	₩7,252,552	₩(1,859,148)	₩ 5,393,403
Share of other comprehensive income of investments in associates	(46,680)	-	(46,680)
Gain on valuation of financial assets measured at FVTOCI	(12,236)	1,993	(10,243)
	<u>₩7,193,635</u>	<u>₩(1,857,155)</u>	<u>₩ 5,336,480</u>
<i>(In thousands of Korean won)</i>	<b>2021</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurement of net defined benefit liabilities	₩(3,876,554)	₩ 634,020	₩(3,242,533)
Share of other comprehensive income of investments in associates	217,850	-	217,850
Gain on valuation of financial assets measured at FVTOCI	12,065	-	12,065
	<u>₩(3,646,639)</u>	<u>₩ 634,020</u>	<u>₩(3,012,618)</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	₩ 33,194,154	₩ 9,495,855
Deferred income tax assets to be recovered within 12 months	7,323,496	44,506,460
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	(17,838,520)	(960,371)
Deferred income tax liabilities to be recovered within 12 months	(1,212,478)	(15,982,411)
Deferred income tax assets, net	<u>₩ 21,466,652</u>	<u>₩ 37,059,532</u>

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

<i>(In thousands of Korean won)</i>	<b>2022</b>				
	<b>January, 1, 2022</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>Effects of exchange differences</b>	<b>December, 31, 2022</b>
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
Allowances for doubtful accounts	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	(3,124,978)	142,044	-	-	(2,982,934)
Investment securities	1,135,276	(1,135,276)	-	-	-
Property, plant and equipment and intangible assets	11,952,062	(9,268,740)	-	(21,629)	2,661,692
Inventories	-	960,823	-	(118,763)	842,060
Carrying amount of deficit carried forward	-	2,615,888	-	(219,414)	2,396,474
Others	6,484,847	(5,268,323)	1,993	-	1,218,517
	<u>₩ 37,059,532</u>	<u>₩ (13,296,785)</u>	<u>₩ (1,857,155)</u>	<u>₩ (438,940)</u>	<u>₩ 21,466,652</u>
Tax credit carryforwards	-	-	-	-	-
Deferred income tax	<u>₩ 37,059,532</u>	<u>₩ (13,296,785)</u>	<u>₩ (1,857,155)</u>	<u>₩ (438,940)</u>	<u>₩ 21,466,652</u>
Deferred income tax assets	<u>₩ 37,726,281</u>	<u>₩ (12,223,161)</u>	<u>₩ (1,857,155)</u>	<u>₩ (438,940)</u>	<u>₩ 23,207,025</u>
Deferred income tax liabilities	(666,749)	(1,073,624)	-	-	(1,740,373)

  

<i>(In thousands of Korean won)</i>	<b>2021</b>				
	<b>January 1, 2021</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>Effects of exchange differences</b>	<b>December 31, 2021</b>
Temporary differences					
Employee benefits	₩ 13,802,493	₩ (1,366,143)	₩ 634,020	₩ -	₩ 13,070,371
Non-deductible depreciation	398,525	30,079	-	-	428,603
Allowances for doubtful accounts	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	(2,883,525)	(241,453)	-	-	(3,124,978)
Investment securities	1,023,767	111,509	-	-	1,135,276
Property, plant and equipment and intangible assets	1,956,497	10,662,314	-	-	12,618,811
Inventories	243,524	(243,524)	-	-	-
Others	659,043	5,825,803	-	-	6,484,847
	<u>₩ 30,513,360</u>	<u>₩ 6,578,901</u>	<u>₩ 634,020</u>	<u>₩ -</u>	<u>₩ 37,726,281</u>
Tax credit carryforwards	-	-	-	-	-
Deferred income tax	<u>₩ 30,513,360</u>	<u>₩ 6,578,901</u>	<u>₩ 634,020</u>	<u>₩ -</u>	<u>₩ 37,726,281</u>
Deferred income tax assets	<u>₩ 31,180,110</u>	<u>₩ 5,496,787</u>	<u>₩ 634,020</u>	<u>₩ -</u>	<u>₩ 37,310,917</u>
Deferred income tax liabilities	(666,749)	-	-	-	(666,749)

The temporary differences which deferred income tax assets (liabilities) were not recognized as of December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>Reason</b>
Tax loss carryforwards <sup>1</sup>	₩ 110,031,397	Uncertainty of occurrence of taxable income of the future
Investment in subsidiaries and other investment assets	33,374,106	No possibilities of disposal or collection of dividends
Temporary differences	9,793,122	Uncertainty of realization

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<sup>1</sup>. The maturities of tax loss carryforwards are set below:

<i>(In thousands of Korean won)</i>	<b>Amount</b>
FY 2023	₩ 1,187,846
FY 2024	9,713,508
FY 2025	28,371,332
FY 2026	12,959,903
FY 2028	14,429,339
FY 2029	34,837,741
FY 2030	5,769,044
FY 2037	2,762,683

## 26. Capital Stock and Capital Surplus

The Company's total number of authorized preferred and common shares is 100,000,0000 shares with the par value of ₩500 per share

The changes in number of shares issued for the years ended December 31, 2022 are as follows:

	<b>2022</b>				
	<b>Number of shares issued</b>		<b>Amount of stock</b>		
	<b>Common stock</b>	<b>Preferred stock</b>	<b>Common stock</b>	<b>Preferred stock</b>	<b>Preferred stock</b>
	<i>(in number of shares)</i>		<i>(in thousands of Korean won)</i>		
Beginning	40,663,579	10,820,894	₩ 20,331,790	₩ 5,410,447	₩ 25,742,237
Conversion of convertible preferred shares to common shares <sup>1</sup>	7,686,566	(7,686,566)	3,046,471	(3,046,471)	-
Ending	48,350,145	3,134,328	₩ 23,378,260	₩ 2,363,977	₩ 25,742,237
	<b>2021</b>				
	<b>Number of shares issued</b>		<b>Amount of stock</b>		
	<b>Common stock</b>	<b>Preferred stock</b>	<b>Common stock</b>	<b>Preferred stock</b>	<b>Preferred stock</b>
	<i>(in number of shares)</i>		<i>(in thousands of Korean won)</i>		
Beginning	40,663,579	-	₩ 20,331,790	₩ -	₩ 20,331,790
Issuance of convertible preferred stock <sup>1</sup>	-	10,820,894	-	5,410,447	5,410,447
Ending	40,663,579	0,820,894	₩ 20,331,790	₩ 5,410,447	₩ 25,742,237



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<sup>1</sup>Upon the approval of the board of directors on July 19, 2021, the Group issued convertible preferred stocks for securing financial resources for establishing the manufacturing subsidiary in Malaysia. These convertible preferred stocks are convertible to common stocks from after one year to ten years from the issuance dates, August 7, 2021, and September 1, 2021. The details about the preferred stocks are as follows:

Type	#	Resolution date of board of directors	Stock subscription dates	Stock issue date	Par value per share	Issue price per share	Number of shares issued (shares)	Total issued amount (in thousands)
Registered non-voting convertible preferred stock	8 <sup>th</sup> preferred stock	2021.07.29	2021-08-06	2021-08-07	₩ 500	₩ 2,680	4,477,611	₩ 11,999,997
	9 <sup>th</sup> preferred stock		2021-09-01	2021-09-02			6,343,283	₩ 16,999,998
#	Conversion ratio	Issue price per share	Conversion claim beginning date	Conversion claim ending date				
8 <sup>th</sup> preferred stock	The preferred stock will be converted into common stock with the ratio of one share of preferred stock to one share of common stock.	₩ 2,680	2022-08-07	2031-08-05				
9 <sup>th</sup> preferred stock	The initial conversion price is the issued price of preferred stock.		2022-09-01	2031-08-29				
#	Call option							
8 <sup>th</sup> preferred stock	<ul style="list-style-type: none"> <li>Maximum exercisable amount: Upto 30 % of the total issued amount of preferred stocks (₩ 3,600,000 thousand)</li> <li>Exercise period: From August 6, 2022 to February 6, 2024(exercisable on each three-month from twelve months to thirty months from the issue date.)</li> <li>Transaction amount: the Issue price per share of preferred stock plus interest of 5.0% per annum (YTC).</li> </ul>							
9 <sup>th</sup> preferred stock	<ul style="list-style-type: none"> <li>Maximum exercisable amount: Upto 30 % of the total issued amount of preferred stocks (₩ 5,100,000 thousand)</li> <li>Exercise period: From September 1, 2022 to March 1, 2024(exercisable on each three-month from twelve months to thirty months from the issue date.)</li> <li>Transaction amount: the issue price per share of preferred stock plus interest of 5.0% per annum (YTC).</li> </ul>							

Capital surplus as of December 31, 2022 and 2021 consists of:

<i>(In thousands of Korean won)</i>	2022	2021
Paid-in capital excess of par value	₩ 34,656,690	₩ 34,661,696
Other capital surplus	39,437,882	30,867,697
Consideration for new stock warrant	888,015	888,015
Consideration for conversion right	(739,118)	(739,118)
	₩ 74,243,468	₩ 65,678,290

## 27. Other Components of Equity and Accumulated Other Comprehensive Income

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

<i>(In thousands of Korean won)</i>	2022	2021
Treasury stock	₩ (4,342,833)	₩ (4,342,833)
Gain on disposal of treasury stock	57,422	57,422
Change in owners' equity	3,200,902	3,200,902
	₩ (1,084,509)	₩ (1,084,509)

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The change in cumulated other comprehensive income during the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>		
	<b>January 1, 2022</b>	<b>Increase (decrease)</b>	<b>December 31, 2022</b>
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income	₩ (19,817)	₩ (3,386)	₩ (23,202)
Share of other comprehensive income of associates	16,725	(46,680)	(29,955)
Exchange differences	4,063,476	(11,273,268)	(7,209,792)
Gain on disposal of financial assets measured at fair value through other comprehensive income	146,952	-	146,952
	<u>₩ 4,207,336</u>	<u>₩ (11,323,335)</u>	<u>₩ (7,115,999)</u>
	<b>2021</b>		
<i>(In thousands of Korean won)</i>	<b>January 1, 2021</b>	<b>Increase (decrease)</b>	<b>December 31, 2021</b>
Gain (loss) on valuation of financial assets measured at fair value through other comprehensive income	₩ (23,806)	₩ 3,989	₩ (19,817)
Share of other comprehensive income of associates	(201,125)	217,850	16,725
Exchange differences	1,940,615	2,122,863	4,063,476
Gain on disposal of financial assets measured at fair value through other comprehensive income	146,952	-	146,952
	<u>₩ 1,862,635</u>	<u>₩ 2,344,701</u>	<u>₩ 4,207,336</u>

## 28. Retained Earnings

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Legal reserves <sup>1</sup>	₩ 13,676,736	₩ 13,429,381
Retained earnings before appropriation	124,878,714	92,447,844
	<u>₩ 138,555,450</u>	<u>₩ 105,877,225</u>

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

For the year ended December 31, 2022, dividend is expected to be appropriated at the Shareholder's meeting on March 30, 2023 (₩50 per share, total dividend: ₩ 2,473,551 thousand).

The dividend paid for the reporting period ended as of December, 31, 2022 was ₩2,473,551 thousand.

## 29. Selling and Administrative Expenses

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Salaries	₩ 61,324,302	₩ 50,173,804
Post-employment benefits	4,618,309	4,698,646
Employee benefits	8,995,373	6,397,791
Rent	1,079,235	427,894
Entertainment	469,699	305,517
Depreciation	2,344,535	2,427,114
Amortization	719,269	856,900
Taxes and dues	2,609,268	5,476,514
Transportation	1,754,822	3,258,534
Insurance	1,846,432	1,046,380
Communications	636,720	413,955
Supplies	758,830	467,253
Research and development	1,893,433	7,472,785
Fees and commissions	24,848,196	16,333,964
Overseas marketing	920,625	148,330
Export expenses	30,049,545	12,634,781
Bad debt expenses	23,707	170,699
Education and training	1,458,638	1,359,654
Travel expenses	633,022	386,295
Others	1,796,010	1,248,356
	₩ 148,779,972	₩ 115,705,167

## 30. Breakdown of Expenses by Nature

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Changes in inventories	₩ (26,673,514)	₩ (20,664,237)
Purchase of inventories	489,831,266	461,023,693
Employee benefits	294,021,632	245,724,495
Depreciation and amortization	91,120,604	78,877,614
Outsourcing costs	216,506,477	202,579,346
Fees and commissions	35,173,447	28,543,029
Power	39,070,695	30,733,284
Repairs	27,412,644	19,545,703
Employee benefits	36,035,951	27,318,286
Supplies	40,791,933	34,004,799
Others	167,251,737	87,684,947
Total <sup>1</sup>	₩ 1,410,542,872	₩ 1,195,370,959

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

### 31. Other Non-operating Income and Expenses

The details of other non-operating income and expenses for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Other non-operating income</b>		
Rent	₩ 637,073	₩ 624,911
Gain on disposal of property, plant and equipment	310,432	809,853
Reversal of impairment loss on property, plant and equipment	-	2,747,253
Gain on insurance coverage	-	7,431
Gain on disposal of intangible assets	-	59,333
Miscellaneous revenue	6,748,735	3,999,690
	<u>₩ 7,696,239</u>	<u>₩ 8,248,472</u>
<b>Other non-operating expenses</b>		
Other bad debt expenses	₩ 13,923	₩ -
Loss on disposal of property, plant and equipment	434,527	96,755
Loss on scrap of property, plant and equipment	1,889,137	3,663,471
Impairment loss on intangible assets	-	4,123,796
Loss on disposal of intangible assets	-	45,500
Donations	16,115	10,952
Loss on disposal of trade receivables	5,783,802	4,737,858
Miscellaneous loss	4,431,164	4,914,552
	<u>₩ 12,568,666</u>	<u>₩ 17,592,885</u>

### 32. Finance Income and Costs

The details of finance income and costs for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
<b>Finance income</b>		
Interest income	₩ 1,012,843	₩ 379,456
Dividend income	6,491	4,999
Gain on foreign currency transactions	50,245,892	33,085,765
Gain on foreign currency translation	18,166,132	1,514,307
Gain on valuation of derivatives	5,376,266	184,922
Gain on transaction of derivatives	-	321,398
Gain on repayment of debentures	2,043,168	-
Gain on disposal of financial assets measured at FVTOCI	24,418	-
	<u>₩ 76,875,209</u>	<u>₩ 35,490,848</u>
<b>Finance costs</b>		
Interest expenses	₩ 9,977,232	₩ 9,825,196
Loss on foreign currency transactions	42,981,158	36,800,272
Loss on foreign currency translation	23,063,977	3,417,480
Loss on repayment of debentures	-	550,549
Loss on valuation of derivatives	7,171,272	1,720,172
Loss on disposal of financial assets measured at FVTOCI	35	-
	<u>₩ 83,193,675</u>	<u>₩ 52,313,669</u>

### 33. Earnings per Share

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

Basic earnings per share for the years ended December 31, 2022 and 2021 is as follows:

<i>(in Korean won and number of shares)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Parent Company <sup>1</sup>	₩ 32,965,702,777	₩ 26,850,800,189
Weighted average number of common stock outstanding <sup>2</sup>	46,336,690	38,650,124
Basic earnings per share	₩ 711	₩ 695

<sup>1</sup>Profit attributable to owners of the Parent Company for the years ended December 31, 2022 and 2021 consists of:

<i>(in Korean won and number of shares)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Parent Company	₩ 33,122,419,177	₩ 27,391,844,889
Dividends per share	50	50
Dividends to common stock	2,316,834,500	1,932,506,200
Dividends to preferred stock	156,716,400	541,044,700
Profit attributable to owners of the Parent Company	₩ 32,965,702,777	₩ 26,850,800,189

<sup>2</sup>Weighted average number of common stock outstanding for the years ended December 31, 2022 and 2021 is as follows:

<i>(Unit: Number of shares)</i>	<b>2022</b>	<b>2021</b>
Issued shares at the beginning	40,663,579	40,663,579
Treasury shares	(2,013,455)	(2,013,455)
Common stock converted from preferred stock	7,686,566	-
Weighted average number of common stock outstanding	46,336,690	38,650,124

Diluted earnings per share for the years ended December 31, 2022 and 2021 is as follows:

<i>(in Korean won and number of shares)</i>	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Parent Company	₩ 32,965,702,777	₩ 26,850,800,189
Weighted average number of common stock outstanding(diluted) <sup>3</sup>	54,093,180	42,573,656
Diluted earnings per share	₩ 609	₩ 543

<sup>3</sup>Weighted average number of common stock outstanding (diluted) for the years ended December 31, 2022 and 2021 is as follows:

<i>(Unit: Number of shares)</i>	<b>2022</b>	<b>2021</b>
Weighted average number of common stock outstanding	46,336,690	38,650,124
Convertible bonds	7,756,490	3,923,532
Weighted average number of common stock outstanding(diluted)	54,093,180	42,573,656

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**34. Cash Flows Information**

Significant transactions not affecting cash flows for the years ended December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Transfer of construction-in-process to property, plant and equipment and intangible assets	₩ 121,231,549	₩ 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 intangibles	164,700	(187,000)
Transfer of long-term borrowings to current position	7,388,647	9,720,179
Transfer of long-term debentures to current position	1,125,000	-
Transfer of convertible bonds to current position	-	44,939,897
Transfer of long-term derivatives to current position	-	11,636,375
Changes in trade receivables in relation to acquisition of advance from customers	13,760,670	7,505,820
Transfer of lease liabilities to current position	468,806	505,779
Transfer of long-term loans to shareholders, executives, and employees to current position	5,607,812	-

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

<i>(In thousands of Korean won)</i>	<b>Liabilities arising from financial activities</b>					<b>Dec. 31, 2022</b>
	<b>Jan. 1, 2022</b>	<b>Transactions affecting cash flows</b>		<b>Transactions not affecting cash flows</b>		
		<b>Borrowing</b>	<b>Repayment</b>	<b>Interest expenses</b>	<b>Others</b>	
Convertible bonds	₩ 44,939,897	₩ -	₩ (31,737,716)	₩ 2,204,178	₩ 13,801,371	₩ 29,207,730
Lease liabilities	6,453,573	-	(4,698,614)	215,013	2,687,979	4,657,951
Long-term borrowings	72,845,030	23,134,236	(3,417,186)	-	(3,672,173)	88,889,906
Short-term borrowings	28,417,832	103,804,724	(61,262,793)	-	4,588,832	75,548,594
Debentures	34,870,262	-	-	1,795,006	(13,801,371)	22,863,897
	<b>₩ 187,526,593</b>	<b>₩ 126,938,960</b>	<b>₩ (101,116,309)</b>	<b>₩ 4,214,197</b>	<b>₩ 3,604,637</b>	<b>₩ 221,168,078</b>

**35. Commitments and Contingencies**

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

<i>(In thousands of Korean won, in US dollars, Japanese Yen and MYR)</i>	<b>Description</b>	<b>Maximum credit</b>
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 receivables	10,000,000
	Foreign currency factoring	USD 20,000,000
	Purchasing on credit	16,000,000
	Trade finance	5,000,000
	Accounts receivable financing(Factoring of accounts receivable)	17,437,331
Kookmin Bank	Working capital loan	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
	USANCE L/C	USD 3,000,000
Woori Bank	Working capital loan	5,000,000

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(In thousands of Korean won, in US dollars, Japanese Yen and MYR)

	Description	Maximum credit	
	STAND BY L/C	JPY	1,000,000,000
Suhyup Bank	Trade finance		5,000,000
Korea Trade Insurance Corporation	Short-term export insurance	USD	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 <sup>1</sup>	Syndicated long-term loan	JPY	2,322,243,660
	Syndicated short-term working capital loan	JPY	489,000,000
THE HACHIJUNI BANK, LTD. <sup>1</sup>	Syndicated long-term loan	JPY	1,101,901,126
	Syndicated short-term working capital loan	JPY	232,000,000
The Shoko Chukin Bank, Ltd. <sup>1</sup>	Syndicated long-term loan	JPY	578,519,926
	Syndicated short-term working capital loan	JPY	120,000,000
The Nagano Bank, Ltd. <sup>1</sup>	Syndicated long-term loan	JPY	442,948,384
	Syndicated short-term working capital loan	JPY	96,000,000
Mizuho Bank, Ltd. <sup>1</sup>	Syndicated long-term loan	JPY	299,229,364
	Syndicated short-term working capital loan	JPY	63,000,000
Woori Bank Tokyo Branch <sup>2</sup>	Short-term working capital loan	JPY	1,000,000,000
	Revolving Credit	USD	40,000,000
United Oversea Bank (Malaysia) Berhad	Invoice Financing	MYR	14,984,850
MICRON SEMICONDUCTOR ASIA OPERATIONS PTE LTD.	Performance Guarantee	MYR	42,000
	Long term loan	USD	40,000,000

<sup>1</sup>Commitment line contracts which the Group has entered into with five banks under the syndicate loan agreement (outstanding balance of borrowings of JPY5,774,842 thousand) include following financial covenants in relation to financial position and operation results of SIMMTECH GRAPHICS Co., Ltd.

	Net Asset	Ordinary Net Income
Syndicated loan agreement	Maintaining net assets as of December 31, 2022 and subsequent periods after December 31, 2022 at an amount equivalent to 75% or more of net assets at the end of the immediately preceding reporting period. (Based on the separate financial statements of SIMMTECH GRAPHICS Co., Ltd. If the net asset amount of the previous fiscal year are zero(0) or below zero(0), net asset should be more than net asset amount of the previous fiscal year.)	SIMMTECH GRAPHICS Co., Ltd. should realize ordinary income on the statements of income for the reporting period and the subsequent period after December 31, 2022.

<sup>2</sup>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 operation results of SIMMTECH GRAPHICS Co., Ltd.

	Net Asset	Ordinary Net Income
Loan agreement with Woori Bank Tokyo Branch	Maintaining net assets as of December 31, 2022 and subsequent periods after December 31, 2022 at an amount equivalent to 75% or more of net assets at the end of the immediately preceding year and maintaining net assets not to be less than zero(0). (Based on the separate financial statements of SIMMTECH GRAPHICS Co., Ltd.)	SIMMTECH GRAPHICS Co., Ltd. should realize ordinary income on the statements of income for the reporting period and the subsequent period after December 31, 2022.

The Group has disposed trade receivables without recourse condition through trade receivables factoring agreement with the financial institutions.

The significant terms of the agreements related to the convertible bonds issued by the group are as follows:

- The holders and writers of the call option and put option embedded in the convertible bond are as follows:

	<u>Issued by</u>	<u>Put option holders / call option writers</u>	<u>Call option holders / put option holders</u>
3 <sup>rd</sup> private convertible bond	GLOBAL SIMMTECH Co., Ltd.	KEB Hana Bank and others	SIMMTECH Co., Ltd., GLOBAL SIMMTECH Co., Ltd.

- Condition of the call option holder's right to sell and the put option holder's right to purchase are as below:

	<u>Call option holder's right to sell</u>	<u>Put option holder's right to purchase</u>
3 <sup>rd</sup> private convertible bond	<p>Limit: 30% of the CB acquisition amount (KRW 13.8 billion)</p> <p>Exercise Period: From September 6, 2021 to August 6, 2024 (from one month after the issuance date to 36 months after the issuance date)</p> <p>Purchase Price: Face value of the convertible bonds subject to call + 5.0% YTC (Yield to Call)</p>	<p>Limit: All or part (can be exercised multiple times)</p> <p>Exercise Period: From August 6, 2023 to August 6, 2026 (from 24 months after the issuance date to the maturity date)</p> <p>Purchase Price: Face value of the convertible bonds subject to put + 3.5% YTP (Yield to Put)</p>

- The condensed significant terms and conditions are as follows:

	<u>Remark</u>
Consent and Prior Agreement Provisions	<p>1) The Issuer shall obtain prior written consent from the Bondholders if any of the following circumstances occur, which are applicable to the Issuer:</p> <ol style="list-style-type: none"> <li>① Matters requiring a special resolution of the shareholder meeting under the articles of incorporation or changes in the articles of incorporation according to law</li> <li>② Any act that results in the issuance of new shares with or without consideration, issuance of securities linked to shares, grant of options to purchase shares, or any other act that causes a change in the voting rights ratio of the Bondholders</li> <li>③ Any act that causes or may cause a change in the number of issued shares, such as redemption of shares, stock consolidation and split, merger or demerger of the company</li> <li>④ Any significant changes in the company's organization, such as transfer or acquisition of major businesses, lease management, outsourcing, dissolution and liquidation, and litigation</li> <li>⑤ Any transaction that involves the purchase, sale, replacement, disposal, new fund borrowing, non-commercial obligations, provision of collateral to third parties, lending, guarantee or investment of assets that account for 10% or more of the Issuer's equity, or initiation or dismissal of a lawsuit</li> <li>⑥ Establishment of a subsidiary or joint venture for a new business unrelated to the existing business</li> <li>⑦ Any event that significantly affects the management of all or part of the company's business</li> <li>⑧ Any transactions, including funds, collateral, guarantees, and other commercial transactions with related parties beyond the ordinary course of business of the Issuer</li> <li>⑨ Matters related to the listing and conditions of listing of the Issuer</li> <li>⑩ Payment of dividends</li> <li>⑪ Transfer, provision of collateral, or other disposition of Issuer's shares held by the Issuer or its related parties</li> <li>⑫ Selection or change of the external auditor</li> <li>⑬ Sale of intellectual property rights or other assets by the Issuer to third parties</li> </ol>



**Remark**

Listing obligation:	<p>2) The Issuer shall give prior written notice to the Bondholders if any of the following circumstances occur, which have a significant impact on the management of the Issuer:</p> <ul style="list-style-type: none"> <li>① Matters to be considered at the shareholder meeting or board of directors meeting of the Issuer</li> <li>② Any other matters that have a significant impact on the management of the Issuer</li> </ul> <p>3) The obligation of the Issuer to obtain prior written consent and give prior notice under this article shall expire when the Issuer's shares are listed and extinguished simultaneously with such listing, in accordance with Article 9 of this Agreement.</p>
Guarantee for put option exercise	<p>1) The issuer shall list the issuer on a stock exchange within two years from the date of issuance of these convertible bonds. However, the deadline according to the preceding sentence may be extended upon agreement between the bondholders and the issuer in writing.</p> <p>2) In the process of listing the issuer, the issuer shall ensure that the level of common stock sales that bondholders desire is achieved for the underlying common stock owned or to be owned by the bondholders within the scope allowed by relevant laws and the KRX's listing examination practices.</p> <p>3) The issuer shall proceed with the listing process in mutual agreement with the bondholders.</p> <p>4) If the issuer fails to complete the listing as stipulated in paragraph 1, the responsibility of the shareholders shall be governed by Article 3, Paragraph 5 of the Unsecured Convertible Bonds Call/Put Option Agreement for the Third Anonymous Transfer, which is concluded on the same date as this agreement between the bondholders and the shareholders.</p>
Adjustment of Early Redemption Yield	<p>If a put option holder exercises their put option and yet a put option writer fails to fulfill their obligations under the resulting stock purchase agreement, other put option writers agree to assume joint responsibility for fulfilling the stock purchase obligations of the defaulting put option writer.</p> <p>If the Put Option Holder fails to execute the IPO and/or listing on the securities market (meaning the KOSPI or KOSDAQ markets) within the period of two years from the date of issuance of the convertible bonds in this matter, even though the requirements for IPO and/or listing on the securities market have been met, due to intentional misconduct or gross negligence of the Put Option Setter, the Yield to Put (YTP) under this clause shall be adjusted to 8.0% per annum. However, if the deadline for the listing obligation has been extended by written agreement between the bondholders and the issuing company, the extended deadline shall be deemed to be the end of the aforementioned period.</p>

**- Agreement between Call Option Holder/Put Option Writer**

SIMMTECH Co., Ltd. has agreed with its subsidiary, GLOBAL SIMMTECH Co., Ltd. will designate the call option rights related to the 3<sup>rd</sup> convertible bonds and bear the responsibility for the exercise of put options. Therefore, the call option holder/put option settlor related to the 3<sup>rd</sup> convertible bonds has been accounted for as SIMMTECH Co., Ltd..

The group has sold accounts receivable without recourse to repayment demand rights through factoring agreements with financial institutions during the reporting period.

Certain inventory and property, plant and equipment have been provided as collateral for the current agreements with financial institutions at the end of the reporting period (refer to notes 9 and 12).

### 36. Related Party Transactions

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

Relationship	2022	2021
Associates	Niching Industrial Corp. SIMMTECH SE ASIA PTE. LTD. <sup>1</sup>	Niching Industrial Corp. SIMMTECH SE ASIA PTE. LTD. <sup>1</sup>
Other related parties	LIGHTMAC PTE. LTD. <sup>3</sup> Se ho Chun <sup>2</sup>	Se ho Chun <sup>1</sup>

<sup>1</sup> The Group owns 49% of shares of SIMMTECH SE ASIA PTE. LTD.

<sup>2</sup> The largest shareholder of the Company.

<sup>3</sup> LIGHTMAC PTE. LTD. has acquired 16.07% stake in SIMMTECH INTERNATIONAL PTE. LTD and 15.9% in SIMMTECH HOLDINGS Co., Ltd. in the reporting period ended as of December, 31, 2022.

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

<i>(In thousands of Korean won)</i>	2022		
	Revenue	Expenses	
	Others	Fees and commission	Outsourcing costs
Niching Industrial Corp.	₩ -	₩ 6,534,957	₩ 84,091
SIMMTECH SE ASIA PTE. LTD.	132,454	7,877,377	-
	₩ 132,454	₩ 14,412,334	₩ 84,091

  

<i>(In thousands of Korean won)</i>	2021		
	Revenue	Expenses	
	Others	Fees and commission	Outsourcing costs
Niching Industrial Corp.	₩ 23,162	₩ 3,895,986	₩ 17,514
SIMMTECH SE ASIA PTE. LTD.	48,268	2,725,389	-
	₩ 71,430	₩ 6,621,375	₩ 17,514

Significant receivables and payables with related parties as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	2022		
	Receivables		Payables
	Loans	Accrued income	Other payable
Niching Industrial Corp.	₩ -	₩ -	₩ 1,614,273
SIMMTECH SE ASIA PTE. LTD.	2,534,600	176,380	1,528,600
	₩ 2,534,600	₩ 176,380	₩ 3,142,873

  

<i>(In thousands of Korean won)</i>	2021		
	Receivables		Payables
	Loans	Accrued income	Other payable
Niching Industrial Corp.	₩ -	₩ -	₩ 6,022
SIMMTECH SE ASIA PTE. LTD.	2,371,000	45,796	-
	₩ 2,371,000	₩ 45,796	₩ 6,022

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

<i>(In thousands of Korean won)</i>	<b>SIMMTECH SE ASIA PTE. LTD.</b>	
	<b>2022</b>	<b>2021</b>
Beginning of the year	₩ 2,371,000	₩ -
Increase of loans	-	3,041,770
Collection	-	(744,770)
Exchange differences	163,600	74,000
Ending of the year	₩ 2,534,600	₩ 2,371,000

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	₩ 10,387,099	₩ 8,491,195
Post-employment benefits	2,523,812	2,500,829

Loans to employee as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Short-term and long-term loans	₩ 105,900	₩ 597,796

### 37. Operating Segment Information

The detail 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>	<b>2022</b>	<b>2021</b>
Sales of goods	₩ 1,710,417,171	₩ 1,366,128,529

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

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Korea	₩ 764,173,178	₩ 634,478,655
China	397,962,746	280,662,575
Singapore	170,610,329	115,597,523
Taiwan	237,214,311	194,345,213
Japan	25,444,855	23,995,254
Hong Kong	11,420,280	6,106,791
Thailand	21,103,937	7,601,730
USA	4,884,706	1,938,649
Malaysia	55,638,856	55,017,315
Brazil	-	107,520
Others	21,963,975	46,277,305
Total	₩ 1,710,417,171	₩ 1,366,128,529

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The details of non-current assets geographical basis as of December 31, 2022 and 2021 are as follows:

<i>(In thousands of Korean won)</i>	<b>2022</b>	<b>2021</b>
Korea	₩ 643,299,709	₩ 494,860,543
China	60,973,532	52,588,889
Japan	103,689,718	129,522,309
USA	775,399	784,487
Malaysia	38,719,575	1,589,879
Total	<u>₩ 847,457,933</u>	<u>₩ 679,346,108</u>

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

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

### **38. Business Combination**

#### **Acquisition of shares of Bestics Co., Ltd.**

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

The consideration transferred and identifiable assets and liabilities recognized as of the acquisition date of Bestics Co., Ltd. are as follows.

<i>(In thousands of Korean won)</i>	<b>Amount</b>
Cash and cash equivalents	₩ 805,660
Total consideration transferred	<u>805,660</u>
<b>Assets</b>	
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	428,709
Total assets	<u>1,437,499</u>
<b>Liabilities</b>	
Trade and other payables	681,277
Other current liabilities	101,545
Total liabilities	<u>782,822</u>
Net assets identified	<u>654,678</u>
Percentage ownership	100%
Amount attributable to the Group	₩ 654,678
Difference between consideration transferred and net assets acquired (*)	150,982

### 39. Events after the Reporting Period

SIMMTECH Co., Ltd., a subsidiary of the Company, acquired ₩ 50,695 million of the 3<sup>rd</sup> convertible bonds issued by GLOBAL SIMMTECH Co., Ltd. which is a subsidiary of SIMMTECH Co., Ltd. from previous bondholders based on the board of directors meeting on February 6, 2023.

	<b>Details</b>
Acquired Bonds	The 3 <sup>rd</sup> unsecured convertible bonds without guarantee for call option rights issued by f the 3 <sup>rd</sup> series by GLOBAL SIMMTECH Co., Ltd.
Acquisition Purpose	To strengthen financial soundness by prematurely redeeming (acquiring) the debt-like convertible bonds.
Sellers	Shinhan Financial Group Co., Ltd., Small and Medium Business Administration, Hana Bank, and others.
Acquisition Payment and Date of Bond Reception	February 6, 2023.

On February 13, 2023, the board of directors approved a resolution to participate in a capital increase of a related party, Niching Industrial Corp. The details are as follows:

	<b>Details</b>
Number of Issued Shares	5,000,000 shares (80% for existing shareholders, 20% for public offering)
Par Value per Share	TWD 10
Issue Price per Share	TWD 50
Number of Subscribed Shares	177,775 shares (3.56%)
Number of Shares Held after Capital Increase	1,916,183 shares (4.34%)

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

The Group operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1: ₩1,267.30, the exchange rate in effect on December 31, 2022. Such presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or other rate.