

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2021 and 2020

AJ Networks Co., Ltd. and Subsidiaries
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December 31, 2021 and 2020

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
AJ Networks Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of AJ Networks Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in 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 at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Occurrence of rental revenue

Why it is determined to be a Key Audit Matter

Rental revenue, which accounts for 35% of the Group's total revenues, is determined by the operating system, which calculates and stores the amount of revenue recognized according to the billing schedule generated based on the contract information. The processing results of the operating system are periodically transferred and recorded in a separate financial system in order to be reflected in the consolidated financial statements. There is a potential risk in the Group's revenue recognition process that the amount of revenue recognition might be inappropriate due to manual input of contract information and automated processing of a large volume of data. As a result, we determined that there is a significant risk in relation to the occurrence of rental revenue and focused on this area.

How our audit addressed the Key Audit Matter

The audit procedures we have performed to address this key audit matter include the following:

- Obtained an understanding of and assessed the Group's rental revenue recognition process, accounting policies and related controls.
- Performed a test for the effectiveness of general controls of the related systems including the operating system and the financial system.
- Performed a test to verify that the revenue calculation, billing and collection information in the operating system are accurately reflected in the financial system.
- Performed a substantive procedure for conclusion of contracts, customer information input/creation, revenue calculation/determination, billing/collection and related accounting for the customers extracted on a sampling basis.

(b) Impairment testing of cash-generating units, including goodwill

Why it is determined to be a Key Audit Matter

As described in Note 12 to the consolidated financial statements, the Group has a goodwill of ₩ 10,214 million as at December 31, 2021, and performs an impairment test for goodwill on an annual basis. We focused on this area due to the significance of size of goodwill balance and because the assessment of the 'value in use' of the Group's cash generating units (CGUs) involves management's judgments about the future results of the business and the discount rates applied to future cash flow forecast.

In particular, we focused our audit effort on goodwill (before impairment) of ₩ 3,040 million recognized in relation to CGU of AJ Hanlock Co., Ltd., a subsidiary, and goodwill (before impairment) of ₩ 9,155 million recognized in relation to CGU of Daul F&B Co., Ltd. and Sewoo Food Co., Ltd., in consideration of business performance and size of related goodwill amounts.

AJ Hanlock Co., Ltd. was acquired by the Group in 2018, and Daul F&B Co., Ltd. and Sewoo Food Co., Ltd. were acquired by the Group in 2019, but performance since acquisitions has been impacted by a deterioration in the business environment, resulting in the current year impairment. As a result of the impairment test, the Group recognized impairment loss of ₩ 3,699 million for the CGU of AJ Hanlock Co., Ltd. and impairment loss of ₩ 4,754 million for the CGU of Daul F&B Co., Ltd. and Sewoo Food Co., Ltd.

How our audit addressed the Key Audit Matter

The audit procedures we have performed to address this key audit matter include the following:

- Assessed the qualifications and competence of external experts employed by the Group to evaluate the value in use of the CGUs subject to impairment test.
- Inquired of and reviewed the valuation model used by the Group's management.
- Obtained an understanding of the future cash flows of the CGUs, and verified whether the future cash flow estimates are based on business plans approved by Group's management.
- Evaluated the appropriateness of estimated business forecast of the CGUs by performing a retrospective review of the actual results against past business plans.
- Assessed the reasonableness of estimated revenue, discount rate, and permanent growth rate used in the estimation of future cash flows applied in the valuation model.
- Evaluated the results of a sensitivity analysis on discount rate and perpetual growth rate performed by management to assess the impact of changes in key assumptions on the impairment assessment.

Other Matter

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

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

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

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

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

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

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

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Woo-Ram Lee, Certified Public Accountant.

Seoul, Korea
March 21, 2022

This report is effective as of March 21, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

(in Korean won)	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	5,35	₩ 85,232,019,813	₩ 69,806,738,399
Trade receivables	35,36	93,251,536,505	84,967,284,805
Inventories	6	19,735,719,639	33,664,676,310
Financial assets at fair value through profit or loss	7	3,213,923,145	3,781,166,287
Other current financial assets	14,35,36	30,183,540,039	29,802,953,085
Other current assets	15,36	42,296,166,236	26,532,583,722
		<u>273,912,905,377</u>	<u>248,555,402,608</u>
Non-current assets held for sale	39	-	106,131,231,143
Non-current assets			
Long-term financial instruments	5,35	1,160,726,636	1,061,310,643
Financial assets at fair value through profit or loss	7,35	25,539,624,849	17,347,119,841
Financial assets at fair value through other comprehensive income	7,35	14,577,407,247	14,147,090,072
Investments in associates	8,36	76,928,639,795	63,209,882,090
Rental assets	9,19	657,113,475,992	610,418,014,154
Property, plant and equipment	10,19	177,684,993,354	229,558,956,116
Intangible assets	12,19	27,941,557,766	41,736,559,679
Investment properties	13	23,585,604,256	14,390,574,809
Right-of-use assets	11	38,685,595,799	165,689,949,929
Long-term trade receivables	35,36	-	2,070,294,802
Other non-current financial assets	14,20,35	32,210,490,619	41,333,972,810
Other non-current assets	15	3,165,471,726	10,458,092,281
Deferred tax assets	31	2,537,956,539	22,061,899,023
		<u>1,081,131,544,578</u>	<u>1,233,483,716,249</u>
Total assets		<u>₩ 1,355,044,449,955</u>	<u>₩ 1,588,170,350,000</u>
Liabilities			
Current liabilities			
Trade payables	35	₩ 43,057,838,717	₩ 39,072,097,281
Short-term borrowings	16,19,35	113,290,328,000	262,670,778,000
Current portion of long-term borrowings	16,19,35	153,480,837,105	149,518,716,980
Current portion of long-term bonds	16,35	141,922,058,703	114,893,384,675
Other current financial liabilities	17,19,35,36	34,999,835,176	48,625,027,002
Other current liabilities	17,36	12,612,214,659	13,398,845,049
Current lease liabilities	11	10,841,504,832	31,951,327,519
Current tax liabilities	31	14,972,161,133	1,030,267,355
		<u>525,176,778,325</u>	<u>661,160,443,861</u>
Non-current liabilities held for sale	39	-	47,736,992,866
Non-current liabilities			
Bonds	16,35	197,671,055,559	243,454,101,420
Long-term borrowings	16,19,35	223,293,807,977	209,018,939,105
Other non-current financial liabilities	17,20,35	8,996,132,231	11,732,877,263
Other non-current liabilities	17	1,351,474,998	2,229,880,130
Net defined benefit liabilities	18	1,410,387,247	1,687,914,433
Non-current lease liabilities	11	31,295,649,607	120,382,161,724
Deferred tax liabilities	31	3,339,075,893	2,759,229,092
		<u>467,357,583,512</u>	<u>591,265,103,167</u>
Total liabilities		<u>992,534,361,837</u>	<u>1,300,162,539,894</u>
Equity			
Share capital	1,21	46,822,295,000	46,822,295,000
Capital surplus	21	100,589,604,129	100,597,687,755
Capital adjustments	22	(33,833,226,018)	(31,510,944,400)
Other capital	22,23	(761,844,645)	-
Accumulated other comprehensive income (loss)	7,22	759,063,529	(11,439,685,591)
Retained earnings	24	247,924,996,406	180,625,164,088
Equity attributable to owners of the Parent Company		<u>361,500,888,401</u>	<u>285,094,516,852</u>
Non-controlling interest	37	1,009,199,717	2,913,293,254
Total equity		<u>362,510,088,118</u>	<u>288,007,810,106</u>
Total liabilities and equity		<u>₩ 1,355,044,449,955</u>	<u>₩ 1,588,170,350,000</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

<i>(in Korean won)</i>	Notes	2021	2020
Operating revenue	4,26,36	₩ 1,026,749,457,003	₩ 871,956,093,147
Operating expenses	4,27,32,36	981,639,914,182	850,866,952,296
Operating profit	4	45,109,542,821	21,089,140,851
Other income	29,36	10,308,224,817	8,639,340,673
Other expenses	29	12,135,832,880	11,275,504,878
Share of net profit (loss) of associates accounted for using the equity method	8,30	6,293,680,627	(4,871,773,569)
Finance income	28,34,35,36	5,379,706,423	12,635,172,222
Finance costs	28,34,35	36,441,541,299	44,720,505,651
Profit (Loss) before income tax		18,513,780,509	(18,504,130,352)
Income tax expense (benefit)	31	9,988,298,462	(2,981,801,675)
Profit (Loss) from continuing operations		8,525,482,047	(15,522,328,677)
Discontinued operations			
Profit from discontinued operations	39	68,211,651,028	12,205,516,555
Profit (Loss) for the year		₩ 76,737,133,075	₩ (3,316,812,122)
Profit (Loss) is attributable to:			
Owners of the Parent Company			
Profit (Loss) from continuing operations		₩ 8,540,002,614	₩ (15,746,532,665)
Profit from discontinued operations		68,251,572,638	11,825,867,046
Profit (Loss) attributable to owners of the Parent Company		76,791,575,252	(3,920,665,619)
Non-controlling interests			
Profit (Loss) from continuing operations		(14,520,567)	224,203,988
Profit (Loss) from discontinued operations		(39,921,610)	379,649,509
Profit (Loss) attributable to non-controlling interests		(54,442,177)	603,853,497
		₩ 76,737,133,075	₩ (3,316,812,122)
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Gain on valuation of financial assets at fair value through other comprehensive income		₩ 676,652,732	₩ 631,025,933
Remeasurements of net defined benefit liability		55,193,333	(143,346,609)
Share of other comprehensive income of associates		188,814,893	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translation difference for foreign operations	22	10,538,878,466	(9,058,556,901)
Share of other comprehensive income of associates	22	807,486,851	(518,444,908)
Other comprehensive income (loss) for the year, net of tax		12,267,026,275	(9,089,322,485)
Total comprehensive income (loss) for the year		₩ 89,004,159,350	₩ (12,406,134,607)
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		₩ 88,990,324,372	₩ (12,483,659,928)
Non-controlling interest	37	13,834,978	77,525,321
		₩ 89,004,159,350	₩ (12,406,134,607)
Earnings (Losses) per share	25		
Basic earnings (losses) per share from continuing operations		₩ 190	₩ (344)
Basic earnings per share from discontinued operations		1,517	258
Basic earnings (losses) per share for owners of the Parent Company		₩ 1,707	₩ (86)
Diluted earnings (losses) per share from continuing operations		₩ 190	₩ (344)
Diluted earnings per share from discontinued operations		1,517	258
Diluted earnings (losses) per share for owners of the Parent Company		₩ 1,707	₩ (86)

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

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

(in Korean won)

Note	Attributable to owners of the Parent Company					Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interest	Total Equity
	Share capital	Capital surplus	Capital adjustments	Other capital					
Balance at January 1, 2020	₩ 46,822,295,000	₩ 100,667,329,755	₩ (24,721,096,254)	₩ -	₩ (3,055,969,672)	₩ 198,771,796,598	₩ 28,856,800,193	₩ 347,341,155,620	
Total comprehensive income									
Profit (Loss) for the year	-	-	-	-	-	(3,920,665,619)	603,853,497	(3,316,812,122)	
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	631,025,933	-	-	631,025,933	
Foreign currency translation difference for foreign operations	-	-	-	-	(8,532,228,726)	-	(526,328,175)	(9,058,556,901)	
Remeasurements of net defined benefit liability	-	-	-	-	35,931,782	(179,278,391)	-	(143,346,609)	
Share of other comprehensive income of associates	-	-	-	-	(518,444,908)	-	-	(518,444,908)	
Transactions with owners									
Dividends paid	-	-	-	-	-	(14,046,688,500)	-	(14,046,688,500)	
Changes in scope of consolidation	-	(69,642,000)	(1,038,368,446)	-	-	-	(26,021,032,261)	(27,129,042,707)	
Acquisition of treasury shares	-	-	(5,751,479,700)	-	-	-	-	(5,751,479,700)	
Balance at December 31, 2020	<u>₩ 46,822,295,000</u>	<u>₩ 100,597,687,755</u>	<u>₩ (31,510,944,400)</u>	<u>₩ -</u>	<u>₩ (11,439,685,591)</u>	<u>₩ 180,625,164,088</u>	<u>₩ 2,913,293,254</u>	<u>₩ 288,007,810,106</u>	
Balance at January 1, 2021	₩ 46,822,295,000	₩ 100,597,687,755	₩ (31,510,944,400)	₩ -	₩ (11,439,685,591)	₩ 180,625,164,088	₩ 2,913,293,254	₩ 288,007,810,106	
Total comprehensive income									
Profit (Loss) for the year	-	-	-	-	-	76,791,575,252	(54,442,177)	76,737,133,075	
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	676,652,732	63,035,000	-	739,687,732	
Foreign currency translation difference for foreign operations	-	-	-	-	10,470,689,620	-	68,188,846	10,538,878,466	
Remeasurements of net defined benefit liability	-	-	-	-	55,105,024	-	88,309	55,193,333	
Share of other comprehensive income of associates	-	-	-	(779,728,095)	996,301,744	-	-	216,573,649	
Transactions with owners									
Stock option	-	-	-	17,883,450	-	-	-	17,883,450	
Dividends paid	-	-	-	-	-	(9,562,861,560)	-	(9,562,861,560)	
Acquisition of treasury shares	-	-	(1,240,697,925)	-	-	-	-	(1,240,697,925)	
Revaluation surplus	-	(8,083,626)	-	-	-	8,083,626	-	-	
Changes in scope of consolidation	37	-	(1,081,583,693)	-	-	-	(1,917,928,515)	(2,999,512,208)	
Balance at December 31, 2021	<u>₩ 46,822,295,000</u>	<u>₩ 100,589,604,129</u>	<u>₩ (33,833,226,018)</u>	<u>₩ (761,844,645)</u>	<u>₩ 759,063,529</u>	<u>₩ 247,924,996,406</u>	<u>₩ 1,009,199,717</u>	<u>₩ 362,510,088,118</u>	

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

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

<i>(in Korean won)</i>	Note	2021	2020
Cash flows from operating activities			
Cash generated from operations	33	₩ 16,197,715,506	₩ 124,904,626,008
Interest received		2,662,430,680	8,630,850,916
Interest paid		(33,249,344,984)	(47,150,475,167)
Dividends received		5,132,557,722	1,132,980,582
Income taxes paid		<u>(2,061,431,242)</u>	<u>(69,792,025,066)</u>
Net cash inflow (outflow) from operating activities		<u>(11,318,072,318)</u>	<u>17,725,957,273</u>
Cash flows from investing activities			
Increase in short-term financial instruments		(48,738,484,891)	(215,541,405,349)
Decrease in short-term financial instruments		56,699,584,563	269,181,707,920
Increase of short-term loans		(2,080,611,150)	(9,925,395,867)
Decrease of short-term loans		650,931,860	(300,000,000)
Increase in long-term financial instruments		(60,815,993)	(48,247,680)
Decrease in long-term financial instruments		10,000,000	68,571,440
income		-	(2,406,798,886)
Disposal of financial assets at fair value through other comprehensive income		630,188,826	21,191,001
Acquisition of financial assets at fair value through profit or loss		(8,534,863,000)	(56,244,787,874)
Disposal of financial assets at fair value through profit or loss		1,452,251,259	136,045,365,351
Increase of deposit		(3,703,037,054)	(1,152,647,140)
Decrease of deposit		4,476,208,781	2,466,720,798
Acquisition of right-of-use assets		(7,571,827,534)	(1,688,345,356)
Acquisition of investments in associates		(402,000,000)	(44,259,514,025)
Disposal of investments in associates		483,300,000	1,728,473,597
Acquisition of property, plant and equipment (excluding rental assets)		(45,723,754,552)	(42,755,576,548)
Disposal of property, plant and equipment (excluding rental assets)		4,892,849,920	36,780,879,085
Acquisition of intangible assets		(2,596,698,106)	(2,276,388,183)
Disposal of intangible assets		226,618,050	433,115,096
Acquisition of investment property		-	(4,015,331,107)
Disposal of non-current assets held for sale		209,519,173,743	6,239,106,657
Cash inflow (outflow) due to changes in scope of consolidation		<u>(4,549,401,079)</u>	<u>24,500,000,000</u>
Net cash inflow from investing activities		<u>155,079,613,643</u>	<u>96,850,692,930</u>
Cash flows from financing activities			
Repayment of short-term borrowings		(436,727,865,155)	(489,634,607,503)
Proceeds from short-term borrowings		331,231,447,960	478,585,224,564
Repayment of current portion of long-term borrowings		(197,870,460,257)	(259,890,828,242)
Proceeds from long-term borrowings		215,752,593,998	160,062,893,330
Repayment of bonds		(115,000,000,000)	(173,344,459,068)
Proceeds from bonds		105,690,210,553	213,862,022,441
Payment of financial lease liabilities		(24,443,641,000)	(30,705,877,034)
Acquisition of treasury shares		(1,240,697,925)	(5,751,479,700)
Increase in leasehold deposits		2,843,996,545	1,183,600,000
Decrease in leasehold deposits		(482,760,000)	(329,000,000)
Dividends paid		(9,562,861,560)	(14,046,688,500)
Acquisition of non-controlling interest		-	(1,180,050,000)
Net cash outflow from financing activities		<u>(129,810,036,841)</u>	<u>(121,189,249,712)</u>
Replacement of non-current assets held for sale		-	(44,392,554,959)
Net increase (decrease) in cash and cash equivalents		13,951,504,484	(51,005,154,468)
Cash and cash equivalents at the beginning of the financial year		69,806,738,399	122,986,211,759
Effects of exchange rate changes on cash and cash equivalents		1,473,776,930	<u>(2,174,318,892)</u>
Cash and cash equivalents at the end of the year		<u>₩ 85,232,019,813</u>	<u>₩ 69,806,738,399</u>

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1. General Information

1.1 General Information of the Parent Company

AJ Networks Co., Ltd. (the "Company"), a parent company, was incorporated on February 10, 2000 to engage in the business of long-and short-term lease and sale of measuring instruments, information appliances and special industrial equipment. The Group acquired and merged with "AJU L&F holdings", which was its parent company, on December 30, 2013, as the date of merger, and changed the Group name from AJU Rental Co., Ltd to AJ Networks Co., Ltd. In addition, the Group has been listed on the Korea Stock Exchange since August 21, 2015.

The Group's initial capital was ₩ 10,000 million and, after a number of capital increases, our paid-in capital is ₩ 46,822 million as at December 31, 2021. The Group's major stockholders as at December 31, 2021, are as follows:

	Number of shares	Percentage of ownership (%)
Moon Duck Young	11,760,923	25.12
Moon Jee Whe	6,596,593	14.09
Moon Sun Woo	6,596,588	14.09
Ascenta III private equity partnership	5,298,445	11.32
Treasury shares	2,054,479	4.39
Others	14,515,267	30.99
	46,822,295	100.00

The consolidated financial statements have been prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements* for the purpose of consolidating 25 subsidiaries including AJ Total Co., Ltd (collectively referred to as the "Group").

1.2 Consolidated Subsidiaries

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

	Location	Percentage of ownership		Closing month	Main business
		Parent Company	Subsidiary		
AJ Total Co., Ltd.	Korea	100.00%	-	December	Refrigerated warehouse rental
AJ Hanlock Co., Ltd. ¹	Korea	-	100.00%	December	Comprehensive logistics service
Daul F & B Co., Ltd. ¹	Korea	-	100.00%	December	Franchise management
Sewoo Food Co., Ltd. ¹	Korea	-	100.00%	December	Food production
AJ Retail Co., Ltd. ^{1,2}	Korea	-	100.00%	December	Convenience store operations
AJ TOTAL VIETNAM Co., Ltd. ³	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ TOTAL HANOI Co., Ltd. ^{3,4}	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Logistics pallet rental business
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Construction and civil engineering machinery rental business
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Construction and civil engineering

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AJ Daewon Co., Ltd. ⁵	Korea	100.00%	-	December	machinery rental business Real Estate Comprehensive Building Management
AJ Rental Inc.	America	100.00%	-	December	Rental business
AJ Rental Dallas Inc. ⁶	America	-	70.00%	December	Construction Equipment Rental
AJ Networks America, Inc. ^{6,7}	America	-	100.00%	December	Management Consulting
AJ International TOGO, Inc. ⁸	America	-	100.00%	December	Management Consulting
Auto Gallery International, Inc. ⁸	America	-	60.03%	December	Vehicle repairs
AJ Carian Service Co., Ltd.	Korea	100.00%	-	December	Vehicle management
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash business
World Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
Four season Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
AJ Networks First Limited Company ⁹	Korea	-	-	March	Financial industry
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service business
AJ Auto Parking Systems Co., Ltd.	Korea	99.84%	-	December	Parking facility manufacturing and construction
AJ Rental Arabia, Ltd.	Saudi Arabia	100.00%	-	December	Rental business
AJ ICT Co., Ltd. ¹⁰	Korea	99.83%	-	December	Service business

¹ It is a subsidiary of AJ Total Co., Ltd., a subsidiary of the Company.

² The entity was incorporated through split-off from AJ Park Co., Ltd. As AJ Total Co., Ltd., a subsidiary of the Company, acquired this entity, the entity became a consolidated subsidiary of AJ Total Co., Ltd. and there are no changes within the Group.

³ As the Company acquired the shares held by AJ Total Co., Ltd., a subsidiary of the Company, the entity became the consolidated subsidiary of the Company and there are no changes within the Group.

⁴ Newly established during the current period.

⁵ As AJ Ens Co., Ltd. was merged to the Company, the Company owns the shares held by AJ Ens Co., Ltd.

⁶ It is a subsidiary of AJ Rental Inc., a subsidiary of the Company.

⁷ The shares of AJ Networks America, Inc. held by the Company were sold to AJ Rental Inc., a subsidiary of the Company, by in kind investment during the current period. As a result, the entity became a consolidated subsidiary of AJ Rental Inc. and there are no changes within the Group.

⁸ It is a subsidiary of AJ Networks America Inc., a grandson company of the Company.

⁹ As a special purpose corporation established to borrow trade receivables from the Korea Development Bank, the entity is classified as a subsidiary because the Company has a power and is exposed to variable profits.

¹⁰ 99.83% of the shares were newly acquired during the current period.

AJ Networks Co., Ltd. and Subsidiaries

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Details of the consolidated subsidiaries as at December 31, 2020, are as follows:

	Location	Percentage of ownership		Closing month	Main business
		Parent Company	Subsidiary		
AJ Park Co., Ltd. ¹	Korea	100.00%	-	December	Parking lot management, service management and parking lot control equipment sales
Aju E-Parking Nonhyeon3 Co., Ltd. ²	Korea	-	100.00%	December	Parking lot management and building management
Duckone Parking Co., Ltd. ²	Korea	-	100.00%	December	Parking lot management and building management
Daejeo Asset Management Co., Ltd. ²	Korea	-	100.00%	December	Parking lot management and building management
AJ Total Co., Ltd.	Korea	100.00%	-	December	Refrigerated warehouse rental
AJ Safety Partners Co., Ltd. ³	Korea	-	63.03%	December	Financial lease business
AJ Hanlock Co., Ltd. ³	Korea	-	100.00%	December	Comprehensive logistics service
AJ TOTAL VIETNAM Co., Ltd. ³	Vietnam	-	100.00%	December	Refrigerated warehouse rental
Daul F & B Co., Ltd. ³	Korea	-	100.00%	December	Franchise management
Sewoo Food Co., Ltd. ³	Korea	-	100.00%	December	Food production
AJ Capital Partners Co., Ltd. ⁴	Korea	100.00%	-	December	Financial lease business
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Logistics pallet rental business
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Construction and civil engineering machinery rental business
AJ International Traders Co., Ltd.	Korea	100.00%	-	December	Used car sales
AJ Junsyrmall Co., Ltd. ⁵	Korea	100.00%	-	December	Digital product e-commerce business
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Construction and civil engineering machinery rental business
AJ M. Co., Ltd. ⁶	Korea	100.00%	-	December	Management Consulting
Linkable Co., Ltd. ^{7,8,9}	Korea	-	100.00%	December	Software development and vehicle rental
AJ Ens Co., Ltd. ¹⁰	Korea	100.00%	-	December	Real Estate Comprehensive Building Management
AJ Daewon Co., Ltd. ^{11,12}	Korea	-	80.00%	December	Real Estate Comprehensive Building Management
AJ Rental Inc.	America	100.00%	-	December	Rental business
AJ Rental Top Tier Inc. ¹³	America	-	100.00%	December	Construction Equipment Rental
AJ Rental Dallas Inc. ¹³	America	-	70.00%	December	Construction Equipment Rental
AJ Sellcar Co., Ltd. ¹⁴	Korea	77.79%	-	December	Used car sales
AJ Carian Service Co., Ltd.	Korea	100.00%	-	December	Vehicle management
AJ Networks Vietnam Co., Ltd. ¹⁴	Vietnam	100.00%	-	December	Car rental
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash business
World Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
Four season Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
AJ Networks America, Inc.	America	100.00%	-	December	Management Consulting
AJ International TOGO. Inc. ¹⁵	America	-	100.00%	December	Management Consulting
Auto Gallery International, Inc. ¹⁵	America	-	60.03%	December	Vehicle repairs
AJ Networks First Limited Company ¹⁶	Korea	-	-	March	Financial industry

AJ Networks Co., Ltd. and Subsidiaries

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Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service business
AJ Auto Parking Systems Co., Ltd. ^{17,18}	Korea	99.84%	-	December	Parking facility manufacturing and construction
AJ Rental Arabia, Ltd. ¹⁹	Saudi Arabia	100.00%	-	December	Rental business

¹ Percentage of ownership was changed from 55.12% to 100% by acquiring the shares of AJ Park Co., Ltd. during the previous period.

² It is a subsidiary of AJ Park Co., Ltd., a subsidiary of the Company.

³ It is a subsidiary of AJ Total Co., Ltd., a subsidiary of the Company.

⁴ Investment in subsidiary is classified as a non-current asset held for sale as it (excluding shares and beneficiary certificates related to Modu Rental Co., Ltd. held by the entity from the transaction) satisfies with the classification requirement of non-current assets held for sale during the previous period.

⁵ 35.74% of the shares were acquired from external shareholders during the year ended December 31, 2019.

⁶ Newly established by investing during the year ended December 31, 2019.

⁷ The Company acquired the shares held by SK Rent-a-car Co., Ltd. (formerly, AJ Rental Car), which was a subsidiary of the Company, during the year ended December 31, 2019.

⁸ 22.46% of the shares were acquired from external shareholders during the year ended December 31, 2019.

⁹ It is a subsidiary of AJ M. Co., Ltd., a subsidiary of the Company.

¹⁰ Newly established by investing during the year ended December 31, 2019.

¹¹ It is a subsidiary of AJ Ens Co., Ltd., a subsidiary of the Company.

¹² 80.00% of the shares were newly acquired during the year ended December 31, 2019.

¹³ It is a subsidiary of AJ Rental Inc., a subsidiary of the Company.

¹⁴ Investment in subsidiary is classified as a non-current asset held for sale as it satisfies with the classification requirement of non-current assets held for sale during the previous period.

¹⁵ It is a subsidiary of AJ Networks America, Inc. a subsidiary of the Company.

¹⁶ As a special purpose corporation established to borrow trade receivables from the Korea Development Bank, it is classified as a subsidiary because the Company has a power and is exposed to variable profits.

¹⁷ The entity name was changed from AJ Dongyang Menics Co., Ltd. during the year ended December 31, 2019.

¹⁸ The Company acquired the shares from AJ Park Co., Ltd., a subsidiary of the Company, during the previous period.

¹⁹ Newly established by investing during the previous period.

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1.3 Summarized Financial Information

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

(in millions of
Korean won)

Subsidiary	2021											
	Assets			Liabilities			Equity			Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Total Co., Ltd. ^{1,2}	₩	82,109	₩	23,680	₩	58,429	₩	47,966	₩	(13,374)	₩	(11,088)
AJ Energy Co., Ltd.		46,057		26,618		19,439		330,445		1,727		1,727
AJ Carian Service Co., Ltd.		8,029		5,349		2,680		29,730		138		138
AJ TOTAL VIETNAM Co., Ltd.		60,438		37,418		23,020		2,223		(1,561)		(623)
AJ TOTAL HANOI Co., Ltd.		8,659		2		8,658		-		(76)		60
AJ Rental Service Co., Ltd.		6,842		6,561		282		55,481		598		598
AJ JEONGUK SKY Co., Ltd.		4,853		949		3,903		4,382		110		110
AJ Rental Co., Ltd.		13,308		4,116		9,192		5,194		417		1,276
AJ Rental Inc. ²		86,684		3,733		82,950		17,964		(2,518)		5,313
World Rent-A-Car Co., Ltd.		571		-		571		-		1		1
Four season Rent-A-Car Co., Ltd.		175		314		(139)		-		(16)		(16)
AJ Daewon Co., Ltd.		6,718		2,988		3,730		28,942		576		573
Ryu Ga Hyoung Golf Academy Co., Ltd.		138		35		103		457		(26)		(26)
AJ Rental Arabia, Ltd.		23		-		23		118		(50)		(46)
AJ ICT Co., Ltd.		23,770		19,466		4,304		37,919		(18)		(18)
AJ Auto Parking Service Co., Ltd.		36,035		49,835		(13,800)		45,627		(3,933)		(3,872)
AJ Networks First Limited Company		29,613		29,610		3		1,329		-		-

¹ Profit or loss from discontinued operations is excluded.

² Financial information based on consolidated financial statements of subsidiaries.

AJ Networks Co., Ltd. and Subsidiaries
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(in millions of
Korean won)

Subsidiary	2020						
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)	
AJ Park Co., Ltd. ^{1,2}	₩ 202,454	₩ 169,624	₩ 32,829	₩ 42,532	₩ (5,838)	₩ (5,838)	
AJ Total Co., Ltd. ^{1,2}	158,515	78,043	80,472	33,880	(4,063)	(4,063)	
AJ Energy Co., Ltd.	46,798	29,086	17,712	259,088	1,212	1,212	
AJ Carian Service Co., Ltd.	6,944	6,402	542	44,762	(986)	(986)	
AJ Junsymall Co., Ltd. ¹	16,148	15,499	649	-	-	-	
AJ Rental Service Co., Ltd.	5,417	5,733	(316)	49,030	46	46	
AJ JEONGUK SKY Co., Ltd.	5,866	2,073	3,793	3,921	(179)	(179)	
AJ International Traders Co., Ltd.	41	-	41	-	2,140	2,140	
World Rent-A-Car Co., Ltd.	586	17	569	206	(226)	(226)	
Four season Rent-A-Car Co., Ltd.	188	312	(123)	108	21	21	
AJ M. Co., Ltd. ²	21,134	11,015	10,119	-	(4,774)	(4,774)	
AJ Ens Co., Ltd.	14,205	4,610	9,595	24,687	(1,869)	(1,869)	
AJ Networks Vietnam Co., Ltd.	2,098	161	1,938	1,009	(177)	(177)	
AJ Rental Co., Ltd.	11,254	3,337	7,917	3,993	(136)	(136)	
AJ Rental Inc. ²	70,413	4,077	66,336	12,779	(883)	(883)	
AJ Networks America, Inc. ²	12,334	308	12,025	1,680	(1,138)	(1,138)	
Ryu Ga Hyoung Golf Academy Co., Ltd.	163	34	129	397	(71)	(71)	
AJ Rental Arabia, Ltd.	69	-	69	214	(82)	(82)	
AJ Auto Parking Service Co., Ltd.	34,543	44,505	(9,963)	46,628	(5,596)	(5,596)	
AJ Networks First Limited Company	37,347	37,344	3	1,559	-	-	

¹ Profit or loss from discontinued operations is excluded.

² Financial information based on consolidated financial statements of subsidiaries.

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

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1.4 Changes in Scope for Consolidation

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

Subsidiary	Reason
AJ Retail Co., Ltd.	It was newly established through split-off from AJ Park Co., Ltd.
AJ ICT Co., Ltd.	It was included in the consolidation by acquiring the shares from external shareholders.
AJ TOTAL HANOI Co., Ltd.	It was newly established by AJ Total Co., Ltd.

Subsidiaries excluded from the consolidation for the year ended December 31, 2021:

Subsidiary	Reason
AJ Sellcar Co., Ltd. AJ Park Co., Ltd.	It was excluded from the consolidation due to the sale of shares.
AJ Capital Partners Co., Ltd.	It was excluded from the consolidation due to the sale of shares (excluding shares and beneficiary certificates related to Modu Rental Co., Ltd. held by the Group).
Aju E-Parking Nonhyeon3 Co., Ltd. Duckone Parking Co., Ltd. Daejeo Asset Management Co., Ltd.	It was excluded from the consolidation due to the sale of shares.
AJ M. Co., Ltd. AJ Ens Co., Ltd.	It was merged to the Company.
Linkable Co., Ltd.	It was merged to AJ M. Co., Ltd.
AJ Networks Vietnam Co., Ltd.	It was merged to AJ TOTAL VIETNAM Co., Ltd.
AJ Rental Top Tier Inc.	It was merged to AJ Rental Inc.
AJ International Traders Co., Ltd. AJ Safety Partners	It was excluded from the consolidation due to liquidation.
AJ Junsymall Co., Ltd.	It was classified as an associate since the percentage of ownership was changed from 100% to 33.33% as a result of capital increase with allotment to the third party.

AJ Networks Co., Ltd. and Subsidiaries

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2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory consolidated 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 consolidated financial statements.

Certain information attached to the Korean language consolidated 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 the following:

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

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

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

(a) Amendments to Korean IFRS 1116 Leases – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a

AJ Networks Co., Ltd. and Subsidiaries

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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 rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the consolidated financial statements.

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the consolidated financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual 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.

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

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

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs

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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 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.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 *Financial Instruments*. The Group is in review for the impact of this new standard on the consolidated financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(g) Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after

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January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

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

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

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(j) Annual improvements to Korean IFRS 2018-2020

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

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

2.3 Significant Accounting Policies

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

2.3.1 Consolidation

(a) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a

AJ Networks Co., Ltd. and Subsidiaries

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combination involving entities or businesses under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except for the issuance cost of debt or equity securities accounted for according to Korean IFRS 1032 and 1039.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries

Subsidiaries are entities controlled by The Group. The Group controls an entity when it 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 over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Non-controlling interests

Non-controlling interests in a subsidiary are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity method accounted investees

The Group's interests in equity method accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at

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cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity method accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(g) Business combinations under a common control

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as capital surplus or capital adjustments.

2.3.2 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

If there is a discontinued operation, the Group restates the statement of comprehensive income as if it had been discontinued from the beginning of the comparative period presented.

2.3.3 Cash and cash equivalents

Cash and cash equivalents include investments with original maturities of three months or less, and substantive cash equivalents such as short-term preferred shares with fixed redemption date, even though equity investments are excluded from cash and cash equivalents.

2.3.4 Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined based on the specific identification method. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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2.3.5 Non-derivative financial assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

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

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.

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

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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.

(e) Offsetting of financial instruments

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

2.3.6 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 'finance income (costs)' based on the nature of transactions.

2.3.7 Property, plant and equipment (including rental assets)

Property, plant and equipment are initially measured at cost. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The costs of the replaced part are recognized in the carrying amount of property, plant and equipment or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives of the Group's property, plant and equipment and rental assets are as follows:

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	Useful lives
Property, plant and equipment	
Buildings	20 – 40 years
Structures	2 – 8
Furniture and fixture	2 – 5
Vehicles	4 – 8
Machinery	2 – 10
Facilities	2 – 15
Rental assets	
OA rental assets	1 – 6
Vehicles in rental business use	3
Construction equipment	1 – 8
Pallets	3 – 10
Others	1 – 8

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income or expenses' in the consolidated statement of comprehensive income.

For rental assets, when the rental contract is terminated and held for sale, the carrying amount of rental assets is transferred to inventories.

2.3.8 Intangible assets

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

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for intended use. The residual value of intangible assets is zero. However, as useful lives of intangible assets are not foreseeable to the periods over which memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Group's intangible assets for the current period are as follows:

	Useful lives
Software	1 – 5 years
Other intangible assets	2 – 5

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

Research and development

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

Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are not recognized as assets but expensed as incurred.

2.3.9 Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

The Group depreciates investment properties, except for land, using the straight-line method over their economic useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

2.3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories, deferred tax assets, investment properties measured at fair value and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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The Group estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or a CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying amount of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.3.11 Leases

(a) Lessor

The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group, a manufacturer, or dealer lessor, recognizes the following for each of its finance leases:

- revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest; and
- the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value; and

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. In case of financial lease receivables of which credit is impaired, however, finance income is calculated by referring to amortized cost (that is, the amount net of provision for impairment).

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In case where the Group is an intermediate lessor, the Group accounts for the head lease and sublease as two separate contracts. The Group classifies the sublease as a finance lease or an operating lease depending on the right-of-use assets arising from the head lease, not an underlying asset.

The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

After initial recognition, the Group reviews the estimated non-guaranteed residual value on a regular basis and recognizes the expected credit loss of lease receivables as loss allowance by applying the requirements for derecognition and impairment of Korean IFRS 1109.

The Group allocates the promised amount of consideration to each component by applying Korean IFRS 1115 in case where lease and non-lease components are included in contracts.

(b) Lessee

The Group leases various offices, warehouses, retail stores, equipment, and cars. Lease contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees

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- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by OO, a subsidiary of the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group elected not to apply the revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Payments associated with short-term leases of all equipment and vehicles 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 without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Variable lease payments

Variable payment terms are used for a variety of reasons, including minimizing the fixed costs. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(d) Extension and termination options

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

2.3.12 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. To be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

A non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale is not depreciated (or amortized).

2.3.13 Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The financial liabilities are recognized in the statements of financial position when the Group becomes a party to the contractual provisions of the financial liability.

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(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(b) Other financial liabilities

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

(c) The removal of financial liabilities

The Company derecognizes a financial liability from the consolidated statements of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires). In case where the cash flow of the financial liability is substantially changed due to a modification to the contractual terms of the financial liability, the Group derecognizes the existing liability and recognizes the new financial liability at fair value based on the new contract.

Any difference between the carrying amount of the financial liability and the consideration paid (including any non-cash assets transferred or liabilities incurred) is recognized in profit or loss.

2.3.14 Employee benefits

(a) Short-term employee benefits

For the short-term employee benefits, due to be settled within twelve months after the end of the reporting period in which the employees render the related service, the amounts expected to be paid in exchange for that service are recognized as profit or loss when the employees have provided the service. Short-term employee benefits are measured as the undiscounted amount.

(b) Post-employment benefits: Defined contribution plan

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

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(c) Post-employment benefits: Defined benefit plan

The Group operates a defined benefit pension plan. Service cost of defined benefit plan is determined using the project unit credit method for each plan. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Service costs and net interest expense of the net defined benefit liability are recognized in profit or loss as an item of cost of sales and selling and administrative expenses.

2.3.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

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

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

2.3.16 Foreign currencies

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss.

(b) Translations of financial statements of consolidated companies

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus, they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(c) Translation of net investment in the foreign operation

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve and reclassified from equity to profit or loss on disposal of the net investment.

2.3.17 Revenue recognition

(a) Revenue from contracts with customers

- Sale of goods: Revenue on sales of goods is recognized when the products have been delivered to the customer.
- Revenue from parking lot equipment service: Revenue arising from parking lot equipment

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service is recognized based on percentage of completion. The percentage of completion is measured on the basis of costs incurred to date relative to the total costs.

(b) *Interest income*

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

(c) *Dividend income*

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

2.3.18 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

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

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

2.3.19 Finance income and finance costs

Finance income comprises

- interest income
- interest cost
- dividend income
- net gains on disposal of investment assets for debt instruments measured at fair value through other comprehensive income,
- net gains on financial assets measure at fair value through profit or loss
- foreign exchange gains
- reversal of impairment loss on investment assets for debt instruments measured at fair value through amortized cost or other comprehensive income
- gains on valuation and transactions of derivative assets and liabilities.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

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Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating interest income or interest expense, effective interest rate is applied to the gross carrying amount of a financial asset (in case where the asset's credit is not impaired) or the amortized cost of a financial liability. However, for financial assets that subsequently have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. Interest income is calculated by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired.

2.3.20 Current and deferred tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The 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 profit nor taxable profit or loss. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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

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

2.3.21 Earnings per share

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

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2.3.22 Segment reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 4). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

2.3.23 Approval of issuance of the financial statements

The consolidated financial statements 2021 were approved for issue by the Board of Directors on February 21, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

(a) *Estimated goodwill impairment*

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

(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.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

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(c) 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.

(d) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(f) Impact of Coronavirus disease 2019 ("COVID-19")

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact, such as, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

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Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

4. Operating Segments

The management (senior executives), which conducts strategic decision-making, makes decisions on the consolidated entity's operating division. The board of directors makes decisions on the resources to be allocated to the division and, to evaluate the division's performance, is conducting review based on the division's operating profit. As the portfolio has changed due to the disposal of subsidiaries, the classification of segments has been changed.

Sales are mostly composed of rental revenues, revenue from the sale of goods and others. The consolidated entity's operating division is identified on the basis of organization and the type of revenue-creating service. As at the end of the reporting period, the operating segment consists of rental, refrigerated and distribution, and others.

Information, by operating division, for the current and previous fiscal years were prepared as subsequent to intercompany transaction adjustment.

(in thousands of Korean won)

	2021			
	Rental	Refrigerated and distribution	Others	Total
Operating revenue	₩ 505,890,095	₩ 412,473,278	₩ 108,386,084	₩ 1,026,749,457
Depreciation	142,262,010	5,142,424	2,634,504	150,038,938
Amortization	1,163,386	1,145,163	1,715,232	4,023,781
Operating profit (loss)	53,559,294	(5,215,113)	(3,234,638)	45,109,543

(in thousands of Korean won)

	2020			
	Rental	Refrigerated and distribution	Others	Total
Operating revenue	₩ 479,404,901	₩ 292,744,482	₩ 99,806,710	₩ 871,956,093
Depreciation	142,613,476	573,234	6,019,702	149,206,412
Amortization	2,833,883	3,804	896,593	3,734,280
Operating profit (loss)	29,725,119	(1,562,340)	(7,073,638)	21,089,141

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The information on assets and revenues by each operating segment reported to the management as at and for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	Revenue from external customers¹		Non-current assets²	
	2021	2020	2021	2020
Korea	₩ 1,065,080,579	₩ 900,732,256	₩ 1,084,791,728	₩ 1,317,598,957
United States	17,964,100	14,458,827	58,685,584	49,394,864
Vietnam	8,288,635	7,858,261	74,094,616	38,321,813
Others	4,456,481	8,791,477	-	-
Consolidation adjustments	<u>(69,040,338)</u>	<u>(59,884,728)</u>	<u>(212,466,589)</u>	<u>(269,853,605)</u>
	<u>₩ 1,026,749,457</u>	<u>₩ 871,956,093</u>	<u>₩ 1,005,105,339</u>	<u>₩ 1,135,462,029</u>

¹ Revenue is attributed to the country based on the customer's location.

² The amount excludes financial instruments and deferred tax assets.

There is no customer whose revenue from external customers exceeds 10% of the Group's total revenue for the years ended December 31, 2021 and 2020.

5. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>	2021	2020
Cash on hand	₩ 41,148	₩ 76,782
Bank deposits and others	<u>85,190,872</u>	<u>69,729,957</u>
	<u>₩ 85,232,020</u>	<u>₩ 69,806,739</u>

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Financial instruments which are restricted in use as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Financial institutions	2021	2020	Description
Cash and cash equivalents	Shinhan bank	₩ -	₩ 78,553	Escrow
Other investments	Overseas financial institutions	-	7,624,676	Escrow
Short-term financial instruments	Jeonbuk bank	-	1,270,876	Collaterals for performance guarantee of share purchase agreement, sub-lease deposit, business, credit card issuance, deposit, and others
	Shinhan bank	1,000,000	2,686,692	
	Hana bank	-	150,000	
	Korea Development Bank	-	265,549	
Long-term financial instruments	Shinhan bank	793,100	746,500	Collaterals for sub-lease deposit, deposit for check account and others
	Hana bank	4,000	4,000	
	Citibank Korea Inc	67,703	2,500	
	Jeonbuk bank	-	2,718,053	
		<u>₩ 1,864,803</u>	<u>₩ 15,547,399</u>	

6. Inventories

Inventories as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Raw materials	₩ 1,150,036	₩ 1,163,972
Merchandises	16,353,359	31,147,184
Allowance for valuation of merchandises	(1,000,976)	(1,960,475)
Supplies	3,233,301	3,313,995
	<u>₩ 19,735,720</u>	<u>₩ 33,664,676</u>

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7. Financial Assets at Fair Value

Financial assets at fair value as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	
	Acquisition cost	Carrying amount
Financial assets at fair value through other comprehensive income		
Equity instrument	₩ 13,597,066	₩ 14,577,407
Financial assets at fair value through profit or loss (current)		
Debt instrument	5,954,709	3,213,923
Financial assets at fair value through profit or loss (non-current)		
Equity instrument	22,095,755	20,932,644
Debt instrument	4,622,672	4,606,981
	<u>26,718,427</u>	<u>25,539,625</u>
	<u>₩ 46,270,202</u>	<u>₩ 43,330,955</u>

(in thousands of Korean won)

	2020	
	Acquisition cost	Carrying amount
Financial assets at fair value through other comprehensive income		
Equity instrument	₩ 14,007,850	₩ 14,147,090
Financial assets at fair value through profit or loss (current)		
Debt instrument	9,250,520	3,535,364
Others	245,803	245,803
	<u>9,496,323</u>	<u>3,781,167</u>
Financial assets at fair value through profit or loss (non-current)		
Equity instrument	15,181,075	16,332,313
Debt instrument	1,080,000	1,014,807
	<u>16,261,075</u>	<u>17,347,120</u>
	<u>₩ 39,765,248</u>	<u>₩ 35,275,377</u>

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Change in financial assets at fair value for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Balance at January 1	₩	35,275,377	₩	145,813,638
Acquisition		8,534,863		60,121,475
Disposal		(2,085,143)		(138,263,277)
Gains and losses on valuation ¹		860,924		1,110,680
Others ²		744,934		(33,507,139)
Balance at December 31	₩	<u>43,330,955</u>	₩	<u>35,275,377</u>

¹ The amount of loss recognized as a result of the discontinuation of the repurchase of Discovery Asset Management private equity funds is about ₩ 1,400 million.

² Others include replacements to non-current assets held for sale during the year ended December 31, 2020.

8. Interests in Associates

Investment in associates as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021							
	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of associates	Dividend received	Others	Ending balance
LinkDotz Inc. ¹	-	₩ 246,100	₩ 234,387	-	₩ (42,133)	-	₩ (192,254)	-
AJ Fleet Link Co., Ltd.	50.00%	150,000	132,121	-	21,545	-	-	153,666
Darae Parktech Co., Ltd. ²	37.30%	7,890,837	7,954,384	-	(915,473)	-	(10,758)	7,028,153
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,652,170	-	621,883	(1,282,763)	143,893	6,135,183
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	6,159,685	-	(306,457)	(2,660,325)	135,874	3,328,777
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	8,982,687	-	(246,278)	(891,000)	(239,852)	7,605,557
A2 PARTNERS RHINOS No. 1 private equity partnership	33.20%	18,503,407	16,059,628	-	6,135,532	-	(842,207)	21,352,953
Auto Gallery Holdings, Inc.	49.98%	6,660,700	6,660,700	-	2,861,269	-	873,980	10,395,949
BNP INC.	25.00%	75,000	1,295,407	-	92,822	-	-	1,388,229

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Modu Rental Co., Ltd. ³	10.53%	9,078,713	9,078,713	-	(1,148,529)	-	2,407,669	10,337,853
AJ Junsymall Co., Ltd. ⁴	33.33%	10,000,527	-	10,000,527	(780,500)	-	(17,707)	9,202,320
		₩ 78,305,284	₩ 63,209,882	₩ 10,000,527	₩ 6,293,681	₩ (4,834,088)	₩ 2,258,638	₩ 76,928,640

¹ In 2021, the percentage of ownership of the Group has changed due to capital transactions between other companies and LinkDotz Inc. As a result, the Group lost its significant influence for the year ended December 31, 2021.

² The Group has a put-option to additionally acquire shares (greater of 14,453 shares or 6% of the total issued shares at the time of exercise) in Darae Parktech Co., Ltd. from the largest shareholder for two years from February 12, 2021. In accordance with an additional agreement entered into on March 9, 2021, the Group has a right to acquire shares equivalent to 7.5% without consideration from the largest shareholder and a drag-along right for all the shares held by the largest shareholder if the requirements are not met.

³ The ownership by considering only ordinary shares is 23.66%, and since it has the right to appoint the Board of Directors, it is classified as an associate.

⁴ In 2021, the percentage of ownership was changed from 100% to 33.33% and recognized as an associate due to a capital increase through third-party allocation of AJ Junsymall Co., Ltd., a subsidiary.

(in thousands of
Korean won)

	2020						
	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of associates	Others	Ending balance
Gurohyunju Motors Co., Ltd.	-	₩ 200,000	₩ 1,369	₩ -	₩ (1,369)	₩ -	₩ -
LinkDotz Inc.	21.50%	246,100	238,889	-	(4,502)	-	234,387
Auto Hub Service Co., Ltd.	-	485,100	106,240	(106,240)	-	-	-
AJ Fleet Link Co., Ltd.	50.00%	150,000	111,203	-	20,918	-	132,121
Darae Parktech Co., Ltd. ¹	37.30%	7,890,837	8,637,093	-	(730,396)	47,687	7,954,384
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	7,900,000	-	235,395	(1,483,225)	6,652,170
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	-	7,900,000	(1,740,315)	-	6,159,685
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	-	9,900,000	(917,313)	-	8,982,687
A2 PARTNERS RHINOS No. 1 private equity partnership	33.20%	18,503,407	-	18,503,407	(2,443,779)	-	16,059,628
Auto Gallery Holdings, Inc. ²	49.98%	6,660,700	-	-	-	6,660,700	6,660,700

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BNP INC.	25.00%	75,000	-	-	-	1,295,407	1,295,407
Modu Rental Co., Ltd.	10.53%	9,078,713	-	-	780,079	8,298,634	9,078,713
		<u>₩ 68,989,857</u>	<u>₩ 16,994,794</u>	<u>₩ 36,197,167</u>	<u>₩ (4,801,282)</u>	<u>₩ 14,819,203</u>	<u>₩ 63,209,882</u>

¹ The Group has a put-option to additionally acquire the shares (greater of 14,453 shares or 6% of the total issued shares at the time of exercise) in Darae Parktech Co., Ltd. from the largest shareholder for two years from February 12, 2021. In accordance with the additional agreement entered into after the reporting period, the Group has a right to acquire shares equivalent to 7.5% without consideration from the largest shareholder and a drag-along right for all the shares held by the largest shareholder if the requirements are not met.

² In 2020, the Group sold its share in Auto Gallery Holdings, Inc. As the percentage of ownership changed from 50.07% to 49.98%, it was classified as investment in associates from investment in subsidiaries.

Financial information of investment in associates as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Fleet Link Co., Ltd.	Korea	December	₩ 408,142	₩ 100,812	₩ 19,585	₩ 43,088	₩ 43,088
h	Korea	December	19,648,206	18,210,419	25,661,986	(2,084,756)	(2,084,756)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	63,577,054	50,070,409	82,457,916	1,932,279	1,688,789
Cha Partners Public Mobility No. 2 private equity partnership	Korea	December	73,990,016	63,644,473	73,462,701	436,491	436,491
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	68,873,555	51,572,509	48,908,299	477,439	477,439
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	102,129,440	39,815,643	130,991,689	7,287,010	7,287,010
Auto Gallery Holdings, Inc.	USA	December	73,703,922	50,457,904	149,756,864	3,480,991	7,473,931
BNP INC.	Korea	December	8,314,611	2,750,160	19,477,191	104,870	104,870
Modu Rental Co., Ltd.	Korea	December	139,559,610	108,795,001	67,282,953	595,934	565,975
AJ Junsymall Co., Ltd.	Korea	December	22,056,147	6,276,911	46,638,207	(4,820,805)	(4,820,805)

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<i>(in thousands of Korean won)</i>	2020						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
Gurohyunju Motors Co., Ltd.	Korea	December	₩ 990,938	₩ 675,457	₩ 21,461	₩ 4,724	₩ 4,724
LinkDotz Inc.	Korea	December	590,755	366,430	421,150	(20,944)	(20,944)
AJ Fleet Link Co., Ltd.	Korea	December	391,407	127,164	30,150	166,993	41,836
Darae Parktech Co., Ltd.	Korea	December	22,416,942	18,865,557	33,165,305	(1,532,809)	(1,532,810)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	62,891,407	48,140,077	79,650,252	166,993	166,993
Cha Partners Public Mobility No. 2 private equity partnership	Korea	December	68,383,214	53,955,900	16,372,456	(1,740,277)	(1,740,277)
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	76,779,903	57,697,215	955	(917,313)	(917,313)
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	106,542,434	53,042,754	1,405,319	(2,108,622)	(2,108,622)
Auto Gallery Holdings, Inc.	USA	December	67,719,379	52,126,476	99,929,033	1,884,981	1,884,981
BNP INC.	Korea	December	7,633,325	2,173,743	24,850,832	277,953	277,953
Modu Rental Co., Ltd.	Korea	December	130,907,901	114,071,981	84,781,070	8,204,968	8,204,968

The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the associate.

<i>(in thousands of Korean won)</i>	2021						
	Net assets at the end of the year	Group's share in KRW	Goodwill	Fair value difference	Others	Book amount	
AJ Fleet Link Co., Ltd.	₩ 307,330	₩ 153,666	₩ -	₩ -	₩ -	₩ 153,666	
Darae Parktech Co., Ltd.	1,437,787	536,277	5,809,460	682,416	-	7,028,153	
Cha Partners Public Mobility No. 1 private equity partnership	13,506,645	6,668,906	-	-	(533,723)	6,135,183	
Cha Partners Public Mobility No. 2 private equity partnership	10,345,543	5,108,112	-	-	(1,779,335)	3,328,777	
Cha Partners Public Mobility No. 3	17,301,046	8,564,018	-	-	(958,461)	7,605,557	

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private equity partnership						
A2 PARTNERS RHINOS No. 1 private equity partnership	62,313,797	20,688,180	-	-	664,773	21,352,953
Auto Gallery Holdings, Inc.	23,246,018	11,528,080	-	-	(1,132,131)	10,395,949
BNP INC.	5,564,451	1,388,229	-	-	-	1,388,229
Modu Rental Co., Ltd.	30,764,609	6,971,237	3,080,614	878,382	(592,381)	10,337,852
AJ Junsymall Co., Ltd.	15,779,236	5,259,219	3,186,952	826,944	(70,795)	9,202,320

(in thousands of Korean won)

	2020					
	Net assets at the end of the year	Group's share in KRW	Goodwill	Fair value difference	Others	Book amount
LinkDotz Inc.	₩ 224,326	₩ 48,219	₩ 186,168	₩ -	₩ -	₩ 234,387
AJ Fleet Link Co., Ltd.	264,243	132,121	-	-	-	132,121
Darae Parktech Co., Ltd.	3,551,385	1,324,626	5,809,460	820,298	-	7,954,384
Cha Partners Public Mobility No. 1 private equity partnership	14,751,330	6,634,868	-	-	17,302	6,652,170
Cha Partners Public Mobility No. 2 private equity partnership	14,427,315	7,040,738	-	-	(881,053)	6,159,685
Cha Partners Public Mobility No. 3 private equity partnership	19,082,687	9,445,930	-	-	(463,243)	8,982,687
A2 PARTNERS RHINOS No. 1 private equity partnership	53,499,680	17,761,893	-	-	(1,702,265)	16,059,628
Auto Gallery Holdings, Inc.	15,592,903	7,807,275	-	-	(1,146,575)	6,660,700
BNP INC.	5,181,629	1,295,407	-	-	-	1,295,407
Modu Rental Co., Ltd.	16,835,920	3,087,654	4,340,792	1,650,267	-	9,078,713

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9. Rental Assets

Details of rental assets as at December 31, 2021 and 2020, are as follows:

(in thousands of
Korean won)

	2021			2020		
	Cost	Accumulated depreciation ¹	Book amount	Cost	Accumulated depreciation ¹	Book amount
IT	₩ 272,240,181	₩ (135,785,209)	₩ 136,454,972	₩ 257,715,548	₩ (121,873,192)	₩ 135,842,356
Pallets	536,386,831	(255,334,405)	281,052,426	476,874,446	(223,615,168)	253,259,278
Construction equipment	386,317,922	(151,293,828)	235,024,094	334,772,225	(122,868,935)	211,903,290
Vehicles	-	-	-	489,170	(304,016)	185,154
Others	4,732,712	(150,728)	4,581,984	9,254,998	(27,062)	9,227,936
	<u>₩ 1,199,677,646</u>	<u>₩ (542,564,170)</u>	<u>₩ 657,113,476</u>	<u>₩ 1,079,106,387</u>	<u>₩ (468,688,373)</u>	<u>₩ 610,418,014</u>

¹ Accumulated impairment losses are included.

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

(in thousands of
Korean won)

	2021					
	IT	Pallets	Construction equipment	Vehicles	Others	Total
Beginning balance	₩ 135,842,356	₩ 253,259,278	₩ 211,903,290	₩ 185,154	₩ 9,227,936	₩ 610,418,014
Acquisition	82,731,314	71,652,479	51,604,178	-	7,563,148	213,551,119
Disposal	(8,643,639)	(1,395,199)	(4,969,643)	-	-	(15,008,481)
Depreciation	(51,195,549)	(41,028,020)	(37,033,680)	-	(111,031)	(129,368,280)
Impairment loss ¹	(4,692,363)	(782,640)	(197,986)	-	-	(5,672,989)
Transfer	(18,114,609)	(653,472)	11,369,473	(185,154)	(11,954,755)	(19,538,517)
Others	527,462	-	2,348,462	-	(143,314)	2,732,610
Ending balance	<u>₩ 136,454,972</u>	<u>₩ 281,052,426</u>	<u>₩ 235,024,094</u>	<u>₩ -</u>	<u>₩ 4,581,984</u>	<u>₩ 657,113,476</u>

¹ An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

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(in thousands of
Korean won)

	2020					
	IT	Pallets	Construction equipment	Vehicles	Others	Total
Beginning balance	₩ 111,193,627	₩ 249,548,991	₩ 230,726,402	₩ 30,456,519	₩ 1,032,616	₩ 622,958,155
Acquisition	89,145,025	46,901,929	28,723,853	11,017,777	10,228,127	186,016,711
Disposal	(7,267,041)	(1,239,014)	(4,780,741)	(15,378,670)	(2,419)	(28,667,885)
Depreciation	(56,476,315)	(39,331,104)	(35,552,350)	(6,607,138)	(17,301)	(137,984,208)
Impairment loss ¹	-	(2,186,411)	(8,762)	-	(140)	(2,195,313)
Transfer	(1,090,561)	(435,113)	(6,091,937)	471,599	(2,012,947)	(9,158,959)
Changes in the scope of consolidation	-	-	-	(2,434,485)	-	(2,434,485)
Others	337,621	-	(1,113,175)	(17,340,448)	-	(18,116,002)
Ending balance	₩ 135,842,356	₩ 253,259,278	₩ 211,903,290	₩ 185,154	₩ 9,227,936	₩ 610,418,014

¹ An impairment loss is recognized for assets that are not used or sold for a long period after the term of the rental.

The Group has entered into an agreement to provide operating leases with a number of customers for rental assets. Future lease payments expected to be received by the Group through operating lease contracts for rental assets at the end of the reporting period are as follows.

(in thousands of Korean won)

	2021	2020
Within one year	₩ 115,156,171	₩ 118,329,150
1~5 years	94,798,143	115,514,329
Over 5 years	109,842	435,467
	₩ 210,064,156	₩ 234,278,946

Future lease payments for the pallet business expected at the end of the reporting period were excluded due to the nature of the agreement for which the contract period has not been determined.

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10. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2021 and 2020, are as follows:

(in thousands of
Korean won)

	2021			2020		
	Cost	Accumulated depreciation ¹	Book amount	Cost	Accumulated depreciation ¹	Book amount
Land	₩ 65,347,798	₩ -	₩ 65,347,798	₩ 100,463,048	₩ -	₩ 100,463,048
Buildings	62,601,682	(6,264,161)	56,337,521	73,316,366	(13,594,302)	59,722,064
Structures	7,172,643	(2,165,000)	5,007,643	7,914,725	(2,080,570)	5,834,155
Machinery	34,460,009	(14,549,179)	19,910,830	31,979,079	(17,315,429)	14,663,650
Furniture and fixture	10,881,598	(8,045,994)	2,835,604	13,189,535	(8,725,705)	4,463,830
Vehicles	12,734,302	(5,552,555)	7,181,747	10,627,140	(4,310,041)	6,317,099
Others	3,029,601	(1,798,442)	1,231,159	11,581,876	(5,452,641)	6,129,235
Construction-in progress	19,832,691	-	19,832,691	31,965,876	-	31,965,876
	<u>₩ 216,060,324</u>	<u>₩ (38,375,331)</u>	<u>₩ 177,684,993</u>	<u>₩ 281,037,645</u>	<u>₩ (51,478,688)</u>	<u>₩ 229,558,957</u>

¹ Accumulated impairment losses are included.

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

(in thousands of
Korean won)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others ¹	Ending balance
Land	₩ 100,463,048	₩ 9,331,643	₩ (2,661,915)	₩ -	₩ (41,784,978)	₩ 65,347,798
Buildings	59,722,064	4,515,409	(243,243)	(1,879,426)	(5,777,283)	56,337,521
Structures	5,834,155	133,678	-	(477,734)	(482,456)	5,007,643
Machinery	14,663,650	2,577,430	(171,954)	(3,019,804)	5,861,508	19,910,830
Furniture and fixture	4,463,830	630,909	(277,476)	(1,925,500)	(56,159)	2,835,604
Vehicles	6,317,099	727,838	(479,174)	(1,264,542)	1,880,526	7,181,747
Others	6,129,235	398,430	(32)	(473,139)	(4,823,335)	1,231,159
Construction-in progress	31,965,876	27,333,163	-	-	(39,466,348)	19,832,691
	<u>₩ 229,558,957</u>	<u>₩ 45,648,500</u>	<u>₩ (3,833,794)</u>	<u>₩ (9,040,145)</u>	<u>₩ (84,648,525)</u>	<u>₩ 177,684,993</u>

¹ Others include replacements to non-current assets held for sale.

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(in thousands of
Korean won)

	2020					
	Beginning balance	Acquisition	Disposal	Depreciation	Others ¹	Ending balance
Land	₩ 137,724,607	₩ 932,528	₩ (1,337,264)	₩ -	₩ (36,856,823)	₩ 100,463,048
Buildings	75,354,018	2,771,117	(45,033)	(2,990,049)	(15,367,989)	59,722,064
Structures	7,960,670	1,407,905	(21,744)	(612,681)	(2,899,995)	5,834,155
Machinery	13,976,985	5,592,215	(744,419)	(5,606,328)	1,445,197	14,663,650
Furniture and fixture	6,979,802	1,350,045	(433,057)	(2,828,386)	(604,574)	4,463,830
Vehicles	5,759,754	2,034,767	(367,114)	(1,492,014)	381,706	6,317,099
Others	8,574,065	677,773	(351,244)	(1,146,620)	(1,624,739)	6,129,235
Construction-in progress	16,487,343	31,797,642	(4,891,427)	-	(11,427,682)	31,965,876
	<u>₩ 272,817,244</u>	<u>₩ 46,563,992</u>	<u>₩ (8,191,302)</u>	<u>₩ (14,676,078)</u>	<u>₩ (66,954,899)</u>	<u>₩ 229,558,957</u>

¹ Others include replacements to non-current assets held for sale.

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11. Leases

- Leases as lessee

Right-of-use assets as at December 31, 2021 and 2020, consist of:

(in thousands of Korean won)

	2021			
	Land and buildings	Vehicles	Others	Total
Acquisition amount	₩ 49,968,203	₩ 9,397,032	₩ 31,463	₩ 59,396,698
Accumulated depreciation	(16,118,577)	(4,562,718)	(29,807)	(20,711,102)
Net carrying amount	<u>₩ 33,849,626</u>	<u>₩ 4,834,314</u>	<u>₩ 1,656</u>	<u>₩ 38,685,596</u>

(in thousands of Korean won)

	2020			
	Land and buildings	Vehicles	Others	Total
Acquisition amount	₩ 217,772,559	₩ 10,335,113	₩ 256,463	₩ 228,364,135
Accumulated depreciation	(58,023,046)	(4,567,518)	(83,621)	(62,674,185)
Net carrying amount	<u>₩ 159,749,513</u>	<u>₩ 5,767,595</u>	<u>₩ 172,842</u>	<u>₩ 165,689,950</u>

Changes in the right-of-use assets for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021				
	Beginning balance	Acquisition	Depreciation	Others¹	Ending balance
Land and buildings	₩ 159,749,513	₩ 24,727,956	₩ (14,829,447)	₩ (135,798,396)	₩ 33,849,626
Vehicles	5,767,595	2,527,396	(2,756,784)	(703,893)	4,834,314
Others	172,842	-	(15,561)	(155,625)	1,656
	<u>₩ 165,689,950</u>	<u>₩ 27,255,352</u>	<u>₩ (17,601,792)</u>	<u>₩ (136,657,914)</u>	<u>₩ 38,685,596</u>

¹ Others include replacements to non-current assets held for sale.

(in thousands of Korean won)

	2020				
	Beginning balance	Acquisition	Depreciation	Others	Ending balance
Land and buildings	₩ 131,378,935	₩ 42,452,695	₩ (32,509,662)	₩ 18,427,545	₩ 159,749,513
Vehicles	4,983,807	4,459,903	(3,411,652)	(264,463)	5,767,595
Others	1,661,048	50,812	(320,458)	(1,218,560)	172,842
	<u>₩ 138,023,790</u>	<u>₩ 46,963,410</u>	<u>₩ (36,241,772)</u>	<u>₩ 16,944,522</u>	<u>₩ 165,689,950</u>

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Lease liabilities as at December 31, 2021 and 2020, consist of:

<i>(in thousands of Korean won)</i>	2021		2020	
Current	₩	10,841,505	₩	31,951,328
Non-current		<u>31,295,650</u>		<u>120,382,162</u>
	₩	<u>42,137,155</u>	₩	<u>152,333,490</u>

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

<i>(in thousands of Korean won)</i>		2021							
	Beginning balance	Acquisition	Replacement to liquidity lease liabilities	Lease payment	Interest expense	Change of lease contract	Others ¹	Ending balance	
Current	₩ 31,951,328	₩ 5,756,951	₩ 16,497,208	₩ (27,288,099)	₩ 1,588,679	₩ (96,438)	₩ (17,568,124)	₩ 10,841,505	
Non-current	<u>120,382,162</u>	<u>13,417,151</u>	<u>(16,497,208)</u>	<u>-</u>	<u>1,255,779</u>	<u>(19,078)</u>	<u>(87,243,156)</u>	<u>31,295,650</u>	
	₩ 152,333,490	₩ 19,174,102	₩ -	₩ (27,288,099)	₩ 2,844,458	₩ (115,516)	₩ (104,811,280)	₩ 42,137,155	

¹ Others include replacements to non-current assets held for sale.

<i>(in thousands of Korean won)</i>		2020							
	Beginning balance	Acquisition	Replacement to liquidity lease liabilities	Lease payment	Interest expense	Change of lease contract	Others	Ending balance	
Current	₩ 24,105,188	₩ 8,573,953	₩ 30,272,424	₩ (36,958,994)	₩ 5,270,786	₩ 521,412	₩ 166,559	₩ 31,951,328	
Non-current	<u>116,666,674</u>	<u>34,153,865</u>	<u>(30,272,424)</u>	<u>-</u>	<u>982,331</u>	<u>(978,910)</u>	<u>(169,374)</u>	<u>120,382,162</u>	
	₩ 140,771,862	₩ 42,727,818	₩ -	₩ (36,958,994)	₩ 6,253,117	₩ (457,498)	₩ (2,815)	₩ 152,333,490	

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Expiration date information of the lease liabilities as at December 31, 2021 and 2020, is as follows:

(in thousands of
Korean won)

		2021					
		Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Land and buildings	₩	922,037	₩ 1,822,147	₩ 7,392,262	₩ 24,744,598	₩ 6,576,861	₩ 41,457,905
Vehicles		161,552	429,918	1,526,546	2,925,442	-	5,043,458
Others		892	896	-	-	-	1,788
	₩	<u>1,084,481</u>	<u>₩ 2,252,961</u>	<u>₩ 8,918,808</u>	<u>₩ 27,670,040</u>	<u>₩ 6,576,861</u>	<u>₩ 46,503,151</u>

(in thousands of
Korean won)

		2020					
		Less than one month	One month to three months	Three months to one year	One year to five years	Over five years	Total
Land and buildings	₩	2,703,494	₩ 5,607,743	₩ 23,518,861	₩ 72,826,995	₩ 71,839,060	₩ 176,496,153
Vehicles		195,533	548,947	1,844,270	3,477,966	-	6,066,716
Others		5,503	11,074	7,858	1,788	-	26,223
	₩	<u>2,904,530</u>	<u>₩ 6,167,764</u>	<u>₩ 25,370,989</u>	<u>₩ 76,306,749</u>	<u>₩ 71,839,060</u>	<u>₩ 182,589,092</u>

The consolidated statement of profit or loss shows the following amounts relating to leases:

(in thousands of Korean won)

	2021	2020
Depreciation of right-of-use assets		
Properties	₩ 14,829,447	₩ 32,509,662
Vehicles	2,756,784	3,411,652
Others	15,561	320,458
	<u>₩ 17,601,792</u>	<u>₩ 36,241,772</u>
Interest expense relating to lease liabilities	₩ 2,844,458	₩ 6,253,117
Expense relating to short-term leases	5,129,577	4,431,583
Expense relating to leases of low-value assets that are not short-term leases	193,685	315,636
Expense relating to variable lease payments not included in lease liabilities	19,577,984	26,912,000

The total cash outflow for leases in 2021 was ₩ 52,189 million (2020: ₩ 68,618 million).

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- Leases as lessor

Lease receivables as at December 31, 2021 and 2020, consist of:

<i>(in thousands of Korean won)</i>	2021	2020
Current	₩ 7,570,077	₩ 4,967,900
Non-current	11,273,147	9,036,435
	<u>₩ 18,843,224</u>	<u>₩ 14,004,335</u>

The gross investment in the lease and present value of minimum lease payments for finance lease receivables as at December 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Gross investment in the lease	Present value of minimum lease payments
Within one year	₩ 8,170,206	₩ 7,570,077
Between 1 and 2 years	5,496,393	4,712,157
Between 2 and 3 years	3,914,339	3,110,016
Between 3 and 4 years	2,791,719	2,058,148
Between 4 and 5 years	1,869,229	1,282,290
Later than five years	144,796	110,536
	<u>₩ 22,386,682</u>	<u>₩ 18,843,224</u>

There is no income related to variable lease payments that are not included in the net investment in the lease for the years ended December 31, 2021 and 2020. Interest income on lease receivables for the years ended December 31, 2021 and 2020, amounted to ₩ 1,840 million and ₩ 25 million.

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12. Intangible Assets

Intangible assets as at December 31, 2021 and 2020, consist of:

(in thousands of
Korean won)

	2021			2020		
	Cost	Accumulated amortization ¹	Book amount	Cost	Accumulated amortization ¹	Book amount
Goodwill	₩ 19,233,393	₩ (9,018,994)	₩ 10,214,399	₩ 21,311,866	₩ (2,078,473)	₩ 19,233,393
Software	8,219,205	(5,604,733)	2,614,472	9,372,095	(5,989,053)	3,383,042
Others	25,179,333	(10,066,646)	15,112,687	31,620,694	(12,500,569)	19,120,125
	<u>₩ 52,631,931</u>	<u>₩ (24,690,373)</u>	<u>₩ 27,941,558</u>	<u>₩ 62,304,655</u>	<u>₩ (20,568,095)</u>	<u>₩ 41,736,560</u>

¹ Accumulated impairment losses are included.

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

(in thousands of Korean won)

	2021			
	Goodwill	Software	Others	Total
Beginning balance	₩ 19,233,393	₩ 3,383,042	₩ 19,120,125	₩ 41,736,561
Acquisition	-	1,353,676	1,558,054	2,911,730
Disposal	-	(168,187)	(61,167)	(229,354)
Amortization	-	(1,081,995)	(3,334,279)	(4,416,274)
Impairment loss	(7,793,532)	(28,996)	(379,643)	(8,202,171)
Replacement ¹	-	(644,688)	(1,790,403)	(2,435,091)
Changes in the scope of consolidation	(1,383,946)	(198,822)	-	(1,582,768)
Others	158,484	442	-	158,925
Ending balance	<u>₩ 10,214,399</u>	<u>₩ 2,614,472</u>	<u>₩ 15,112,687</u>	<u>₩ 27,941,558</u>

¹ Others include replacements to non-current assets held for sale.

(in thousands of
Korean won)

	2020				
	Goodwill	Software	Facility operation right ¹	Others	Total
Beginning balance	₩ 30,284,142	₩ 4,859,028	₩ 18,880,451	₩ 29,843,989	₩ 83,867,610
Acquisition	-	1,738,452	-	526,124	2,264,576
Disposal	-	(126,165)	-	(904,992)	(1,031,157)
Amortization	-	(2,012,157)	-	(6,042,728)	(8,054,885)
Impairment loss	(1,227,345)	(262,353)	-	(69,263)	(1,558,961)
Replacement	-	(260,988)	(18,880,451)	42,822	(19,098,617)
Changes in the scope of consolidation	(6,163,221)	(450,679)	-	(4,337,402)	(10,951,302)
Others	(3,660,183)	(102,096)	-	61,575	(3,700,704)

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Ending balance	₩	19,233,393	₩	3,383,042	₩	-	₩	19,120,125	₩	41,736,560
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¹ Facility operation right has been replaced with a right-of-use asset.

Impairment of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

(in thousands of Korean won)

	2021			
	Beginning balance	Increase	Decrease	Ending balance
AJ Jeonkook Sky Co., Ltd	₩ 308,169	₩ -	₩ -	₩ 308,169
AJ Junsymall Co., Ltd ¹	1,383,946	-	(1,383,946)	-
AJ Total Co., Ltd. ^{2,3}	12,194,576	-	(7,793,532)	4,401,044
AJ Daewon Co., Ltd. ⁴	3,578,182	-	-	3,578,182
AJ Rental, Inc. ⁵	1,768,520	158,483	-	1,927,003
	<u>₩ 19,233,393</u>	<u>₩ 158,483</u>	<u>₩ (9,177,478)</u>	<u>₩ 10,214,398</u>

¹ In 2021, the percentage of ownership decreased from 100% to 33.33% and it was classified as an associate.

² It consists of Daul F & B Co., Ltd. ₩ 3,250 million and Sewoo Food Co., Ltd. ₩ 1,151 million.

³ An impairment loss was recognized because the recoverable amount was less than the carrying amount during the year ended December 31, 2021.

⁴ AJ Daewon Co., Ltd. was classified as a subsidiary after the merger with AJ Ens Co., Ltd., a subsidiary of the Group. It represents goodwill for AJ Daewon Co., Ltd., and there are no changes within the Group.

⁵ These are changes due to foreign currency translation.

(in thousands of Korean won)

	2020			
	Beginning balance	Increase	Decrease	Ending balance
AJ Sellcar Co., Ltd. ¹	₩ 4,343,993	₩ -	₩ (4,343,993)	₩ -
AJ Jeonkook Sky Co., Ltd	308,169	-	-	308,169
AJ Junsymall Co., Ltd	1,383,946	-	-	1,383,946
AJ Total Co., Ltd. ²	12,125,309	797,267	(728,000)	12,194,576
AJ Ens Co., Ltd ³	4,002,654	-	(424,472)	3,578,182
AJ Bike Co., Ltd ⁴	6,163,220	-	(6,163,220)	-
AJ Rental, Inc. ⁵	1,881,978	-	(113,458)	1,768,520
World rent a car Co., Ltd ³	74,873	-	(74,873)	-

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₩ 30,284,142	₩ 797,267	₩ (11,848,016)	₩ 19,233,393
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¹ In 2020, it was classified as assets held for sale.

² It consists of ₩ 3,040 million AJ Hanrok Co., Ltd., ₩ 6,761 million Daul F & B Co., Ltd., and ₩ 2,394 million Sewoo Food Co., Ltd.

³ An impairment loss was recognized because the recoverable amount was less than the carrying amount during the year ended December 31, 2020.

⁴ In 2020, AJ Bike Co., Ltd was disposed.

⁵ These are changes due to foreign currency translation.

The Group tests annually whether goodwill has suffered any impairment. As a result of impairment test, the Group has been determined that the carrying amount of the cash-generating units will not exceed the recoverable amount except for the portion recognized as an impairment loss. The recoverable amount was determined based on value-in-use calculations.

The value-in-use calculations was based on cash flow estimates based on the financial budget for the next five years. The Group estimates future revenue and operating profit, or loss based on past performance and expectations for future market fluctuations for financial budget and cash flow projections. Cash flows expected to be generated after five years were estimated within the scope of not to exceed long term average growth rate of industry. The discount rate used is a discount rate that reflects the specific risks of the related business unit.

The key assumptions used in calculating the value in use of CGU are as follows.

<i>(in thousands of Korean won)</i>	AJ Jeonkook Sky Co., Ltd	AJ Hanrok Co., Ltd	Daul F & B Co., Ltd.	Sewoo Food Co., Ltd.	AJ Daewon Co., Ltd.	AJ Rental, Inc.
Goodwill	₩ 308,169	₩ -	₩ 3,250,043	₩ 1,151,002	₩ 3,578,182	₩ 1,927,003
Sales growth rate ¹	6.80%	1.0%~5.2%	1.5%~17%	1.5%~17%	8% ~ 10%	11.78%
Permanent growth rate	-	1.00%	1.00%	1.00%	-	-
Pre-tax discount rate ²	10.92%	12.34%	14.10%	14.10%	12.66%	12.00%

¹ The weighted average sales growth rate that is calculated to estimate cash flows over the next five years based on historical growth.

² Applied to the expected cash flow.

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13. Investment Properties

Details of investment properties as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021			2020		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Land	₩ 4,094,641	₩ -	₩ 4,094,641	₩ 3,033,080	₩ -	₩ 3,033,080
Buildings	24,920,386	(5,429,423)	19,490,963	12,955,522	(1,598,027)	11,357,495
	<u>₩ 29,015,027</u>	<u>₩ (5,429,423)</u>	<u>₩ 23,585,604</u>	<u>₩ 15,988,602</u>	<u>₩ (1,598,027)</u>	<u>₩ 14,390,575</u>

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

(in thousands of Korean won)

	2021			2020		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 3,033,080	₩ 11,357,495	₩ 14,390,575	₩ 1,207,758	₩ 1,758,475	₩ 2,966,233
Acquisition	-	60,497	60,497	1,195,429	2,819,902	4,015,331
Depreciation	-	(2,680,178)	(2,680,178)	-	(748,784)	(748,784)
Others ¹	1,061,561	10,753,149	11,814,710	629,893	7,527,902	8,157,795
Ending balance	<u>₩ 4,094,641</u>	<u>₩ 19,490,963</u>	<u>₩ 23,585,604</u>	<u>₩ 3,033,080</u>	<u>₩ 11,357,495</u>	<u>₩ 14,390,575</u>

¹ Others include replacements to non-current assets held for sale and replacements from right-of-use assets to investment properties.

During the year, rental income earned from investment properties is ₩ 6,406 million (2020: ₩ 2,404 million), and direct operating expenses (including repairs and maintenance) from investment properties that generated rental income are ₩ 1,939 million (2020: ₩ 855 million).

The investment properties are leased to tenants under operating leases with rentals payable monthly. The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment Properties as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Within one year	₩ 3,122,951	₩ 1,063,509
Between 1 and 2 years	1,983,248	870,109
Between 2 and 3 years	608,908	208,956
Between 3 and 4 years	308,080	34,200
Between 4 and 5 years	33,333	-
	<u>₩ 6,056,520</u>	<u>₩ 2,176,774</u>

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Investment properties are land and buildings for private use and rental purposes located in Songpa-gu, Seoul, and are classified according to the rental area ratio. As at December 31, 2021, as there is no significant change in the fair value after acquisition, the difference from the carrying amount at the time of initial acquisition is not expected to be significant, and therefore, the fair value is not disclosed separately.

14. Other Financial Assets

Other financial assets as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Other current financial assets		
Short-term loans	₩ 3,850,531	₩ 2,036,862
Provision for impairment	(1,642,862)	(1,642,862)
Other receivables	3,416,798	6,548,829
Provision for impairment	(793,168)	(1,223,681)
Accrued income	241,400	80,153
Provision for impairment	(54,751)	(54,751)
Derivative assets	-	143,010
Current portion of finance lease receivable	7,570,077	4,967,900
Short-term financial instruments	7,814,334	16,481,711
Deposits received	39,181	2,465,782
Current portion of long-term loans	4,742,000	-
Financial assets at amortized cost	5,000,000	-
	<u>₩ 30,183,540</u>	<u>₩ 29,802,953</u>
Other non-current financial assets		
Long-term loans	₩ -	₩ 4,352,000
Derivative assets	4,671,664	5,975,280
Finance lease receivable	11,273,148	9,036,435
Provision for impairment	(59,523)	-
Long-term other receivables	190,289	-
Deposits received	16,134,913	21,970,258
	<u>₩ 32,210,491</u>	<u>₩ 41,333,973</u>

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Changes in provisions for impairment for other financial assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Beginning balance	₩ 2,921,294	₩ 6,899,059
Other impairment loss	59,523	155,896
Reversal of other impairment loss	(109,989)	(40,051)
Write-off	(56,523)	-
Others ¹	(264,001)	(4,093,610)
Ending balance	<u>₩ 2,550,304</u>	<u>₩ 2,921,294</u>

¹ Others include replacements to non-current assets held for sale.

15. Other Assets

Other assets as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Other current assets		
Advance payments	₩ 34,205,717	₩ 18,833,323
Provision for impairment	(32,260)	(32,260)
Prepaid expenses	4,143,062	4,476,750
Prepaid value added taxes	3,968,240	2,139,937
Current income tax assets	11,407	878,767
Return right assets	-	236,066
	<u>₩ 42,296,166</u>	<u>₩ 26,532,583</u>
Other non-current assets		
Long-term advance payments	₩ 2,914,998	₩ 2,228,052
Long-term prepaid expenses	250,474	8,230,040
	<u>₩ 3,165,472</u>	<u>₩ 10,458,092</u>

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16. Borrowings, etc.

Details of short and long-term borrowings as at December 31, 2021 and 2020, are as follows:

(a) Short-term borrowings

(in thousands of Korean won)

	Annual interest rate as at December 31, 2021		2021		2020
Kookmin Bank	3.62%~5.42%	₩	5,196,750	₩	6,273,000
THE DAEGU BANK LTD	2.85%~3.14%		4,000,000		9,000,000
Shinhan bank	3.16%~3.69%		16,300,000		39,230,000
HANA Bank	3.40%~3.95%		9,878,600		21,878,600
KDB	2.25%~3.08%		29,080,000		78,510,000
Suhyup bank	3.73%		5,000,000		-
SHINYOUNG SECURITIES CO., LTD	3.70%~3.80%		20,200,000		25,000,000
Korea Specialty Contractor Financial Cooperative	1.79%		434,978		434,978
KB Securities Co., Ltd.	3.70%~3.80%		23,200,000		-
Woori bank	-		-		344,200
Corporate Liquidity Support Organization(SPV)	-		-		50,000,000
NongHyup Bank	-		-		2,000,000
WOORI INVESTMENT BANK CO., LTD.	-		-		10,000,000
KIWOOM SECURITIES Corp.	-		-		20,000,000
		₩	113,290,328	₩	262,670,778

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(b) Long-term borrowings

(in thousands of Korean won)

	Annual interest rate as at December 31, 2021	2021		2020	
Shinhan bank	4.14%~6.05%	₩	6,922,103	₩	3,092,400
HANA Bank	3.93%~4.23%		55,416,667		41,992,333
Kookmin Bank	3.32%~5.60%		56,440,654		52,519,882
NongHyup Bank	4.08%		13,333,280		25,986,319
THE DAEGU BANK LTD	3.08%		1,000,000		9,271,850
THE JEONBUK BANK LTD	3.88%		1,333,328		2,333,324
Suhyup bank	4.01%		1,916,667		4,363,178
KDB ¹	1.98%~4.97%		68,875,000		68,119,660
KIS Plus 1st Co., Ltd. and 1 other	3.65%		40,000,000		-
Net One Q First Co., Ltd.	3.40%		6,720,000		13,360,000
IBK Capital Co., Ltd.	4.00%~4.20%		17,758,736		13,271,135
KB Capital	4.00%~4.20%		10,414,242		21,478,487
Hana Capital Co., Ltd.	3.82%~4.05%		29,400,007		24,221,427
BNK Capital Co., Ltd.	4.05%~4.10%		19,930,402		20,377,829
KDB Capital Co., Ltd.	3.65%		2,887,407		6,239,707
KB Kookmin Card Co., Ltd.	3.50%		3,254,611		4,868,073
HANKOOKCAPITAL CO., LTD. and 1 other	3.70%		9,208,340		-
KEB HANA BANK-HCMC BRANCH	5.40%~7.01%		31,078,289		15,498,227
Timothy Liberto	7.00%		592,750		544,000
U.S. Small Business Administration	3.75%		592,750		224,128
Small Business Corporation	2.40%~2.89%		69,370		235,930
KOREA SECURITIES Finance Corp.	-		-		9,457,278
One Punch DM First Co., Ltd.	-		-		20,000,000
Kyongnam Bank	-		-		1,666,664
			<u>377,144,603</u>		<u>359,121,831</u>
Less: current portion of long-term borrowings			(153,480,837)		(149,518,717)
Less: Present value discounts account			(369,958)		(584,176)
		₩	<u>223,293,808</u>	₩	<u>209,018,938</u>

¹ Securitization borrowings for trade receivables borrowed from Korea Development Bank by providing a priority beneficiary right to trade receivables in the future as pledge are included.

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Debentures outstanding as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Latest maturity date	Annual interest rate as at December 31, 2021		2021		2020
1st unsecured privately placed debenture	2023-11-26	-	₩	-	₩	10,000,000
24th unsecured privately placed debenture	2021-03-15	-		-		5,000,000
32-2nd unsecured privately placed debenture	2021-10-17	-		-		26,000,000
35-1st unsecured privately placed debenture	2021-05-29	-		-		44,000,000
35-2nd unsecured privately placed debenture	2022-05-29	3.50%		26,000,000		26,000,000
36-1st unsecured privately placed debenture	2021-07-23	-		-		35,000,000
36-2nd unsecured privately placed debenture	2022-07-22	3.48%		31,000,000		31,000,000
37-1st unsecured privately placed debenture	2022-01-21	3.35%		35,000,000		35,000,000
37-2nd unsecured privately placed debenture	2023-01-20	3.91%		22,000,000		22,000,000
38-1st unsecured privately placed debenture	2022-01-28	4.40%		20,000,000		20,000,000
38-2nd unsecured privately placed debenture	2023-07-30	4.95%		30,000,000		30,000,000
39th unsecured privately placed debenture	2021-08-27	-		-		5,000,000
40th unsecured privately placed debenture	2023-09-24	2.02%		60,000,000		60,000,000
41st unsecured privately placed debenture	2022-11-27	4.30%		5,000,000		5,000,000
42nd unsecured privately placed debenture	2022-11-30	4.30%		5,000,000		5,000,000
43-1st unsecured privately placed debenture	2022-05-09	3.60%		10,000,000		-
43-2nd unsecured privately placed debenture	2022-08-08	3.80%		10,000,000		-
44th unsecured privately placed debenture	2023-03-15	4.20%		5,000,000		-
45th unsecured privately placed debenture	2024-03-29	2.11%		30,000,000		-
46th unsecured privately placed debenture	2023-02-26	3.80%		15,000,000		-
47th unsecured privately placed debenture	2023-01-27	4.22%		30,000,000		-
48th unsecured privately placed debenture	2023-11-23	4.20%		6,000,000		-
				340,000,000		359,000,000

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Less: discounts on debentures	(406,886)	(652,514)
Less: current portion of bonds	(141,922,058)	(114,893,385)
	<u>₩ 197,671,056</u>	<u>₩ 243,454,101</u>

Public offering bonds are subject to conditions such as maintaining the financial ratio, the restriction in provision of collateral, the restriction in disposal of assets, and the restriction in changing corporate governance.

17. Other Financial Liabilities and Other Liabilities

Other financial liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Other current financial liabilities		
Other payables	₩ 14,902,361	₩ 25,789,921
Accrued expenses	13,849,111	15,380,093
Rent deposits	665,160	2,624,779
Guarantee deposits	1,265,556	1,007,290
Rental deposits	4,257,425	3,800,149
Financial derivative liabilities (current)	2,248	-
Others	57,974	22,795
	<u>₩ 34,999,835</u>	<u>₩ 48,625,027</u>
Other non-current financial liabilities		
Long-term rental deposits	₩ 703,494	₩ 544,881
Financial derivative liabilities	5,210,076	4,577,347
Rent deposits	2,487,111	5,871,688
Long-term accrued expenses	405,163	197,181
Others	190,288	541,780
	<u>₩ 8,996,132</u>	<u>₩ 11,732,877</u>

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Other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Other current liabilities				
Advance from customers ¹	₩	6,345,890	₩	5,235,845
Unearned revenues		527		597,232
Withholdings		844,796		1,398,619
Withholding tax		3,436,977		1,497,329
Refund liability		-		284,858
Levy liability		1,984,025		4,020,517
Other provisions (current)		-		364,445
	₩	<u>12,612,215</u>	₩	<u>13,398,845</u>
Other non-current liabilities				
Provision for long-term repair	₩	-	₩	561,241
Legal proceedings provision		101,000		168,329
Other provisions		451,520		554,337
Long-term unearned revenues		798,955		945,973
	₩	<u>1,351,475</u>	₩	<u>2,229,880</u>

¹ Includes contract liabilities under Korean IFRS 1115 *Revenue from contracts with customers*.

18. Post-employment Benefits

As the Group entered defined contribution pension plans, the Group recognized contributions as expenses during the year. The contributions are recognized as expenses are ₩ 5,675 million and ₩ 5,368 million for the years ended December 31, 2021 and 2020, respectively.

In addition, the Group operates a defined benefit plan, and details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Present value of defined benefit obligations	₩	1,834,795	₩	1,919,028
Fair value of plan assets		(424,408)		(231,114)
Net defined benefit liabilities	₩	<u>1,410,387</u>	₩	<u>1,687,914</u>

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

<i>(in thousands of Korean won)</i>	2021		2020	
Beginning balance	₩	1,919,028	₩	1,728,019
Current service cost		690,717		404,985
Interest expense		38,335		21,960
Benefit payments		(748,449)		(318,396)
Remeasurements:				
Actuarial gain from change in financial assumptions		(64,836)		(15,070)
Actuarial loss from experience adjustments		-		87,956
Transfer from (to) affiliates		-		9,574
Ending balance	₩	<u>1,834,795</u>	₩	<u>1,919,028</u>

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

<i>(in thousands of Korean won)</i>	2021		2020	
Beginning balance	₩	231,114	₩	233,958
Interest income		5,449		4,303
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(3,510)		(1,997)
Employers' contributions		200,646		75,822
Payments from plans:		(9,291)		(80,972)
Ending balance	₩	<u>424,408</u>	₩	<u>231,114</u>

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

<i>(in thousands of Korean won)</i>	2021		2020	
	Amount	In %	Amount	In %
Time deposits	₩ 424,408	100%	₩ 231,114	100%

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

<i>(in percentage, %)</i>	2021	2020
Discount rate ¹	3.02%	2.47%
Salary growth rate	3.80%	3.00%

¹ Discount rate is determined by reference to market yields at the end of the reporting period, on high quality corporate bond (non-guaranteed public offering corporate bonds, AA+). Yields at maturity for the bonds were decided considering the maturity matching the average estimated timing of the pension payments.

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

	2021		2020	
	Impact on defined benefit obligation		Impact on defined benefit obligation	
	Changes in assumption	Increase in assumption	Changes in assumption	Increase in assumption
Discount rate	1% increase / decrease	7.10% decrease / 8.00% increase	1% increase / decrease	9.20% decrease / 10.90% increase
Salary growth rate	1% increase / decrease	8.20% increase / 7.40% decrease	1% increase / decrease	10.70% increase / 9.20% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. 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 expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 112,812	₩ 103,277	₩ 274,907	₩ 1,663,175	₩ 2,154,171

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19. Contingencies and Commitments

Commitments and contingencies with financial institutions as at December 31, 2021, are as follows:

(in thousands of Korean won)

	Details	Limit	Borrowings
Kookmin Bank	Facility fund and others	₩ 62,354,433	₩ 61,637,404
THE DAEGU BANK LTD	Facility fund and others	9,000,000	5,000,000
Shinhan bank	Facility fund and others	36,042,800	23,222,103
IBK Capital Co., Ltd.	Facility fund	17,758,736	17,758,736
THE JEONBUK BANK LTD	Facility fund	1,333,328	1,333,328
KB Kookmin Card Co., Ltd.	Facility fund	3,254,611	3,254,611
HANA Bank	Facility fund and others	69,595,342	65,295,266
KB Securities Co., Ltd.	Commercial paper and others	23,200,000	23,200,000
Timothy Liberto	General fund	592,750	592,750
U.S. Small Business Administration	EIDL Loan	592,750	592,750
Net One Q First Co., Ltd.	Facility fund	6,720,000	6,720,000
NongHyup Bank	Facility fund	13,333,280	13,333,280
BNK Capital Co., Ltd.	Facility fund	19,930,402	19,930,402
KDB Capital Co., Ltd.	Facility fund	2,887,407	2,887,407
Suhyup bank	Facility fund and others	6,916,667	6,916,667
SHINYOUNG SECURITIES CO., LTD	Short-term bonds	20,200,000	20,200,000
Korea Specialty Contractor Financial Cooperative	General fund	434,978	434,978
Small Business Corporation	General fund	500,000	69,370
KB Capital	Facility fund	10,414,242	10,414,242
KIS Plus 1st Co., Ltd. and 1 other	Facility fund	40,000,000	40,000,000
KEB HANA BANK-HCMC BRANCH	Facility fund	31,078,288	31,078,288
Hana Capital Co., Ltd.	Facility fund	29,400,007	29,400,007
KDB	General fund and others	71,080,000	68,955,000
	Loans secured by trade receivables ¹	29,000,000	29,000,000
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	9,208,340	9,208,340
		₩ 514,828,361	₩ 490,434,929

¹ The Group has entered into a trust agreement with Korea Development Bank with the future rental receivables and other incidental rights as the trust principal and entered into a contract with AJ Networks First Limited Company to pledge the beneficiary rights acquired as collateral. In addition, the Group has agreed to assume an obligation to support funds in the event of shortfalls of funds for AJ Networks First Limited Company (Note 19).

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Commitments and contingencies with financial institutions as at December 31, 2020, are as follows:

(in thousands of Korean won)

	Details	Limit	Borrowings
IBK Capital Co., Ltd.	Facility fund	₩ 13,271,135	₩ 13,271,135
KB Kookmin Card Co., Ltd.	Facility fund	4,868,073	4,868,073
Kyongnam Bank	Facility fund	1,666,664	1,666,664
Kookmin Bank	General fund and others	58,792,882	58,792,882
Corporate Liquidity Support Organization (SPV)	Commercial paper	50,000,000	50,000,000
Net One Q First Co., Ltd.	Facility fund	13,360,000	13,360,000
NongHyup Bank	Facility fund	29,156,880	27,986,319
U.S. Small Business Administration	General fund	224,128	224,128
Timothy Liberto	General fund	544,000	544,000
THE DAEGU BANK LTD	General fund and others	18,271,850	18,271,850
BNK Capital Co., Ltd.	Facility fund	20,377,829	20,377,829
KDB	General fund and others	111,879,660	110,129,660
	Loans secured by trade receivables ¹	36,500,000	36,500,000
KDB Capital Co., Ltd.	Facility fund	6,239,707	6,239,707
SHINYOUNG SECURITIES CO., LTD	Commercial paper and others	25,000,000	25,000,000
Shinhan bank	General fund	52,096,000	42,322,400
Suhyup bank	General fund and others	9,363,178	4,363,178
Woori bank	Trade finance and others	489,250	344,200
WOORI INVESTMENT BANK CO. LTD	Commercial paper	10,000,000	10,000,000
One Punch DM First Co., Ltd	Electronic short-term bond	20,000,000	20,000,000
Korea Specialty Contractor Financial Cooperative	General fund and others	462,802	434,978
Small Business Corporation	General fund and others	500,000	235,930
THE JEONBUK BANK LTD	Facility fund	2,333,324	2,333,324
KB Capital	Facility fund	21,478,487	21,478,487
KIWOOM SECURITIES Corp.	Commercial paper and others	20,000,000	20,000,000
HANA Bank	General fund and others	81,470,236	79,369,161
Hana Capital Co., Ltd.	Facility fund	24,221,427	24,221,427
Korea Trade Insurance Corporation	Trade finance	650,633	-
KOREA SECURITIES Finance Corp.	Facility fund	9,457,278	9,457,278

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₩ 642,675,423 ₩ 621,792,610

¹ The Group has entered into a trust agreement with Korea Development Bank with the future rental receivables and other incidental rights as the trust principal and entered into a contract with AJ Networks First Limited Company to pledge the beneficiary rights acquired as collateral. In addition, the Group has agreed to assume an obligation to support funds in the event of shortfalls of funds for AJ Networks First Limited Company (Note 19).

For various contracts, the Group has received guarantees of ₩ 28,126 million (2020: ₩ 35,745 million) from Seoul Guarantee Insurance Co., Ltd. and Korea Specialty Contractor Financial Cooperative as at December 31, 2021.

Payment guarantee provided by the Group to others other than related parties is as follows:

(in thousands of Korean won)

Beneficiary	Guarantor	Guaranteed amount
Hiparking Co., Ltd.	Korea Parking Operation Co., Ltd.	₩ 7,944,940
Aju E-parking Nonhyeon III Co., Ltd.	Korea Private Concession Fund III	10,465,542
Daekyung Construction Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	209,603
		₩ 18,620,085

As at December 31, 2020, there is no payment guarantee provided for anyone other than related parties. As at December 31, 2021 and 2020, payment guarantees provided to related parties are disclosed in Note 36.

Assets pledged as collaterals as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		
	Collateral amount	Borrowing amount	Security right holders
Rental assets	₩ 482,700,000	₩ 229,240,354	Shinhan bank, KDB, Kookmin bank and others
Land, Buildings, Machinery, and others	153,505,980	82,080,037	
Equity investments and others	3,310,067	-	Korea Specialty Contractor Financial Cooperative, Engineering guarantee insurance and others
Financial assets at fair value through profit or loss ¹	1,604,309	-	Kodit 2020 the 15th Securitization Specialty Co., Ltd., and the others

¹ Matters about collaterals for deposits and subordinated bond related to PCBO

In order to secure the principal and interest repayment obligations of bonds by the pledgee "the

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Group" to the pledgers "Kodit 2020 the 15th Securitization Specialty Co., Ltd.", "Hi Investment & Securities Co., Ltd.", "Kodit 2021 the 2nd Securitization Specialty Co., Ltd.", and "Yuanta Securities Co., Ltd.", the Group has opened a deposit account to pledge the deposit as collateral.

<i>(in thousands of Korean won)</i>		2020		
	Collateral amount	Borrowing amount		Security right holders
Rental assets	₩ 430,396,000	₩ 208,284,110		Shinhan bank, KDB, Kookmin bank and others
Land, Buildings, Machinery and others	234,593,448	148,781,917		
Equity investments and others	1,050,826	-		Korea Specialty Contractor Financial Cooperative, Engineering guarantee insurance and others
Right-of-use assets (Facility operation right)	22,750,000	9,457,278		KOREA SECURITIES Finance Corp.
Financial assets at fair value through profit or loss ¹	1,014,807	-		Kodit 2020 the 15th Securitization Specialty Co., Ltd. and the others

¹ Matters about collaterals for deposits and subordinated bond related to PCBO

In order to secure the principal and interest repayment obligations of bonds by the pledgee "the Group" to the pledgers "Kodit 2020 the 15th Securitization Specialty Co., Ltd " and "Hi Investment & Securities Co., Ltd.", the Group has opened a deposit account to pledge the deposit as collateral.

Details of the capital supplement agreement entered into by the Group as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		Guaranteed amount		
		2021	2020	Borrower
AJ Networks First Limited Company ¹	₩	29,000,000	₩ 36,500,000	AJ Networks First Limited Company
Net One Q First Co., Ltd. ²		6,720,000	13,360,000	

¹ In connection with the borrowing of ₩ 29 billion (2020: ₩ 36.5 billion) from AJ Networks First Limited Company, if the Korea Development Bank determines that the funds are insufficient to make payment for the senior debt, the Group has entered into an agreement to provide loans equivalent to the shortfall.

² In connection with the borrowing of ₩ 6.72 billion (2020: ₩ 13.36 billion) from Net One Q First Co., Ltd.(the lender), the Group has agreed to provide loans equivalent to the shortfall to the lender when the lender determines that the lender does not have enough funds to make payment for the debts borne by issuing commercial paper securities for financing.

As at December 31, 2021, there are no details of bills provided as collateral in relation to the transaction agreements.

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As at December 31, 2021, Anseong auction house is provided as collateral for the subordinated bonds of AJ Sellcar Co., Ltd. amounting to ₩ 5 billion acquired by the Group during the prior year (the total amount of collateral is ₩ 32 billion and preferentially provided to ₩ 18 billion of senior bonds).

As at December 31, 2020, ₩ 14,400 million invested in Daul F & B Co., Ltd. and Sewoo Food Co., Ltd., subsidiaries of AJ Total Co., Ltd., which had been pledged to Shinhan Bank, was resolved due to repayment of debts for the year ended December 31, 2021.

On June 22, 2018, the Group has entered into a put option contract with an external investor under the following conditions.

	Occurrence condition	Remarks
Put-option	AJ Park Co., Ltd. has failed to achieve the agreements related to the previously agreed business performance and 4 years have elapsed since the investment (1 year extension when the preliminary examination procedure is conducted) When our corporate credit rating falls below BBB-	Exercise price: Amount applied for compound interest 4% per year -Payment dividend
Drag-along	IPO failure occurs within 4 years after investment (1 year extension when the preliminary examination procedure is conducted)	Condition that when an investor exercises an option, [Amount applied for compound interest 6.9% per year - Payment dividend] is preferentially repaid to the investor up to the total proceeds
Tag-along	Participate in the sale if the stake held by the Group is sold to a third party	Exercise price: Amount equal to the terms of our sale

On June 22, 2018, subsidiary AJ Park Co., Ltd. had an uneven increase of approximately ₩ 57 billion. All of the uneven capital increase was made by external investors, and the Group added 4% of compound interest to the external investors when the conditions such as the failure of AJ Park's listing and management performance are met (6.9% in case of Drag-along). A put option was given to guarantee the return. With respect to these put options, the Group recorded derivative liabilities, and all rights and obligations with AJ Park Co., Ltd. were terminated by purchasing the entire shares in AJ Park Co., Ltd. for ₩ 67.3 billion during 2020.

For six parking towers, including Eastern City Tower operated by AJ Park Co., Ltd., a subsidiary that was disposed during the December 31, 2021, there is an agreement in which the Group assumes contractual obligations resulting from the replacement lease for the leasehold property, such as payment of a rental deposit and payment of rent and management expenses, to the lessor on condition that it is terminated before the expiration of the lease period. In this regard, the Group entered into an agreement with the buyer that Humax Mobility Co., Ltd. and HiParking, the buyers of AJ Park Co., Ltd., jointly guarantee the liability under the replacement lease agreement, and the Group will bear only supplementary liability.

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Call-option and Drag-along

	Occurrence condition	Remarks
Call-option	The Group exercises the call-option against the RCPS held by Modu Rental Holdings Co., Ltd. for 5 years from 24 months after the closing date of the transaction	Exercise price: Amount that can achieve IRR 8% of the call-option
Drag-along	If the management performance of Modu Rental Co., Ltd. does not meet the performance target, the qualifying listing period (four years from the closing date of the transaction) has elapsed and the target company does not meet the requirements for listing, so IPO is not made and the deadline for qualifying listing has passed	Condition that when an investor exercises an option, [Amount that can achieve IRR 8% of the target] is preferentially repaid to the investor up to the total proceeds, and the Group distributes an amount that can achieve an IRR of 8% for the acquisition cost of shares up to the remaining amount

On December 23, 2019, in accordance with the shareholders' agreement entered into between the Group and Modu Rental Holdings Co., Ltd., the Group was granted a call option for all or part of the redeemable convertible preferred shares of Modu Rental Co., Ltd. held by Modu Rental Holdings Co., Ltd. In addition, the Group has granted a right to request joint sale to Modu Rental Holdings Co., Ltd. if Modu Rental Holdings Co., Ltd. sells its shares of Modu Rental Co., Ltd. For these call options, the Group has recognized derivative assets of ₩ 4,542 million and derivative liabilities of ₩ 5,210 million.

As at December 31, 2021, 32,381 ordinary shares (acquisition cost of ₩ 9.1 billion) of Modu Rental Co., Ltd. among investment in associates held by the Group are provided as collateral to Mirae Asset Daewoo Co., Ltd. and Shinhan Capital Co., Ltd. amounting to ₩ 42 billion (2020: ₩ 42 billion).

As at December 31, 2021, there are 15 litigation (2020: 9 litigation) in which the Group is a defendant. The total litigation amount is ₩ 2,677 million (2020: ₩ 1,343 million). The Group recognizes a provision that is likely to be incurred in the future. As at December 31, 2021, provision for litigation amounted to ₩ 101 million (2020: ₩ 168 million), and impairment on trade receivables and rental assets and others of ₩ 1,141 million was reflected in the consolidated financial statements for the year ended December 31, 2021.

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20. Derivative Financial Instruments

Details of derivative instruments entered into with financial institutions as at December 31, 2021 and 2020, are as follows.

As at December 31, 2021, the Group has entered into an interest rate swap with a financial institution to hedge the interest rate risk, and applies cash flow hedge accounting in accordance with the Group's accounting policy.

Details of unsettled derivative instruments held by the Group as at December 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	Type	Period	Amount	Financial institutions
Cash flow hedge		2019.02.15~2022.02.15	₩ 1,666,667	
Cash flow hedge	Interest rate swap	2021.01.29~2024.01.29	18,750,000	Hana bank
Cash flow hedge		2020.04.28~2023.04.28	13,333,280	Nonghyup bank

Details of derivative financial instrument contracts as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021		2020	
Type	Financial institutions	Assets	Liabilities	Assets	Liabilities
Currency swap	Hana bank	₩ -	₩ -	₩ 143,010	₩ -
Interest rate swap		113,643	2,248	-	68,386
Interest rate swap	Nonghyup bank	15,615	-	-	151,300
Call-option	Modu Rental	4,542,405	-	5,975,280	-
Drag-along	Holdings Co., Ltd.	-	5,210,076	-	4,357,661
		₩ 4,671,663	₩ 5,212,324	₩ 6,118,290	₩ 4,577,347

For the year ended December 31, 2021, the Group recognized a loss on valuation of ₩ 1,938 million (2020: ₩ 1,914 million) in relation to derivatives.

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21. Share Capital and Reserves

As at December 31, 2021, the total number of shares issued, the number of issued shares and the amount per share are 100,000,000 shares, 46,822,295 shares and ₩ 1,000, respectively.

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

<i>(in thousands of Korean won and in number of shares)</i>	2021			2020		
	Issued number of share	Share capital	Reserves	Issued number of share	Share capital	Reserves
Beginning balance	46,822,295	₩ 46,822,295	₩ 100,597,688	46,822,295	₩ 46,822,295	₩ 100,667,330
Changes in the scope of consolidation	-	-	-	-	-	(69,642)
Revaluation surplus	-	-	(8,084)	-	-	-
Ending balance	46,822,295	₩ 46,822,295	₩ 100,589,604	46,822,295	₩ 46,822,295	₩ 100,597,688

22. Capital Adjustment, Other Components of Equity and Other Comprehensive Income

Capital adjustment, other components of equity and other comprehensive income as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Capital adjustment		
Treasury shares	₩ (6,992,178)	₩ (5,751,480)
Other capital adjustment	(26,841,048)	(25,759,464)
	₩ (33,833,226)	₩ (31,510,944)
Other components of equity		
Share option	₩ 17,883	₩ -
Others	(779,727)	-
	₩ (761,844)	₩ -
Other comprehensive income		
Change in financial assets at fair value through other comprehensive Income	₩ 677,016	₩ 363
Equity method changes in equity	(106,378)	(1,102,679)
Foreign currency translation difference for foreign operations	365,642	(10,105,048)
Remeasurements of the net defined benefit liability (asset)	(177,217)	(232,322)
	₩ 759,063	₩ (11,439,686)

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23. Share-based Payments

The establishment of the Group's share option was approved by shareholders at the annual general meeting and, share options are granted to directors and selected employees. Details are as follows:

- Type of shares issued through share option: registered share capital
- Grant method: issuance of shares, distributing treasury shares or payment of cash
- Vesting condition and exercisable period:
 - 1st-5th: The options are exercisable if the employees have been completed service for two years after the grant date. The options have a contractual option term of five years at the rate of 20% per annum.
 - The exercise period is from March 30, 2023 to March 29, 2028.

Changes in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31, 2021, are as follows:

	2021	
	Number of options (in shares)	Average exercise price per share option (in Korean won)
Beginning balance	-	₩ -
Granted	187,250	4,650
Execised	-	
Canceled	(100,670)	4,650
Expired	-	
Ending balance	<u>86,580</u>	<u>₩ 4,650</u>
Exercisable at the end of the reporting period	-	₩ -

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Expiry dates and exercise prices of share options outstanding as at December 31, 2021, are as follows:

Grant date	Exercisable period	Expiry date		Exercise price per share (in Korean won)	Number of shares (in shares)
2021-03-30	2023-03-30	2024-03-29	₩	4,650	17,316
2021-03-30	2024-03-30	2025-03-29		4,650	17,316
2021-03-30	2025-03-30	2026-03-29		4,650	17,316
2021-03-30	2026-03-30	2027-03-29		4,650	17,316
2021-03-30	2027-03-30	2028-03-29		4,650	17,316
					<u>86,580</u>

Weighted average remaining period of share options outstanding at the end of the reporting period 4

The Group measured the cost of the share options granted during the year ended December 31, 2021, by fair value using the binomial model approach. The related assumptions and variables to measure the cost of the share options granted are as follows:

		2021
Weighted average fair value of share options granted during the year	₩	735.95
Weighted average share price at grant date	₩	4,435
Price volatility		31.1%
Dividend yield		4.74%
Risk-free interest rate		1.78%

Share-based payments recognized as expenses for the year ended December 31, 2021, amount to ₩ 18 million. All expenses are related to equity-settled share-based payments.

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24. Retained Earnings

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

<i>(in thousands of Korean won)</i>	2021	2020
Legal reserves ¹	₩ 5,212,783	₩ 4,256,497
Reserve for business rationalization ²	1,173,040	1,173,040
Retained earnings before appropriation	<u>241,539,173</u>	<u>175,195,627</u>
	<u>₩ 247,924,996</u>	<u>₩ 180,625,164</u>

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

² The Group also recorded tax credits from Tax Reduction and Exemption Control Act as business rationalization reserve until 2002. The reserve can only be used as reserve for loss carry forwards and equity transfer. However, on December 11, 2002, with amended Tax Reduction and Exemption Control Act, the related clause was removed, and the business rationalization reserves are changed to discretionary reserves.

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25. Earnings (Losses) per Share

Basic earnings (losses) per share for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Profit (loss) attributable to the ordinary equity holders of the Parent Company	₩ 8,540,003	₩ (15,746,533)
Profit from discontinued operation attributable to the ordinary equity holders of the Parent Company	68,251,573	11,825,867
	<u>76,791,576</u>	<u>(3,920,666)</u>
Weighted average number of ordinary shares outstanding ¹ <i>(in shares)</i>	44,994,826	45,818,378
Basic earnings (losses) per share from continuing operations <i>(in Korean won)</i>	₩ 190	₩ (344)
Basic earnings per share from discontinued operations <i>(in Korean won)</i>	1,517	258

¹ Weighted average number of ordinary shares outstanding for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Date	Number of ordinary shares outstanding	Number of days	Weighted average
2021				
Beginning balance	Carried over from prior year	45,537,436	365	₩ 16,621,164,140
Acquisition of treasury shares	Acquisition during the year	<u>(769,620)</u>	257	<u>(198,052,585)</u>
Total		<u>44,767,816</u>		₩ 16,423,111,555
÷				<u>365</u>
Weighted average number of shares				<u>₩ 44,994,826</u>
2020				
Beginning balance	Carried over from prior year	46,822,295	365	₩ 17,090,137,675
Acquisition of treasury shares	Acquisition during the year	<u>(1,284,859)</u>	285	<u>(366,429,834)</u>
Total		<u>45,537,436</u>		₩ 16,723,707,841
÷				<u>365</u>
Weighted average number of shares				<u>₩ 45,818,378</u>

As the Group issued the share options with no dilutive effect, basic earnings per share is identical to diluted earnings per share.

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26. Operating Revenue

Operating revenue for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Rental revenue	₩	364,659,249	₩	321,428,849
Revenue from sale of goods		514,266,888		405,730,881
Others		147,823,320		144,796,363
	₩	<u>1,026,749,457</u>	₩	<u>871,956,093</u>

The Group has recognized the following amounts relating to revenue in the statements of comprehensive income for the years ended December 31, 2021 and 2020:

<i>(in thousands of Korean won)</i>	2021		
	Lease components	Revenue from contracts with customers	Total
Rental revenue	₩ 334,009,726	₩ 30,649,523	₩ 364,659,249
Revenue from sale of goods	-	514,266,888	514,266,888
Others	-	147,823,320	147,823,320
	₩ 334,009,726	₩ 692,739,731	₩ 1,026,749,457

<i>(in thousands of Korean won)</i>	2020		
	Lease components	Revenue from contracts with customers	Total
Rental revenue	₩ 296,277,075	₩ 25,151,774	₩ 321,428,849
Revenue from sale of goods	-	405,730,881	405,730,881
Others	-	144,796,363	144,796,363
	₩ 296,277,075	₩ 575,679,018	₩ 871,956,093

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27. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>	2021	2020
Salaries	₩ 52,020,909	₩ 71,458,615
Miscellaneous salaries	79,654	260,339
Retirement benefits	4,748,308	5,290,382
Other employee benefits	8,399,845	9,793,195
Service fees	653,083	781,966
Communications	572,772	551,717
Entertainment expense	2,577,606	2,209,514
Rent expense	1,560,641	59,129
Depreciation	11,630,231	11,594,221
Commissions and fees	14,466,154	10,297,113
Maintenance fee for vehicles	2,119,985	735,354
Advertisement	2,076,794	2,206,927
Amortization	3,400,575	3,254,827
Impairment loss	7,772,301	2,503,026
Others	10,907,733	12,087,780
	<u>₩ 122,986,591</u>	<u>₩ 133,084,105</u>

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28. Finance Income and Costs

Finance income and costs for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Finance income		
Interest income	₩ 1,394,421	₩ 1,535,683
Dividend income	293,538	1,046,179
Gain on foreign currency transaction	1,303,219	1,101,320
Gain on foreign currency translation	607,003	2,291,417
Financial guarantee income	37,946	-
Gain on valuation of derivatives	346,696	-
Gain on valuation of financial assets at fair value through profit or loss	1,396,122	6,462,189
Others	761	198,384
	<u>₩ 5,379,706</u>	<u>₩ 12,635,172</u>
Finance costs		
Interest expenses	₩ 32,194,639	₩ 33,193,839
Loss on foreign currency transaction	190,826	2,784,347
Loss on foreign currency translation	364,620	703,635
Loss on disposal of financial assets at fair value through profit or loss	3,465	2,049
Loss on valuation of financial assets at fair value through profit or loss	1,402,702	6,009,865
Loss on valuation of derivatives	2,285,290	1,962,890
Others	-	63,881
	<u>₩ 36,441,542</u>	<u>₩ 44,720,506</u>

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29. Other Income and Expenses

Other income and expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Other income				
Gain on disposal of property, plant and equipment	₩	1,232,042	₩	632,627
Gain on disposal of intangible assets		1,450		311,494
Gain on disposal of investments in subsidiaries		-		1,797,635
Gain on disposal of investments in associates		2,386,611		139,009
Others		6,688,122		5,758,576
	₩	<u>10,308,225</u>	₩	<u>8,639,341</u>
Other expenses				
Loss on disposal of property, plant and equipment	₩	227,749	₩	828,846
Impairment loss on property, plant and equipment		-		201,538
Loss on disposal of intangible assets		5,186		82,815
Impairment loss on intangible assets		8,173,176		1,700,409
Loss on disposal of investments in subsidiaries		-		2,502,468
Loss on disposal of investments in associates		3,776		-
Impairment loss on non-current assets held for sale		-		211,770
Others		3,725,946		5,747,659
	₩	<u>12,135,833</u>	₩	<u>11,275,505</u>

30. Share of Profit (Loss) of Associates

Share of profit (loss) of associates for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Share of profit of associates	₩	9,733,050	₩	254,928
Share of loss of associates		(3,439,370)		(5,126,702)
	₩	<u>6,293,680</u>	₩	<u>(4,871,774)</u>

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31. Income Tax Expense

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

<i>(in thousands of Korean won)</i>	2021	2020
Current tax expense	₩ 15,649,689	₩ 8,094,761
Origination and reversal of temporary differences	13,430,988	(4,185,561)
Income tax expense directly reflected in capital	(20,470)	(170,039)
Additional income taxes	609,354	1,213,532
Income taxes refunds	215,580	(1,914,183)
Others	77,002	103,744
Income tax expense (benefit)	<u>₩ 29,962,144</u>	<u>₩ 3,142,254</u>
From continuing operations	₩ 9,988,299	₩ (2,981,802)
From discontinued operations	19,973,845	6,124,056

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Profit (loss) before income tax expense	₩ 106,612,524	₩ (174,558)
From continuing operations	18,513,780	(18,454,045)
From discontinued operations	88,098,744	18,279,487
Tax at tax rates applicable to profits	30,234,516	-
Tax effects of:		
Permanent differences	(245,271)	4,732,365
Tax credits	70,334	130,541
Effect of unrecognized deferred income tax assets and others	(6,690,378)	(1,720,652)
Others	6,592,944	-
Income tax expense (benefit)	<u>₩ 29,962,145</u>	<u>₩ 3,142,254</u>
From continuing operations	₩ 9,988,298	₩ (2,981,802)
From discontinued operations	19,973,845	6,124,056
Effective tax rate		
From continuing operations	54%	1
From discontinued operations	23%	33%

¹ Effective tax rate was not calculated due to loss before income tax.

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

<i>(in thousands of Korean won)</i>	2021		2020	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	13,581,428	₩	13,091,752
Deferred tax asset to be recovered within 12 months		8,616,524		22,148,672
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(20,109,959)		(13,739,905)
Deferred tax liability to be recovered within 12 months		(2,889,113)		(2,197,849)

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 867,504	₩ (190,851)	₩ 676,653	₩ 344,971	₩ (73,119)	₩ 271,852
Remeasurements of net defined benefit liability	61,228	(6,123)	55,105	-	-	-
Share of other comprehensive of associates	819,798	176,504	996,302	(9,501,309)	(96,920)	(9,598,229)
	<u>₩ 1,748,530</u>	<u>₩ (20,470)</u>	<u>₩ 1,728,060</u>	<u>₩ (9,156,338)</u>	<u>₩ (170,039)</u>	<u>₩ (9,326,377)</u>

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The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances, are as follows:

<i>(in thousands of Korean won)</i>	2021				
	Beginning balance	Profit or loss	Other comprehensive income	Others¹	Ending balance
Deferred tax liabilities					
Right-of-use assets	₩ (25,127,030)	₩ (77,559)	₩ -	₩ 24,143,759	₩ (1,060,830)
Provision for land revaluation	(6,464,104)	(220,697)	-	-	(6,684,801)
Rental assets	(123,997)	47,268	-	-	(76,729)
Investments in subsidiaries	(1,732,262)	(737,432)	176,504	-	(2,293,190)
Investment properties	(1,509,958)	-	-	1,509,958	-
Others	(3,873,258)	(4,160,659)	(196,974)	503,275	(7,727,616)
	<u>(38,830,609)</u>	<u>(5,149,079)</u>	<u>(20,470)</u>	<u>26,156,992</u>	<u>(17,843,166)</u>
Deferred tax assets					
Investments in subsidiaries	2,921,494	(1,546,271)	-	(251,731)	1,123,492
Provision for impairment	1,974,144	1,158,234	-	(146,111)	2,986,267
Impairment loss on financial assets at fair value through other comprehensive income	16,812	13,243	-	(219)	29,836
Lease liabilities	26,953,797	82,739	-	(25,849,190)	1,187,346
Depreciation	26,760	9,693	-	-	36,453
Tax losses carryforward	4,093,336	-	-	(4,093,336)	-
Loss on valuation of derivatives (investments in subsidiaries)	10,028,535	(9,840,509)	-	-	188,026
Others	12,118,401	787,751	-	(1,415,527)	11,490,625
	<u>58,133,279</u>	<u>(9,335,120)</u>	<u>-</u>	<u>(31,756,114)</u>	<u>17,042,045</u>
	<u>₩ 19,302,670</u>	<u>₩ (14,484,199)</u>	<u>₩ (20,470)</u>	<u>₩ (5,599,122)</u>	<u>₩ (801,121)</u>

¹ Others are deferred tax assets and liabilities related to AJ-PARK CO., LTD., which was disposed of.

<i>(in thousands of Korean won)</i>	2020				
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance	
Deferred tax liabilities					
Accrued income	₩ (19,826)	₩ 19,826	₩ -	₩ -	
Right-of-use assets	(23,617,952)	(4,259,268)	-	(27,877,220)	
Provision for land revaluation	(6,684,801)	220,697	-	(6,464,104)	
Rental assets	(333,915)	209,918	-	(123,997)	
Investments in subsidiaries	-	(1,732,262)	-	(1,732,262)	

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	2020			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Investment properties	-	(1,509,958)	-	(1,509,958)
Others	(2,239,329)	1,116,261	-	(1,123,068)
	<u>(32,895,823)</u>	<u>(5,934,786)</u>	<u>-</u>	<u>(38,830,609)</u>
Deferred tax assets				
Investments in subsidiaries	4,872,740	(1,854,326)	(96,920)	2,921,494
Provision for impairment	1,262,747	711,397	-	1,974,144
Impairment loss on financial assets at fair value through other comprehensive income	2,055,731	(2,038,919)	-	16,812
Lease liabilities	24,699,061	2,254,736	-	26,953,797
Depreciation	33,376	(6,616)	-	26,760
Tax losses carryforward	-	4,093,336	-	4,093,336
Loss on valuation of derivatives (investments in subsidiaries)	10,028,535	-	-	10,028,535
Others	8,747,700	3,443,820	(73,119)	12,118,401
	<u>51,699,890</u>	<u>6,603,428</u>	<u>(170,039)</u>	<u>58,133,279</u>
	<u>₩ 18,804,067</u>	<u>₩ 668,642</u>	<u>₩ (170,039)</u>	<u>₩ 19,302,670</u>

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Deductible temporary differences		
Investments in associates	₩ (11,480,703)	₩ 34,731,678
Tax losses carryforward	53,370,499	46,964,560
Others	146,723	291,007
	<u>₩ 42,036,519</u>	<u>₩ 81,987,245</u>

The maturity of unused losses for the years ended December 31, 2021 and 2020, is as follows:

(in thousands of Korean won)

	2021	2020
2026	₩ -	₩ 315,003
2027	23,567,123	24,998,914
2028	12,130,112	12,276,513
2029	6,328,709	5,776,747
2030	4,929,471	3,597,383
After 2030	6,415,084	-
	<u>₩ 53,370,499</u>	<u>₩ 46,964,560</u>

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32. Breakdown of Expenses by Nature

Details of expenses by nature (operating expenses in consolidated statements of comprehensive income) for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Good issued and use of stored goods	₩	529,119,048	₩	437,582,572
Salaries		82,114,897		83,926,026
Post-employment benefits		6,606,278		6,236,546
Other employee benefits		11,651,174		11,364,272
Rent expenses		5,838,936		1,370,408
Depreciation		150,038,938		149,206,412
Amortization		4,023,781		3,734,280
Commissions and fees		43,379,859		33,661,799
Vehicle maintenance expenses		25,921,745		39,929,472
Advertisement expenses		2,081,289		2,206,926
Impairment loss		7,772,301		2,500,415
Freight expenses		47,970,798		42,280,874
Impairment loss on rental assets		5,672,989		2,195,313
Other expenses		59,447,881		34,671,637
	₩	<u>981,639,914</u>	₩	<u>850,866,952</u>

33. Cash Generated from Operations

Cash generated from operation for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Profit (loss) for the year	₩	76,737,133	₩	(3,316,812)
Adjustments for:				
Depreciation		158,690,396		189,650,843
Gain on disposal of property, plant and equipment		(1,240,018)		(30,413,838)
Loss on disposal of property, plant and equipment		355,611		1,242,542
Amortization		4,416,274		8,054,885
Impairment loss on intangible assets		8,202,171		1,558,961
Gain on disposal of intangible assets		(2,450)		(311,494)
Loss on disposal of intangible assets		9,319		999,775
Impairment loss		8,188,286		4,761,805
Other impairment loss		-		3,521,303
Loss on valuation of financial assets at fair value through profit or loss		1,402,702		6,009,865
Loss on disposal of financial assets at fair value		3,465		2,049

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<i>(in thousands of Korean won)</i>	2021	2020
through profit or loss		
Gain on disposal of financial assets at fair value through profit or loss	(762)	-
Share of profit or associates	(9,733,050)	(254,928)
Share of loss or associates	3,439,370	5,836,305
Interest income	(1,890,678)	(2,514,839)
Interest expenses	33,794,246	47,025,265
Impairment loss on rental assets	5,672,989	2,195,313
Loss on valuation of inventories	169,387	1,984,841
Income tax expenses	29,962,143	2,392,800
Gain on disposal of assets held for sale	(73,733,435)	-
Impairment loss on assets held for sale	-	211,770
Gain on valuation of financial assets at fair value through profit or loss	(1,396,122)	(6,462,189)
	<u>(10,714,999)</u>	<u>(10,446,839)</u>
Change in operating assets and liabilities:		
Decrease (increase) in trade receivables	(23,049,847)	11,107,121
Decrease (increase) in other current financial assets	1,251,696	(4,056,624)
Decrease (increase) in other non-current financial assets	8,523,154	(4,146,988)
Decrease (increase) in other current assets	(18,147,538)	8,721,528
Decrease (increase) in other non-current assets	8,179,265	(7,880,524)
Decrease in inventories	19,070,929	18,966,954
Increase in rental assets	(213,551,119)	(156,963,816)
Increase (decrease) in other non-current financial liabilities	(519,522)	299,008
Increase in trade payables	9,718,215	4,015,109
Decrease in other current financial liabilities	(7,458,258)	(12,992,849)
Increase in other current liabilities	1,024,699	18,551,352
Decrease in other non-current liabilities	(990,043)	(27,485)
Increase (decrease) in financial assets at fair value through profit or loss	(170,809)	26,677,590
Others	(15,084)	906,867
Cash generated from operations	<u>₩ 16,197,716</u>	<u>₩ 124,904,626</u>

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Significant non-cash for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Transfer of long-term borrowings to current portion of borrowings	₩ 153,480,837	₩ 149,518,717
Transfer of debentures to current portion of debentures	141,922,058	114,893,385
Transfer of lease liabilities to current portion of lease liabilities	16,497,208	30,272,424
Non-trade payables related to acquisition of property, plant and equipment	3,733,161	3,808,415
Non-trade payables related to acquisition of intangible assets	315,032	-
New increase in lease liabilities and right-of-use assets (investment properties)	19,234,599	42,727,819
Reclassification of non-current assets held for sale	31,982,612	40,608,171

Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 621,208,434	₩ (87,614,283)	₩ (43,529,177)	₩ 490,064,973
Debentures	358,347,486	(9,309,789)	(9,444,582)	339,593,114
Lease liabilities	152,333,489	(24,443,641)	(85,752,694)	42,137,154
	<u>₩ 1,131,889,409</u>	<u>₩ (121,367,714)</u>	<u>₩ (138,726,453)</u>	<u>₩ 871,795,242</u>

<i>(in thousands of Korean won)</i>	2020			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 771,137,687	₩ (110,877,318)	₩ (39,051,935)	₩ 621,208,434
Debentures	339,809,127	40,517,563	(21,979,203)	358,347,486
Lease liabilities	140,771,862	(30,705,877)	42,267,504	152,333,489
	<u>₩ 1,251,718,676</u>	<u>₩ (101,065,632)</u>	<u>₩ (18,763,634)</u>	<u>₩ 1,131,889,409</u>

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34. Financial Risk Management

The Group's activities are exposed to a variety of financial risks: market risk (comprised of foreign exchange risk, price risk and interest rate risk), credit risk, liquidity risk and insurance risk. The Group monitors and manages the financial risk arising from the Group's underlying operations in accordance with the risk management policies and programs.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) 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.

Credit risk is borne by not only the credit risk arisen by customers with receivables and firm contracts but cash and cash equivalent, financial derivatives, bank deposit, financial institution deposit and financial guarantee liabilities. For customers, credit risk is assessed by considering customer's financial condition, past experience and other factors.

(b) 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. To maintain adequate sources of liquidity, the Group manages liquidity risk by analyzing and adjusting expected cash outflows periodically.

(c) Market risk

Market risk is the risk of fluctuations in fair value of financial instrument and future cash flow by changes of market price. The purpose for managing market price is to optimize profits, while manage and control on exposure to market risk within acceptable limits.

a) Foreign exchange risk

The major currencies are denominated in dollars and yen, and the Group has established a policy to manage foreign exchange risk on functional currency.

b) Interest rate risk

The Group is exposed to interest rate. The risk is composed of the changes in amount of accounts including finance assets and liabilities, and changes in interest income (expense) from investment and borrowings. The interest rate risk is borne by the interest-bearing liabilities and assets, such as debentures or loan. The purpose of the Group's interest rate risk management is to mitigate the interest rate risk and minimize the net interest expense, further to optimize the enterprise value.

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c) Price risk

The Group's activities are exposed to price risk related to marketable securities by changes of market price. Stocks held by the Group are traded in public market.

(d) *Management of capital risk*

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. As for this to be maintained, the Group uses debt ratio as indicator of capital management. Net debts are the amount obtained by subtracting cash and cash equivalents from total borrowings (including short-term and long-term borrowings in the consolidated statement of financial position) and total capital consists with net debts and capital.

35. Risk Management of Financial Instruments

(a) *Credit risk*

a) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Cash and cash equivalents ¹	₩ 85,190,872	₩ 69,729,957
Trade receivables	93,251,537	84,967,285
Other current financial assets	30,183,540	29,802,953
Long-term trade receivables	-	2,070,295
Financial assets at fair value through profit or loss (current)	3,213,923	3,781,166
Financial assets at fair value through profit or loss (non-current)	4,606,981	1,014,807
Long-term financial instruments	1,160,727	1,061,311
Other non-current financial assets	27,668,086	41,333,973

¹ Cash on hand is excluded.

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b) Impairment loss

The loss allowance as at December 31, 2021 and 2020 was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>	Current	More than 3 months past due	More than 6 months past due	More than 1 year past due	Total
December 31, 2021					
Expected loss rate	1.55%	7.15%	56.35%	99.91%	
Gross carrying amount – trade receivables	₩ 91,066,413	₩ 2,732,003	₩ 2,404,727	₩ 14,383,696	₩ 110,586,839
Loss allowance provision	1,413,886	195,401	1,355,030	14,370,986	17,335,303
December 31, 2020					
Expected loss rate	0.38%	3.01%	52.16%	100.00%	
Gross carrying amount – trade receivables	₩ 77,943,076	₩ 7,810,768	₩ 3,793,485	₩ 13,860,560	₩ 103,407,889
Loss allowance provision	296,051	234,956	1,978,742	13,860,560	16,370,309

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Beginning balance	₩ 16,370,309	₩ 14,176,568
Impairment loss	8,128,763	4,730,890
Write-off	(979,192)	(2,568,982)
Exchange difference	2,812	31,834
Changes in the scope of consolidation	(6,187,389)	-
Ending balance	₩ 17,335,303	₩ 16,370,310

(b) Liquidity risk

Aggregate maturities of the Group's financial liabilities, including estimated interest, as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 43,057,839	-	-	₩ 43,057,839
Long and short-term borrowings	278,542,606	141,961,430	86,585,129	507,089,165
Debentures	150,430,557	170,877,305	30,154,494	351,462,356
Other financial liabilities	35,022,981	7,361,548	1,363,175	43,747,704
Financial guarantee contracts ¹	18,620,085	-	-	18,620,085

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¹ This amount represents the total amount that payments can be made in the future due to the financial guarantee contract, and the maximum amount of guarantee is allocated to earliest period in which the Group can be required to make payments.

See Note 11 for payment schedule of lease liabilities.

<i>(in thousands of Korean won)</i>	2020			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 39,072,097	₩ -	₩ -	₩ 39,072,097
Long and short-term borrowings	412,403,714	111,004,747	104,825,310	628,233,771
Debentures	125,649,213	127,419,348	124,121,268	377,189,829
Other financial liabilities	48,625,027	4,922,678	6,810,199	60,357,904

See Note 11 for payment schedule of lease liabilities.

(c) Foreign exchange risk

If currency changes by 1% with all other variables held constant, profit after income taxes and equity would have been affected as at December 31, 2021 and 2020 as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Increase	Decrease	Increase	Decrease
USD/won	₩ 250,116	₩ (250,116)	₩ 943,930	₩ (943,930)
VND/won	1,776	(1,776)	98,543	(98,543)
JPY/won	3,968	(3,968)	4,256	(4,256)
COP/won	1	(1)	2	(2)
SAR/won	231	(231)	690	(690)

(d) Interest rate risk

If interest rate changes by 100bp with all other variables held constant, profit after income taxes and equity would have been affected as at December 31, 2021 and 2020 as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	₩ (2,139,794)	₩ 2,139,794	₩ (1,972,293)	₩ 1,972,293
Interest income	851,909	(851,909)	697,300	(697,300)

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(e) Capital risk

Debt to equity percentage as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Total borrowings	₩ 871,795,241	₩ 1,131,889,409
Less: cash and cash equivalents	85,232,020	69,806,738
Net liabilities(a)	786,563,221	1,062,082,671
Equity	362,510,088	288,007,810
Total capital(b)	₩ 1,149,073,309	₩ 1,350,090,481
Equity ratio(a/b)	68.45%	78.67%

(f) Fair value

a) Fair value and carrying amount

Details of fair value and carrying amount of financial assets and liabilities by category as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021					
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value
Financial assets measured at fair value						
Financial assets at fair value through profit or loss (current)	₩ 3,213,923	₩ -	₩ -	₩ -	₩ 3,213,923	₩ 3,213,923
Financial assets at fair value through profit or loss (non-current)	25,539,625	-	-	-	25,539,625	25,539,625
Financial assets at fair value through other comprehensive income	-	14,577,407	-	-	14,577,407	14,577,407
Derivative financial assets	4,671,664	-	-	-	4,671,664	4,671,664
	<u>₩ 33,425,212</u>	<u>₩ 14,577,407</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 48,002,619</u>	<u>₩ 48,002,619</u>
Financial assets not measured at fair value						
Cash and cash equivalents	₩ -	₩ -	₩ 85,232,020	₩ -	₩ 85,232,020	1
Trade receivables	-	-	93,251,537	-	93,251,537	1
Other current financial assets	-	-	30,183,540	-	30,183,540	1

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	2021					
	Carrying amount					Fair value
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	
Other non-current financial assets (except for derivatives)	-	-	27,538,827	-	27,538,827	1
Long-term financial instruments	-	-	1,160,727	-	1,160,727	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 237,366,651</u>	<u>₩ -</u>	<u>₩ 237,366,651</u>	
Financial liabilities measured at fair value						
Derivative financial liabilities	₩ 5,212,324	₩ -	₩ -	₩ -	₩ 5,212,324	₩ 5,212,324
Financial liabilities not measured at fair value						
Trade payables	₩ -	₩ -	₩ 43,057,839	₩ -	₩ 43,057,839	1
Borrowings	-	-	490,064,973	-	490,064,973	₩ 491,038,351
Debentures	-	-	339,593,114	-	339,593,114	339,762,037
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	34,939,613	-	34,939,613	1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	3,595,767	-	3,595,767	1
Financial guarantee liabilities	-	-	-	248,263	248,263	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 911,251,306</u>	<u>₩ 248,263</u>	<u>₩ 911,499,569</u>	

¹ The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

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(in thousands of Korean won)	2020									
	Carrying amount									
	Fair value through profit or loss		Fair value through other comprehensive income		Amortized cost	Total	Fair value			
Financial assets										
measured at fair value										
Financial assets at fair value through profit or loss (current)	₩	3,781,166	₩	-	₩	-	₩	3,781,166	₩	3,781,166
Financial assets at fair value through profit or loss (non- current)		17,347,120		-		-		17,347,120		17,347,120
Financial assets at fair value through other comprehensive income		-		14,147,090		-		14,147,090		14,147,090
Derivative financial assets		6,118,289		-		-		6,118,289		6,118,289
	₩	<u>27,246,575</u>	₩	<u>14,147,090</u>	₩	<u>-</u>	₩	<u>41,393,665</u>	₩	<u>41,393,665</u>
Financial assets										
not measured at fair value										
Cash and cash equivalents	₩	-	₩	-	₩	69,806,738	₩	69,806,738		1
Trade receivables		-		-		84,967,285		84,967,285		1
Other current financial assets (except for derivatives)		-		-		29,659,943		29,659,943		1
Long-term trade receivables		-		-		2,070,295		2,070,295		1
Other non-current financial assets (except for derivatives)		-		-		35,358,693		35,358,693		1
Long-term financial instruments		-		-		1,061,311		1,061,311		1
	₩	<u>-</u>	₩	<u>-</u>	₩	<u>222,924,265</u>	₩	<u>222,924,265</u>		
Financial liabilities										
measured at fair value										
Derivative financial liabilities	₩	4,577,347	₩	-	₩	-	₩	4,577,347	₩	4,577,347
Financial liabilities										
not measured at fair value										
Trade payables		-		-		39,072,097		39,072,097		1
Borrowings		-		-		621,208,434	₩	621,208,434	₩	617,127,291
Debentures		-		-		358,347,486		358,347,486		395,466,007
Other current financial liabilities		-		-		48,625,027		48,625,027		1
Other non-current financial liabilities (except for derivatives)		-		-		7,155,531		7,155,531		1
	₩	<u>-</u>	₩	<u>-</u>	₩	<u>1,074,408,575</u>	₩	<u>1,074,408,575</u>		

¹ The financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

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b) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 28,753,548	₩ 28,753,548
Financial assets at fair value through other comprehensive income	4,970,369	-	9,607,038	14,577,407
Derivative financial assets	-	129,259	4,542,405	4,671,664
Derivative financial liabilities	-	2,248	5,210,076	5,212,324
<i>(in thousands of Korean won)</i>	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ 245,803	₩ 135,070	₩ 20,747,414	₩ 21,128,287
Financial assets at fair value through other comprehensive income	4,141,975	-	10,005,115	14,147,090
Derivative financial assets	-	143,010	5,975,280	6,118,290
Derivative financial liabilities	-	219,685	4,357,661	4,577,346

There are no material transfers between levels 1, 2 and 3.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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The valuation techniques and the unobservable inputs used in measuring Level 2 fair values as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021		2020	Inputs	Valuation techniques
Financial assets at fair value through profit or loss	₩	-	₩	135,070	Discount rate considering credit risk ¹	DCF model
Derivative financial assets		129,259		143,010		
Derivative financial liabilities		2,248		219,685		

¹ The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The fair value of the interest rate swap is calculated as the present value of future cash flows estimated by observable yield curves.

The valuation techniques and the unobservable inputs used in measuring Level 3 fair values as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Fair value					Valuation techniques
		2021		2020		
Financial assets at fair value through profit or loss	₩	28,753,548	₩	20,747,414	Discount rate considering credit risk ¹	DCF model, net asset value method and others
Financial assets at fair value through other comprehensive income		9,607,038		10,005,115		
Derivative financial assets		4,542,405		5,975,280	Value of fund portfolio, underlying asset stock price and others	Binominal model
Derivative financial liabilities		5,210,076		4,357,661		

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Changes in level 3 for recurring fair value measurements for the year ended December 31, 2021, are as follows:

(in thousands of Korean won)

	2021			
	Financial assets		Financial liabilities	
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 10,005,115	₩ 20,747,414	₩ 5,975,280	₩ 4,357,661
Total profit or loss				
Amount recognized in profit or loss	-	(6,580)	(1,432,875)	852,415
Amount recognized in other comprehensive income	39,109	-	-	-
Purchases	-	8,534,863	-	-
Sales	(69,709)	(1,634,561)	-	-
Others	(367,477)	1,112,412	-	-
Ending balance	₩ 9,607,038	₩ 28,753,548	₩ 4,542,405	₩ 5,210,076

Sensitivity analysis for recurring fair value measurements categorized as level 3

The results of the sensitivity analysis for the effect on comprehensive income before income tax from changes in inputs for each financial instrument for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Favorable changes (changes by 1%)	Unfavorable changes (changes by 1%)	Favorable changes (changes by 1%)	Unfavorable changes (changes by 1%)
Financial assets at fair value through profit or loss	₩ 287,535	₩ (287,535)	₩ 207,474	₩ (207,474)
Financial assets at fair value through other comprehensive income	96,070	(96,070)	100,051	(100,051)
Derivative financial assets	175,011	(167,480)	313,813	(294,294)
Derivative financial liabilities	(54,583)	67,343	(593,269)	51,819

Changes in fair value are calculated by increasing or decreasing the significant unobservable inputs. Changes when decreasing input by 1% is calculated as favorable changes (unfavorable changes for

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derivative financial liabilities) and changes when increasing input by 1% is calculated as unfavorable changes (favorable changes for derivative financial liabilities).

c) Financial instruments not measured at fair value, and for which fair value is disclosed

Financial instruments recognized by amortized cost, but presented as fair value classified by fair value hierarchy as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Level 1	Level 2	Level 3	Total
Borrowings	₩ -	₩ -	₩ 491,038,351	₩ 491,038,351
Debentures	-	-	339,762,037	339,762,037
	₩ -	₩ -	₩ 830,800,388	₩ 830,800,388

<i>(in thousands of Korean won)</i>	2020			
	Level 1	Level 2	Level 3	Total
Borrowings	₩ -	₩ -	₩ 617,127,291	₩ 617,127,291
Debentures	-	-	395,466,007	395,466,007
	₩ -	₩ -	₩ 1,012,593,298	₩ 1,012,593,298

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as at December 31, 2021, are as follows:

<i>(in thousands of Korean won)</i>	2021		
	Fair value	Valuation techniques	Inputs
Debentures and borrowings	₩ 830,800,388	DCF model	Discount rate considering credit risk

<i>(in thousands of Korean won)</i>	2020		
	Fair value	Valuation techniques	Inputs
Debentures and borrowings	₩ 1,012,593,298	DCF model	Discount rate considering credit risk

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(g) Net gains or losses by category of financial instruments

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

(in thousands of Korean won)

	2021		
	Finance income	Finance costs	Other comprehensive income
Assets at amortized cost	₩ 3,354,119	₩ -	₩ -
Financial assets at fair value through profit or loss	1,396,884	1,406,166	-
Financial assets at fair value through other comprehensive income	282,007	-	676,653
Liabilities at amortized cost	-	32,750,086	-
Derivatives	346,696	2,285,289	-
	<u>₩ 5,379,706</u>	<u>₩ 36,441,541</u>	<u>₩ 676,653</u>

(in thousands of Korean won)

	2020		
	Finance income	Finance costs	Other comprehensive income
Assets at amortized cost	₩ 6,164,915	₩ -	₩ -
Financial assets at fair value through profit or loss	6,462,189	6,011,914	-
Financial assets at fair value through other comprehensive income	8,068	5,041	631,026
Liabilities at amortized cost	-	36,731,297	-
Derivatives	-	1,962,890	-
	<u>₩ 12,635,172</u>	<u>₩ 44,711,142</u>	<u>₩ 631,026</u>

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36. Related Party Transactions

Details of associates and other related parties as at December 31, 2021 and 2020, are as follows:

Type	2021
Associates	Auto Gallery Holdings Inc. Cha Partners Public Mobility No. 1 Private Equity Partnership Cha Partners Public Mobility No. 2 Private Equity Partnership Cha Partners Public Mobility No. 3 Private Equity Partnership Darae Parktech Co., Ltd. Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. Modu Rental Co., Ltd. BNP INC. AJ Junsymall Co., Ltd. ¹ A2 Partners Rhinos No.1 Limited Partnership
Other	Songdo Trans Co., Ltd. ²

¹ As the Group's ownership interest was changed from 100% to 33.33% during the year ended December 31, 2021, the entity was classified as investments in associates.

² A wholly owned subsidiary of Cha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Group.

Type	2020
Associates	Guro Hyeonju Motors Co., Ltd. LinkDotz Inc. ¹ Darae Parktech Co., Ltd. AJ Fleet Link Co., Ltd. BNP INC. AJ Agrifood Export Promotion Fund No. 2 AJ Creation Tourism No. 1 AJ Smart Tourism No. 2 Modu Rental Co., Ltd. Cha Partners Public Mobility No. 1 Private Equity Partnership Cha Partners Public Mobility No. 2 Private Equity Partnership ² Cha Partners Public Mobility No. 3 Private Equity Partnership ³ Auto Gallery Holdings Inc. ⁴ A2 Partners Rhinos No.1 Limited Partnership ⁵

¹ The entity was excluded from related parties as the Group's ownership interest was changed from 21.5% to 14.5% during the year ended December 31, 2021.

² The Group invested 49.38% of shares during the year ended December 31, 2020.

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³ The Group invested 49.50% of shares during the year ended December 31, 2020.

⁴ The Group disposed of shares during the year ended December 31, 2020. Accordingly, the entity was classified from investments in subsidiaries to investments in associates as the Group's ownership interest was changed from 50.07% to 49.98%.

⁵ The Group acquired 33.2% of shares during the year ended December 31, 2020.

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

(in thousands of Korean won)

	2021		
	Operating revenue	Non-operating revenue	Operating expenses
Associates			
Auto Gallery Holdings Inc.	₩ -	₩ 172,003	₩ -
Darae Parktech Co., Ltd.	19,100	-	-
Modu Rental Co., Ltd.	3,662	-	-
AJ Junsymall Co., Ltd.	12,282,047	263,864	5,850
AJ Fleet Link Co., Ltd.	149,723	-	-
Guro Hyeonju Motors Co., Ltd.	2,778	-	54,866
Other			
Songdo Trans Co., Ltd.	-	63,288	-
	<u>₩ 12,457,310</u>	<u>₩ 499,155</u>	<u>₩ 60,716</u>

(in thousands of Korean won)

	2020	
	Operating revenue	Operating expenses
Associates		
Guro Hyeonju Motors Co., Ltd.	₩ 6,387	₩ 417,841
Darae Parktech Co., Ltd.	80,586	3,950
AJ Fleet Link Co., Ltd.	728	-
	<u>₩ 87,701</u>	<u>₩ 421,791</u>

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021				
	Receivables			Payables	
	Trade receivables	Non-trade receivables and others	Loans	Accrued income	Trade payables
Associates					
Auto Gallery Holdings Inc.	₩ -	₩ 87,228	₩ 4,742,000	₩ 15,103	₩ -
Darae Parktech Co., Ltd.	1,848	-	-	-	-
Modu Rental Co., Ltd.	218	-	-	-	-
AJ Junsymall Co., Ltd.	1,099,496	112,425	-	440,000	112,517
AJ Fleet Link Co., Ltd.	9,791	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	-	-	-	-	6,629
Other					
Songdo Trans Co., Ltd.	-	-	2,000,000	35,671	-
	<u>₩ 1,111,353</u>	<u>₩ 199,653</u>	<u>₩ 6,742,000</u>	<u>₩ 490,774</u>	<u>₩ 119,146</u>

<i>(in thousands of Korean won)</i>	2020				
	Receivables			Payables	
	Trade receivables	Non-trade receivables and others	Loans	Trade payables	Non-trade payables
Associates					
Auto Gallery Holdings Inc.	₩ -	₩ 80,054	₩ 4,352,000	₩ -	₩ -
Darae Parktech Co., Ltd.	7,755	-	-	-	-
Modu Rental Co., Ltd.	-	-	-	-	-
AJ Junsymall Co., Ltd.	-	-	-	-	-
AJ Fleet Link Co., Ltd.	67	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	-	-	-	5,444	288
Other					
Songdo Trans Co., Ltd.	-	-	-	-	-
	<u>₩ 7,822</u>	<u>₩ 80,054</u>	<u>₩ 4,352,000</u>	<u>₩ 5,444</u>	<u>₩ 288</u>

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

(in thousands of Korean won)

	2021					
	Loan transactions				Dividend transactions	
	Loans		Others		Dividends received	
Associates						
AJ Junsymall Co., Ltd.	₩	-	₩	440,000	₩	-
Cha Partners Public Mobility No. 1 Private Equity Partnership		-		-		1,282,763
Cha Partners Public Mobility No. 2 Private Equity Partnership		-		-		2,660,325
Cha Partners Public Mobility No. 3 Private Equity Partnership		-		-		891,000
Other						
Songdo Trans Co., Ltd.		2,000,000		-		-
	₩	2,000,000	₩	440,000	₩	4,834,088

(in thousands of Korean won)

	2020			
	Contribution transactions		Dividend transactions	
	Contributions in cash and others		Dividends received	
Associates				
Cha Partners Public Mobility No. 1 Private Equity Partnership	₩	-	₩	1,500,000
Cha Partners Public Mobility No. 2 Private Equity Partnership		7,900,000		-
Cha Partners Public Mobility No. 3 Private Equity Partnership		9,900,000		-
A2 Partners Rhinos No.1 Limited Partnership		18,500,000		-
	₩	36,300,000	₩	1,500,000

The Group received ₩ 2,560 million of ordinary shares without consideration from the largest shareholder during the year ended December 31, 2021 and has a plan to use it for the exercise of share options of employees.

There is no guarantee provided by the Group to related parties as at December 31, 2021.

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Executive compensation of the Group for each of the following categories for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Short-term employee benefits	₩	917,293	₩	2,144,931
Post-employment benefits		231,438		487,357
Share-based payments		9,983		-
	₩	<u>1,158,714</u>	₩	<u>2,632,288</u>

37. Information for Non-controlling Interests

(a) Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	2021				
	Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
AJ Total Co., Ltd.	-	₩ 250,772	₩ (52,277)	₩ (198,495)	₩ -
AJ Rental Inc.	¹	951,437	69,662	777	1,021,876
AJ Networks America, Inc.	-	(67,412)	-	67,412	-
AJ Sellcar Co., Ltd.	-	370,759	(39,922)	(330,837)	-
AJ Daewon Co., Ltd.	-	1,423,536	(25,554)	(1,397,982)	-
AJ ICT Co., Ltd.	0.17%	-	(58)	9,386	9,328
AJ Automated Parking Systems Co., Ltd.	0.16%	(15,799)	(6,293)	88	(22,004)
		₩ <u>2,913,293</u>	₩ <u>(54,442)</u>	₩ <u>(1,849,651)</u>	₩ <u>1,009,200</u>

¹ It is non-controlling interests occurred from subsidiaries of AJ Rental Inc. and non-controlling interest rate for AJ DALLAS and Auto Gallery International, Inc. are 30% and 39.97%, respectively.

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(in thousands of Korean won)	2020				
	Non- controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non- controlling interests	Others	Accumulated non-controlling interests at the end of the year
AJ Agrifood Export Promotion Fund No. 2	-	₩ 4,174,613	₩ -	₩ (4,174,613)	₩ -
AJ Creation Tourism No. 1	-	14,008,001	-	(14,008,001)	-
AJ Total Co., Ltd.	36.97%	373,474	(122,702)	-	250,772
AJ Rental Inc.	46.67%	757,255	194,415	(233)	951,437
Auto Gallery Holdings, Inc.	-	7,294,180	1,008,688	(8,302,868)	-
AJ Networks America, Inc.	39.97%	-	55,075	(122,487)	(67,412)
AJ Sellcar Co., Ltd.	22.21%	729,384	(358,625)	-	370,759
AJ Ens Co., Ltd.	34.96%	1,584,148	(160,612)	-	1,423,536
AJ Automated Parking Systems Co., Ltd.	0.16%	(64,254)	(12,386)	60,841	(15,799)
		₩ 28,856,801	₩ 603,853	₩ (26,547,361)	₩ 2,913,293

(b) Transactions with non-controlling interests

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021	2020
Changes in percentage of ownership due to debt-to-equity swap	₩ -	₩ 60,608
Changes in the scope of consolidation	(1,917,929)	(26,081,641)
Net effect on equity	₩ (1,917,929)	₩ (26,021,033)

38. Business Combination

The Group has implemented the following business combinations to maximize business synergy effects through business combinations and to operate efficiently.

Details of major business combinations for the year ended December 31, 2021, are as follows:

Company	Major business	Acquisition date	Equity ratio
AJ ICT Co., Ltd.	Service	2021.04.23	99.83%

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Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition date are as follows:

<i>(in thousands of Korean won)</i>	Amount
Purchase consideration	
Cash	₩ 2,202,562
Total consideration	<u>₩ 2,202,562</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	₩ 6,975
Trade receivables	2,351,514
Inventories	1,494,369
Other current financial assets	488,726
Other current assets	1,663,228
Financial assets at fair value through profit or loss	539,186
Property, plant and equipment	2,106,566
Intangible assets	-
Investment properties	997,850
Right-of-use assets	47,274
Other non-current financial assets	25,055
Trade payables	(1,608,544)
Other current financial liabilities	(211,306)
Other current liabilities	(1,129,130)
Current tax liabilities	(44,101)
Borrowings	(952,713)
Defined benefit obligations	(66,097)
Lease liabilities	(45,886)
Deferred tax liabilities	<u>(305,177)</u>
Net identifiable assets acquired	5,357,789
Non-controlling interest	(10,664)
Goodwill (bargain purchase gain)	<u>(3,144,563)</u>
	<u>₩ 2,202,562</u>

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39. Non-current Assets Held for Sale and Discontinued Operations

During the year ended December 31, 2021, AJ Total Co., Ltd., a subsidiary, has entered into an MOU contract to transfer the cold biz business and meat processing business of AJ Total Co., Ltd. with a resolution of the Board of Directors on April 9, 2021, and the Board of Directors decided to transfer the business on July 6, 2021. According to this decision, the cold biz business and meat processing business of AJ Total Co., Ltd., owned by the Group, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021. In addition, gains and losses related to non-current assets held for sale are presented as discontinued operations as they meet the requirements for discontinued operations.

The Group's Board of Directors decided to transfer the entire shares of AJ Sellcar Co., Ltd., a subsidiary, on January 5, 2021. According to this decision, the shares of AJ Sellcar Co., Ltd. owned by the Group, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021. In addition, gains and losses related to non-current assets held for sale are presented as discontinued operations as they meet the requirements for discontinued operations.

The Group's Board of Directors decided to transfer the entire shares (However, shares and beneficiary certificates related to Modu Rental Co., Ltd. owned by the Group are excluded) of AJ Capital Partners Co., Ltd., a subsidiary, on January 18, 2021. According to this decision, the shares of AJ Capital Partners Co., Ltd. owned by the Group, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021. In addition, gains and losses related to non-current assets held for sale are presented as discontinued operations as they meet the requirements for discontinued operations.

The Group's Board of Directors decided to transfer the entire shares (However, the distribution business division and the shares of other corporations' investment are excluded) of AJ Park Co., Ltd., a subsidiary, on March 4, 2021. According to this decision, the shares of AJ Park Co., Ltd. owned by the Group, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021. In addition, gains and losses related to non-current assets held for sale are presented as discontinued operations as they meet the requirements for discontinued operations.

During the year ended December 31, 2021, the percentage of ownership was changed from 100% to 33.33% due to the capital increase with consideration through 3rd party allocation of AJ Junsymall Co., Ltd., a subsidiary, and gains and losses of AJ Junsymall Co., Ltd. are presented as discontinued operations as they meet the requirements for discontinued operations.

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Details of non-current assets and liabilities of disposal group classified as held for sale as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Current assets				
Cash and cash equivalents	₩	-	₩	10,619,521
Trade receivables		-		278,803
Inventories		-		2,864,405
Other current assets		-		20,976,579
Non-current assets				
Property, plant and equipment		-		32,476,495
Intangible assets		-		3,450,286
Other non-current assets		-		35,465,142
Total assets	₩	-	₩	<u>106,131,231</u>
Current liabilities				
Borrowings and debentures	₩	-	₩	16,000,000
Other current liabilities		-		1,661,513
Non-current liabilities				
Borrowings and debentures		-		25,346,795
Other non-current liabilities		-		4,728,685
Total liabilities	₩	-	₩	<u>47,736,993</u>

Cumulative income or expense recognized in other comprehensive income relates to the disposal group classified as held for sale as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Share of other comprehensive income of associates	₩	-	₩	3,479

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The consolidated statement of comprehensive income for the comparative period was restated to show discontinued operations separately from continuing operations and the details are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Profit of discontinued operation		
Operating revenue	₩ 78,720,641	₩ 358,069,282
Operating expense	<u>(71,198,065)</u>	<u>(347,143,303)</u>
Operating profit	7,522,576	10,925,979
Other income	83,462,355	33,730,612
Other expenses	(334,234)	(10,103,011)
Share of profit (loss) of associates	1,252,266	(366,469)
Finance income	501,542	2,241,972
Finance costs	<u>(4,219,009)</u>	<u>(18,099,510)</u>
Profit before income tax of discontinued operation	88,185,496	18,329,573
Income tax expense	<u>(19,973,845)</u>	<u>(6,124,056)</u>
Profit for the year from discontinued operation	<u>₩ 68,211,651</u>	<u>₩ 12,205,517</u>

Cash flows from discontinued operations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Net cash inflow from operating activities	₩ 6,629,883	₩ 59,370,204
Net cash outflow from investing activities	116,809,211	43,205,616
Net cash outflow from financing activities	<u>(69,007,811)</u>	<u>(61,794,846)</u>
Net increase in cash and cash equivalents	<u>₩ 54,431,284</u>	<u>₩ 40,780,974</u>

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

40. Events After the Reporting Period

On November 3, 2020, the Group decided to split-off the pallet business division to strengthen the competitiveness of its core business. The split-off date is currently undetermined.

On January 18, 2022, the Group's Board of Directors decided to provide debt guarantees of AJ Networks Co., Ltd. for short-term debentures to be newly issued by AJ ICT Co., Ltd. amounting to ₩ 15 billion.

AJ Total Co., Ltd., a subsidiary of the Group, has decided to decrease capital with consideration for 515,000 shares held by AJ Networks Co., Ltd. at the Board of Directors on January 14, 2022. The date of capital reduction is February 22, 2022. After the reduction, the total number of shares issued decreased from 1,000,000 shares to 485,000 shares, and the capital decreased from ₩ 5,000 million to ₩ 2,425 million.

The 22nd consolidated financial statements were initially approved by the Board of Directors on February 21, 2022, and will be finally approved at the shareholders' Annual General Meeting on March 29, 2022. If the 22nd consolidated financial statements and consolidated financial statements is not approved at the shareholders' Annual General Meeting, or any adjusting events occur, the details and reasons will be disclosed with corrective disclosure.

On February 14, 2022, the Group's Board of Directors decided to provide debt guarantees for the issuance of ₩ 20 billion of electronic short-term debentures for refinancing of existing borrowings of AJ Automated Parking Systems Co., Ltd. a subsidiary of the Group.