

**AJ Networks Co., Ltd.**  
**Separate Financial Statements**  
**December 31, 2021 and 2020**

**AJ Networks Co., Ltd.**  
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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 separate financial statements of AJ Networks Co., Ltd. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

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

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 21, 2022 expressed an unqualified opinion.

### 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the 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 Matter

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

## **(a) Occurrence of rental revenue**

### **Why it is determined to be a Key Audit Matter**

As described in Note 2 to the financial statements, revenue arising from the lease of rental assets is recognized as revenue on a straight-line basis over the lease term under the rental contract.

Rental revenue, which accounts for 71% of the Company'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 financial statements. There is a potential risk in the Company'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 Company'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.

### **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 financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

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

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

We communicate with 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 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 separate 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.**  
**Separate Statements of Financial Position**  
**December 31, 2021 and 2020**

(in Korean won)	Notes	2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,34	₩ 15,573,060,373	₩ 13,201,292,466
Trade receivables	8,34,35	54,073,698,498	55,287,776,339
Inventories	5	8,754,240,693	21,902,138,131
Financial assets at fair value through profit or loss	6,34	3,213,923,145	3,262,175,429
Other current financial assets	14,34,35	22,698,149,726	49,070,704,288
Other current assets	15,35	26,144,186,315	13,062,837,896
Current tax assets		-	510,305,419
		<u>130,457,258,750</u>	<u>156,297,229,968</u>
<b>Non-current assets held for sale</b>	36	-	40,147,907,404
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	6,34	5,848,865,466	4,915,012,075
Financial assets at fair value through profit or loss	6,34	20,939,287,850	1,014,806,658
Investments in subsidiaries	7	223,520,791,124	261,871,759,909
Investments in associates	7	72,239,256,443	28,689,628,947
Rental assets	8,9	615,028,941,276	579,657,288,144
Property, plant and equipment	10	57,692,877,872	57,225,688,297
Intangible assets	13	4,443,273,727	3,629,830,277
Investment properties	12	20,082,064,662	21,955,819,838
Right-of-use assets	11	13,386,860,810	12,615,080,538
Other non-current financial assets	14,34	30,724,726,635	20,680,420,534
Other non-current assets	15	2,989,790,083	1,107,339,724
Deferred tax assets	30	855,316,948	14,330,142,376
		<u>1,067,752,052,896</u>	<u>1,007,692,817,317</u>
<b>Total assets</b>		<u>₩ 1,198,209,311,646</u>	<u>₩ 1,204,137,954,689</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	34,35	₩ 31,243,339,043	₩ 27,043,808,550
Short-term borrowings	16,19,34	42,500,000,000	188,000,000,000
Current portion of long-term borrowings	16,19,34	144,147,523,037	123,347,702,953
Current portion of long-term bonds	16,34	141,922,058,703	114,893,384,675
Other current financial liabilities	17,34	26,064,268,382	28,063,434,348
Other current liabilities	17	4,129,602,400	4,263,039,871
Current tax liabilities		1,303,274,141	-
Current lease liabilities	11	6,687,557,748	6,326,409,152
		<u>397,997,623,454</u>	<u>491,937,779,549</u>
<b>Non-current liabilities</b>			
Bonds	16,34	197,671,055,559	233,454,101,420
Long-term borrowings	16,19,34	192,689,541,203	150,435,561,849
Other non-current financial liabilities	17,34	9,179,670,797	1,725,855,929
Other non-current liabilities	17	451,519,857	438,410,181
Non-current lease liabilities	11	27,431,560,925	27,701,539,087
		<u>427,423,348,341</u>	<u>413,755,468,466</u>
<b>Total liabilities</b>		<u>825,420,971,795</u>	<u>905,693,248,015</u>
<b>Equity</b>			
Share capital	1,21	46,822,295,000	46,822,295,000
Capital surplus	21	103,717,305,904	103,725,389,530
Capital adjustments	22	(33,509,100,008)	(32,268,402,083)
Other capital	22,23	(654,673,467)	-
Accumulated other comprehensive income (loss)	22	156,047,867	(11,357,866,835)
Retained earnings	24	256,256,464,555	191,523,291,062
<b>Total equity</b>		<u>372,788,339,851</u>	<u>298,444,706,674</u>
<b>Total liabilities and equity</b>		<u>₩ 1,198,209,311,646</u>	<u>₩ 1,204,137,954,689</u>

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

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

<i>(in Korean won)</i>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
Operating revenue	8,33	₩ 485,523,715,929	₩ 453,554,892,290
Operating expenses	26,31	429,050,138,500	403,268,181,400
<b>Operating profit</b>	8	<u>56,473,577,429</u>	<u>50,286,710,890</u>
Other income	28	10,429,183,115	1,581,708,166
Other expenses	28	1,912,311,151	7,529,118,354
Share of net profit of subsidiaries and associates accounted for using the equity method	7,29	36,040,772,941	4,604,478,552
Finance income	27	5,402,985,428	13,534,051,735
Finance costs	27	32,810,788,939	41,157,409,677
Gain on disposal of non-current assets held for sale		16,055,272,530	-
Impairment loss on non-current assets held for sale		-	211,769,776
<b>Profit before income tax</b>	30	<u>89,678,691,353</u>	<u>21,108,651,536</u>
Income tax expense	30	15,615,439,072	3,988,038,468
<b>Profit for the year</b>	25	<u>₩ 74,063,252,281</u>	<u>₩ 17,120,613,068</u>
<b>Other comprehensive income (loss)</b>			
<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		₩ 646,148,080	₩ 271,852,241
Share of other comprehensive income (loss) of subsidiaries and associates		42,369,295	(392,685,739)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive income (loss) of subsidiaries and associates		<u>10,825,397,327</u>	<u>(9,205,543,587)</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		11,513,914,702	(9,326,377,085)
<b>Total comprehensive income for the year</b>		<u>₩ 85,577,166,983</u>	<u>₩ 7,794,235,983</u>
<b>Earnings per share</b>	25		
Basic earnings per share		₩ 1,646	₩ 374
Diluted earnings per share		1,646	374

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



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

(in Korean won)

	Share capital	Capital surplus	Capital adjustments	Other capital	Accumulated other comprehensive income (loss)	Retained earnings	Total Equity
<b>Balance at January 1, 2020</b>	₩ 46,822,295,000	₩ 103,725,389,530	₩ (26,516,922,383)	₩ -	₩ (2,031,489,750)	₩ 188,449,366,494	₩ 310,448,638,891
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	-	-	17,120,613,068	17,120,613,068
Share of other comprehensive loss of subsidiaries and associates	-	-	-	-	(9,598,229,326)	-	(9,598,229,326)
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	271,852,241	-	271,852,241
Dividends paid	-	-	-	-	-	(14,046,688,500)	(14,046,688,500)
Acquisition of treasury shares	-	-	(5,751,479,700)	-	-	-	(5,751,479,700)
<b>Balance at December 31, 2020</b>	<u>₩ 46,822,295,000</u>	<u>₩ 103,725,389,530</u>	<u>₩ (32,268,402,083)</u>	<u>₩ -</u>	<u>₩ (11,357,866,835)</u>	<u>₩ 191,523,291,062</u>	<u>₩ 298,444,706,674</u>
<b>Balance at January 1, 2021</b>	₩ 46,822,295,000	₩ 103,725,389,530	₩ (32,268,402,083)	₩ -	₩ (11,357,866,835)	₩ 191,523,291,062	₩ 298,444,706,674
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	-	-	74,063,252,281	74,063,252,281
Share of other comprehensive income (loss) of subsidiaries and associates	-	-	-	(672,556,917)	10,867,766,622	161,664,146	10,356,873,851
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	646,148,080	63,035,000	709,183,080
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	-
<b>Balance at December 31, 2021</b>	<u>₩ 46,822,295,000</u>	<u>₩ 103,717,305,904</u>	<u>₩ (33,509,100,008)</u>	<u>₩ (654,673,467)</u>	<u>₩ 156,047,867</u>	<u>₩ 256,256,464,555</u>	<u>₩ 372,788,339,851</u>

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

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

<i>(in Korean won)</i>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	32	₩ 18,727,884,747	₩ 50,470,951,076
Interest received		1,242,105,110	2,999,668,332
Interest paid		(27,932,937,699)	(30,007,038,415)
Dividends received		5,116,094,300	1,025,200,312
Income taxes paid		(705,865,800)	(66,116,673,669)
<b>Net cash outflow from operating activities</b>		<u>(3,552,719,342)</u>	<u>(41,627,892,364)</u>
<b>Cash flows from investing activities</b>			
Increase of short-term loans		(43,960,000,000)	(61,370,000,000)
Decrease of short-term loans		63,246,745,425	44,307,800,000
Increase in short-term financial instruments		(27,522,177,391)	(233,399,116,991)
Decrease in short-term financial instruments		35,658,892,281	254,631,587,351
income		-	(2,134,456,500)
Disposal of financial assets at fair value through other comprehensive income		146,055,000	2,491,001
Acquisition of financial assets at fair value through profit or loss (current portion)		-	(54,662,626,782)
Disposal of financial assets at fair value through profit or loss (current portion)		1,427,029,833	135,497,151,541
Acquisition of financial assets at fair value through profit or loss		(4,917,416,869)	(1,080,000,000)
Increase in financial assets at amortized cost		-	(5,000,000,000)
Acquisition of investments in subsidiaries		(35,692,032,183)	(49,466,765,776)
Disposal of investments in subsidiaries		22,041,161,931	8,062,632,696
Acquisition of investments in associates		(8,205,769,260)	(17,800,000,000)
Increase of deposit		(3,398,298,517)	(1,224,243,240)
Decrease of deposit		1,412,618,395	1,652,197,077
Acquisition of property, plant and equipment (excluding rental assets)		(3,815,957,060)	(5,617,468,753)
Disposal of property, plant and equipment (excluding rental assets)		192,450,225	340,695,929
Acquisition of intangible assets		(1,695,250,982)	(788,490,769)
Disposal of intangible assets		181,788,292	99,673,754
Decrease in derivative liabilities		-	(46,920,895,070)
Disposal of non-current assets held for sale		87,185,791,553	-
Collection of lease receivables		40,917,400	-
Cash inflow due to merger		3,627,067,484	-
<b>Net cash inflow (outflow) from investing activities</b>		<u>85,953,615,557</u>	<u>(34,869,834,532)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		201,500,000,000	367,900,000,000
Repayment of short-term borrowings		(319,000,000,000)	(300,900,000,000)
Proceeds from bonds		105,690,210,553	181,449,863,859
Repayment of bonds		(115,000,000,000)	(173,000,000,000)
Repayment of current portion of long-term borrowings		(137,017,410,390)	(130,834,997,461)
Proceeds from long-term borrowings		200,000,000,000	126,000,000,000
Acquisition of treasury shares		(1,240,697,925)	(5,751,479,700)
Repayment of lease liabilities		(7,062,138,526)	(5,674,848,125)
Decrease in leasehold deposits received		(375,000,000)	-
Increase in leasehold deposits received		2,036,237,000	-
Dividends paid		(9,562,861,560)	(14,046,688,500)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(80,031,660,848)</u>	<u>45,141,850,073</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		2,369,235,367	(31,355,876,823)
Cash and cash equivalents at the beginning of the financial year		13,201,292,466	44,720,934,312
Effects of exchange rate changes on cash and cash equivalents		2,532,540	(163,765,023)
<b>Cash and cash equivalents at the end of the year</b>		<u>₩ 15,573,060,373</u>	<u>₩ 13,201,292,466</u>

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

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2021 and 2020**

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**1. General Information**

AJ Networks Co., Ltd. (the “Company”) was incorporated on February 10, 2000 to engage in the business of long-and short-term lease and sale of information appliances and special industrial equipment. The Company 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 Company name from AJU Rental Co., Ltd to AJ Networks Co., Ltd. In addition, the Company has been listed on the Korea Stock Exchange since August 21, 2015.

The Company’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 Company'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

**2. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these separate 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 Company maintains its accounting records in Korean won and prepares statutory separate 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 separate financial statements have been condensed, restructured, and translated into English from the Korean language separate financial statements.

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

The separate financial statements of the Company 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.

# AJ Networks Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2021 and 2020

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

The Company 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 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 separate 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 separate financial statements.

### 2.2.2 New standards and interpretations not yet adopted by the Company

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 Company.

# AJ Networks Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2021 and 2020

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#### *(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 Company does not expect that these amendments have a significant impact on the separate 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 Company is in review for the impact of these amendments on the separate 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 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

#### *(d) 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 Company does not expect that these amendments have a significant impact on the separate 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

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#### *(e) 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 Company is in review for the impact of these amendments on the separate financial statements.

#### *(f) 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

#### *(g) New Standard: Korean IFRS 1117 Insurance Contract*

Korean IFRS 1117 *Insurance Contracts* will replace 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

#### *(h) 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 Company is in review for the impact of these amendments on the separate financial statements.

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

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

#### *(j) 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 Company does not expect that these amendments have a significant impact on the separate financial statements.

### **2.3 Investments in Subsidiaries**

The separate financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. If there is objective evidence of impairment for the investment in the subsidiary, the Company recognizes the difference between the recoverable amount of the subsidiary and its book amount as impairment loss.

### **2.4 Investments in Associates**

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

### **2.5 Foreign Currency Translation**

#### *(a) Functional and presentation currency*

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

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#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income or other expenses'.

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

## **2.6 Financial Assets**

#### *(a) Classification*

The Company 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 Company'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 Company 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 Company 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.



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#### *(b) Measurement*

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

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

#### *B. Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company'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

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reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income' or 'other expenses' 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 Company 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

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

#### *(e) Offsetting of financial instruments*

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

## **2.7 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.

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#### **2.8 Trade Receivables**

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

#### **2.9 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.

#### **2.10 Non-current Assets (or Disposal Company) Held for sale**

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

#### **2.11 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 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.

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.

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

	<b>Useful lives</b>
<b>Property, plant and equipment</b>	
Buildings	20 – 40 years
Structures	8
Furniture and fixture	2 – 5
Vehicles	4, 8
Machinery	4 – 10
Facilities	4
<b>Rental assets</b>	
OA rental assets	1 – 6
Construction equipment	1 – 8
Pallets	3 – 10
Pick and Pick	2

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 separate 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.

## **2.12 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.

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

	<b>Useful lives</b>
Software	1 – 5 years
Other intangible assets	2 – 5

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 Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

**Subsequent expenditures**

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.

**2.13 Investment Property**

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Company depreciates investment properties, except for land, using the straight-line method over their useful lives.

**2.14 Impairment of Non-financial Assets**

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

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#### 2.15 Financial Liabilities

##### *(a) Classification and measurement*

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

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

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

##### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

#### 2.17 Current and Deferred Tax

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

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate 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 Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Company 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. Current tax assets and tax liabilities are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

#### **2.18 Employee Benefits**

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

#### **2.19 Revenue Recognition**

##### *(a) Revenue from contracts with customers*

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the Company and when specific criteria have been met for each of the Company's activities as described below.

- Sale of goods: Revenue on sales of goods is recognized when the products have been delivered to the customer.

##### *(b) Interest income*

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Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company 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.

## **2.20 Leases**

#### *(a) Lessor*

The Company 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 Company, 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 Company's net investment in the leases. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company'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)

In case where the Company is an intermediate lessor, the Company accounts for the head lease and sublease as two separate contracts. The Company 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 Company recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Company 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 Company 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 Company 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.



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The Company 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 Company 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 Company 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 Company 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 Company 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 Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (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.

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To determine the incremental borrowing rate, the Company:

- 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 Company, 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 Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company 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 so as 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

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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company elected not to apply the revaluation model to buildings held by the Company 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.

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#### *(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 Company. 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 Company and not by the respective lessor.

### **2.21 Earnings per share**

The Company 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 Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

### **2.22 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 8). 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.

### **2.23 Business Combination of Entities under a Common Control**

The Company applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Company applies the carrying amount of assets and liabilities accounted on acquiree's separate financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as capital surplus.

### **2.24 Approval of issuance of the separate financial statements**

The separate financial statements 2021 were approved for issue by the Board of Directors on February 14, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

**AJ Networks Co., Ltd.**  
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**3. Critical Accounting Estimates and Assumptions**

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company'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) Income taxes*

The Company'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 Company 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 Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

*(b) 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 Company 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.

*(c) Impairment of financial assets*

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

*(d) Impairment of non-financial assets*

The recoverable amount of non-financial assets(including rental assets, tangible assets, intangible assets, and etc.) to test for impairment has been determined as the higher of an asset's fair value less costs of disposal and value in use.

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*(e) Impact of Coronavirus disease 2019 (“COVID-19”)*

The spread of Coronavirus disease 2019 (“COVID-19”) has a material impact on the global economy, and accordingly, it may have a potential negative impact on revenue and other financial performance of the Company in the future. It is highly uncertain to expect range of the impact of COVID-19 on the financial position and financial performance, and COVID-19 would affect to the Company’s customers, suppliers and overall global market by various factors. Therefore, the Company’s financial performance may not reflect the effect of COVID-19 completely.

The Company operates their business in significantly changed manner of restricting workplace and movements of employees, cancelling activities for customers or operating remotely. In addition, it is expected to have a negative impact; such as, decrease in consumption of the customers, decrease in new sales due to delay in supply and collection of existed receivables, because operating environments including the market are exposed to the material uncertainty.

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

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**4. Cash and Cash Equivalents**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Cash on hand	₩	-	₩	218
Bank deposits and others		15,573,060		13,201,074
	₩	<u>15,573,060</u>	₩	<u>13,201,292</u>

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

<i>(in thousands of Korean won)</i>	<b>Financial institutions</b>	<b>2021</b>	<b>2020</b>	<b>Description</b>
Short-term financial instruments	Shinhan bank	₩ 1,000,000	₩ 1,000,000	Collaterals for performance guarantee of share purchase agreement
		-	375,000	Collaterals for sub-lease deposit
Long-term financial instruments	Shinhan bank	790,600	-	Collaterals for sub-lease deposit
	Shinhan bank	2,500	2,500	Collaterals for deposit for check account
	Hana bank	2,000	2,000	
	Citibank Korea Inc	2,500	2,500	
		₩ <u>1,797,600</u>	₩ <u>1,382,000</u>	

**5. Inventories**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Merchandises	₩	6,754,228	₩	20,528,322
Allowance for valuation of merchandises		(1,000,976)		(1,775,145)
Supplies		3,000,989		3,148,961
	₩	<u>8,754,241</u>	₩	<u>21,902,138</u>

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**6. Financial Assets at Fair Value**

**6.1 Financial Assets at Fair Value through Other Comprehensive Income**

Financial assets at fair value through other comprehensive income as at December 31, 2021 and 2020, are as follows:

*(in thousands of Korean won)*

	<b>2021</b>	
	<b>Acquisition cost</b>	<b>Carrying amount</b>
Marketable equity securities		
K-Top Self-managed REITs Co., Ltd.	₩ 3,866,966	₩ 4,970,370
Non-marketable equity securities		
Others	878,496	878,496
	<u>₩ 4,745,461</u>	<u>₩ 5,848,865</u>

*(in thousands of Korean won)*

	<b>2020</b>	
	<b>Acquisition cost</b>	<b>Carrying amount</b>
Marketable equity securities		
K-Top Self-managed REITs Co., Ltd.	₩ 3,866,966	₩ 4,141,975
Non-marketable equity securities		
Others	913,190	773,037
	<u>₩ 4,780,156</u>	<u>₩ 4,915,012</u>

Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

*(in thousands of Korean won)*

	<b>2021</b>	<b>2020</b>
Balance at January 1	₩ 4,915,012	₩ 2,639,343
Acquisition	-	2,134,456
Disposal	(146,055)	(2,491)
Gains and losses on valuation	828,395	344,971
Others	251,513	(201,267)
Balance at December 31	<u>₩ 5,848,865</u>	<u>₩ 4,915,012</u>

**AJ Networks Co., Ltd.**  
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**6.2 Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Current				
Trust investment	₩	3,213,923	₩	3,262,175
Non-current				
Debt investments		1,604,309		1,014,807
Equity securities		19,334,979		-
	₩	<u>24,153,211</u>	₩	<u>4,276,982</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Balance at January 1	₩	4,276,982	₩	83,568,608
Acquisition		4,917,417		55,742,627
Disposal		(1,427,030)		(135,497,152)
Gains and losses on valuation, impairment loss		(47,966)		408,155
Others <sup>1</sup>		16,433,808		54,745
Balance at December 31	₩	<u>24,153,211</u>	₩	<u>4,276,983</u>

<sup>1</sup> In 2021, as the Company merged with investment business of Modu Rental Co., Ltd., of AJ Capital Partners Co., Ltd., a wholly owned subsidiary of the Company, investment assets related to Modu Rental Co., Ltd. which were included in the investments in subsidiaries as at December 31, 2020, amounting to ₩ 16,380 million were transferred to financial assets at fair value through profit or loss.



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**7. Interests in Subsidiaries and Associates**

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

(in thousands of Korean won)	2021						
	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of subsidiaries and associates	Others	Ending balance
<b>Subsidiaries</b>							
AJ Total Co., Ltd. <sup>1</sup>	100.00%	₩ 26,912,857	₩ 71,460,408	₩ (50,000,000)	₩ 34,694,054	₩ 1,605,880	₩ 57,760,342
AJ Energy Co., Ltd.	100.00%	15,000,000	17,441,220	-	1,743,040	-	19,184,260
AJ Park Co., Ltd. <sup>2</sup>	-	-	36,709,255	-	(4,648,383)	(32,060,872)	-
AJ Capital Partners Co., Ltd. <sup>3</sup>	-	-	26,997,763	-	24,212	(27,021,974)	-
AJ International Traders Co., Ltd. <sup>4</sup>	-	-	41,190	(41,190)	-	-	-
AJ Junsymall Co., Ltd. <sup>5</sup>	-	-	286,713	-	(3,541,105)	3,254,392	-
AJ Maintenance Partners Co., Ltd.	100.00%	5,633,519	542,136	-	138,013	2,000,000	2,680,149
World Rent-A-Car Co., Ltd.	100.00%	650,000	569,144	-	1,424	-	570,568
Four season Rent-A-Car Co., Ltd.	100.00%	500,000	-	-	-	-	-
AJ Networks America, Inc. <sup>7</sup>	-	-	12,092,839	-	-	(12,092,839)	-
AJ M. Co., Ltd. <sup>8</sup>	-	-	10,118,975	-	(772,069)	(9,346,906)	-
AJ Ens Co., Ltd. <sup>8</sup>	-	-	8,171,605	-	(102,546)	(8,069,059)	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	100.00%	200,000	128,880	-	(26,159)	-	102,721
AJ Auto Parking Systems Co., Ltd.	99.84%	-	-	-	-	-	-
AJ Daewon Co., Ltd. <sup>9</sup>	100.00%	13,256,229	-	2,479,565	(448,227)	9,375,127	11,406,465
AJ ICT Co., Ltd. <sup>10</sup>	99.83%	2,202,562	-	2,202,562	3,275,000	-	5,477,562
AJ Total Vietnam Co., Ltd. <sup>11</sup>	100.00%	24,039,481	-	24,039,481	-	-	24,039,481
AJ TOTAL HANOI Co., Ltd. <sup>12</sup>	100.00%	6,970,424	-	6,970,424	-	-	6,970,424
AJ Rental Inc. <sup>7</sup>	100.00%	87,105,510	65,532,879	-	(2,587,535)	18,983,979	81,929,323
AJ Rental Service Co., Ltd.	100.00%	439,555	-	-	282,451	-	282,451
AJ JEONGUK SKY Co., Ltd.	100.00%	6,000,000	3,793,120	-	109,997	-	3,903,117
AJ Rental Co., Ltd	100.00%	11,542,477	7,916,588	-	415,478	858,720	9,190,786
AJ Rental Arabia, Ltd.	100.00%	160,820	69,046	-	(50,279)	4,375	23,142
		<u>200,613,434</u>	<u>261,871,760</u>	<u>(14,349,158)</u>	<u>28,507,366</u>	<u>(52,509,177)</u>	<u>223,520,791</u>
<b>Associates</b>							
LinkDotz Inc. <sup>13</sup>	14.56%	246,100	234,387	-	(42,133)	(192,254)	-
Tcha Partners Public	49.38%	7,900,000	6,652,170	-	621,883	(1,138,870)	6,135,183

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Mobility No. 1 private equity partnership								
Tcha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	6,159,685	-	(306,457)	(2,524,451)	3,328,777	
Tcha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	8,982,687	-	(246,278)	(1,130,852)	7,605,557	
Auto Gallery Holdings, Inc.	49.98%	18,087,600	6,660,700	-	2,861,269	873,981	10,395,949	
Modu Rental Co., Ltd. <sup>3,14</sup>	10.53%	9,078,712	-	-	(1,148,529)	11,486,382	10,337,853	
A2 PARTNERS RHINOS No. 1 private equity partnership <sup>15</sup>	33.20%	18,503,407	-	-	6,470,689	14,882,265	21,352,954	
Darae Parktech Co., Ltd. <sup>16</sup>	37.30%	8,205,769	-	8,205,769	85,408	(10,758)	8,280,419	
AJ Junsymall Co., Ltd. <sup>5</sup>	33.33%	23,428,955	-	-	(762,444)	5,565,010	4,802,565	
		<u>₩ 103,250,543</u>	<u>₩ 28,689,629</u>	<u>₩ 8,205,769</u>	<u>₩ 7,533,407</u>	<u>₩ 27,810,452</u>	<u>₩ 72,239,257</u>	

<sup>1</sup> In 2021, gains from the transfer of the refrigerating storage business and meat processing business of AJ Total Co., Ltd. were reflected as share of profit or loss of subsidiaries and associates. The Company offset the borrowings with ₩ 28,000 million out of ₩ 50,000 million due to capital reduction of AJ Total Co., Ltd.

<sup>2</sup> In 2021, it was transferred to held for sale and disposed of, and ₩ 23,473 million is included in others.

<sup>3</sup> In 2021, the Company merged with the divided segment of AJ Capital Partners Co., Ltd., which held the investment business of Modu Rental Co., Ltd., and investment assets of Modu Rental Co., Ltd. were classified as investment in associates.

<sup>4</sup> In 2021, it was liquidated.

<sup>5</sup> In 2021, the percentage of ownership was changed from 100% to 33.33%, and it was classified as investment in associates from investment in subsidiaries.

<sup>6</sup> In 2021, the company name was changed from AJ Carian Service Co., Ltd.

<sup>7</sup> In 2021, shares of AJ Networks America Inc. owned by the Company were contributed in kind to AJ Rental Inc.

<sup>8</sup> In 2021, the Company merged with AJ M. Co., Ltd.

<sup>9</sup> In 2021, the Company merged with AJ Ens Co., Ltd. and AJ Daewon Co., Ltd, which had been a subsidiary of AJ Ens Co., Ltd., was classified as investment in subsidiaries.

<sup>10</sup> In 2021, 99.83% of the shares were acquired.

<sup>11</sup> In 2021, 100% of the shares were acquired.

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<sup>12</sup> In 2021, 100% of the shares were acquired.

<sup>13</sup> In 2021, it was excluded from associates as the percentage of ownership was changed from 21.5% to 14.5%.

<sup>14</sup> In 2021, the Company merged with the divided segment of AJ Capital Partners Co., Ltd., and the percentage of ownership considering only ordinary share is 23.66%, and is classified as an associate because it has a right to appoint the Board of Directors.

<sup>15</sup> In 2021, the Company merged with AJ M. Co., Ltd. and classified it as investment in associates.

<sup>16</sup> In 2021, the Company merged with AJ M. Co., Ltd. and A2 PARTNERS RHINOS No. 1 private equity partnership, which had been an associate of AJ M. Co., Ltd., was classified as investment in associates.

(in thousands of  
Korean won)

2020

	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of subsidiaries and associates	Others	Ending balance
<b>Subsidiaries</b>							
AJ Total Co., Ltd.	100.00%	₩ 51,515,095	₩ 49,442,637	₩ -	₩ 23,343,489	₩ (1,325,718)	₩ 71,460,408
AJ Energy Co., Ltd.	100.00%	15,000,000	16,212,837	-	1,228,383	-	17,441,219
AJ Park Co., Ltd. <sup>1</sup>	100.00%	38,891,618	17,061,627	20,437,961	(1,358,969)	568,636	36,709,255
AJ Capital Partners Co., Ltd. <sup>2</sup>	100.00%	54,506,277	60,050,036	-	2,386,515	(35,438,788)	26,997,763
AJ Rental Co., Ltd.	100.00%	11,542,477	6,219,385	2,419,505	(126,507)	(595,795)	7,916,588
AJ Rental Service Co., Ltd.	100.00%	439,555	-	-	-	-	-
AJ ALM.CO., LTD. <sup>3</sup>	-	1,492,989	12,422	(12,422)	-	-	-
AJ International Traders Co., Ltd.	100.00%	1,000,000	-	-	41,190	-	41,190
AJ Junsyall Co., Ltd.	100.00%	21,425,700	4,260,548	-	(3,973,835)	-	286,713
AJ JEONGUK SKY Co., Ltd.	100.00%	6,000,000	3,994,376	-	(201,256)	-	3,793,120
AJ Rental Inc.	100.00%	74,409,445	48,701,997	24,444,000	(1,076,977)	(6,536,141)	65,532,879
Auto Gallery Holdings, Inc. <sup>4</sup>	0.00%	18,629,350	6,257,039	(12,335)	943,799	(7,188,503)	-
AJ Sellcar Co., Ltd. <sup>5</sup>	77.79%	2,911,313	4,235,972	-	(1,256,276)	(2,979,696)	-
AJ Carian Service Co., Ltd.	100.00%	3,633,519	1,528,583	-	(986,447)	-	542,136
AJ Rent A Car USA Inc. <sup>6</sup>	-	1,137,000	345,726	(310,617)	(40,721)	5,612	-
AJ Networks Vietnam Co., Ltd. <sup>5</sup>	100.00%	2,726,601	2,230,799	-	(176,557)	(2,054,242)	-
World Rent-A-Car Co., Ltd.	100.00%	650,000	870,204	-	(301,060)	-	569,144
Four season Rent-A-Car Co., Ltd.	100.00%	500,000	548,536	-	(548,536)	-	-
AJ Networks America, Inc.	100.00%	17,729,547	12,216,596	2,315,097	(1,413,293)	(1,025,561)	12,092,839

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AJ Bike Co., Ltd <sup>7</sup>	-	9,076,583	9,076,583	(9,456,218)	379,635	-	-
AJ M. Co., Ltd.	100.00%	19,500,000	16,893,526	-	(6,774,551)	-	10,118,975
AJ Ens Co., Ltd.	100.00%	11,000,000	10,141,093	-	(1,972,907)	3,419	8,171,605
Ryu Ga Hyoung Golf Academy Co., Ltd. <sup>8</sup>	100.00%	200,000	-	-	(71,120)	200,000	128,880
AJ Auto Parking Systems Co., Ltd. <sup>9</sup>	99.84%	-	-	-	-	-	-
AJ Rental Arabia, Ltd. <sup>10</sup>	100.00%	160,820	-	160,820	(82,360)	(9,414)	69,046
		<u>364,077,889</u>	<u>270,300,522</u>	<u>39,985,791</u>	<u>7,961,639</u>	<u>(56,376,191)</u>	<u>261,871,761</u>
<b>Associates</b>							
LinkDotz Inc.	21.50%	246,100	238,889	-	(4,502)	-	234,387
Tcha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	7,900,000	-	235,395	(1,483,225)	6,652,170
Tcha Partners Public Mobility No. 2 private equity partnership <sup>11</sup>	49.38%	7,900,000	-	7,900,000	(1,740,315)	-	6,159,685
Tcha Partners Public Mobility No. 3 private equity partnership <sup>12</sup>	49.50%	9,900,000	-	9,900,000	(917,313)	-	8,982,687
Auto Gallery Holdings, Inc. <sup>4</sup>	49.98%	6,660,700	-	-	-	6,660,700	6,660,700
		<u>₩ 32,606,800</u>	<u>₩ 8,138,889</u>	<u>₩ 17,800,000</u>	<u>₩ (2,426,735)</u>	<u>₩ 5,177,475</u>	<u>₩ 28,689,629</u>

<sup>1</sup> In 2020, the shares in AJ Park Co., Ltd. were acquired and the percentage of ownership changed from 55.12% to 100%.

<sup>2</sup> In 2020, as the investment in subsidiaries (however, excluding shares and beneficiary certificates held by the Company from transaction) met the requirement for classification of non-current assets held for sale, it was transferred to non-current assets held for sale, and equity method was discontinued.

<sup>3</sup> In 2020, it was liquidated.

<sup>4</sup> In 2020, the Company disposed of its shares, and the percentage of ownership changed from 50.07% to 49.98%, and it was classified as investment in associates from investments in subsidiaries.

<sup>5</sup> As the requirement for classification of non-current assets held for sale was satisfied, it was transferred to non-current assets held for sale and the equity method was discontinued.

<sup>6</sup> In 2020, it was merged with AJ Networks America, Inc., a subsidiary of the Company.

<sup>7</sup> In 2020, the Company disposed of the shares.

<sup>8</sup> In 2020, it was classified from financial assets measured at fair value through other comprehensive income to investment in subsidiaries.

<sup>9</sup> In 2020, the Company acquired the shares from AJ Park Co., Ltd., a subsidiary.

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<sup>10</sup> In 2020, the Company was newly established.

<sup>11</sup> In 2020, 49.38% of the shares were acquired.

<sup>12</sup> In 2020, 49.50% of the shares were acquired.

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

(in thousands of Korean won)	2021						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Total Co., Ltd. <sup>1</sup>	Korea	December	₩ 82,108,723	₩ 23,680,115	₩ 57,427,648	₩ 26,548,936	₩ 28,834,893
AJ Energy Co., Ltd.	Korea	December	46,056,672	26,618,062	330,445,294	1,726,952	1,726,952
AJ Rental Inc. <sup>1</sup>	USA	December	86,683,637	3,733,215	17,964,100	(2,517,874)	3,850,590
AJ Maintenance Partners Co., Ltd. <sup>1</sup>	Korea	December	8,028,735	5,348,586	29,730,356	138,013	138,013
World Rent-A-Car Co., Ltd.	Korea	December	570,587	19	-	1,424	1,424
Four season Rent-A-Car Co., Ltd	Korea	December	174,653	313,800	-	(15,688)	(15,688)
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	December	137,710	34,988	457,033	(26,159)	(26,159)
AJ Auto Parking Systems Co., Ltd.	Korea	December	36,034,540	49,834,787	45,626,927	(3,932,818)	(3,871,492)
AJ Networks First Limited Company	Korea	December	29,612,770	29,609,770	1,328,569	-	-
AJ Daewon Co., Ltd.	Korea	December	6,717,738	2,987,757	28,942,121	575,787	572,368
AJ ICT Co., Ltd.	Korea	December	23,770,270	19,466,382	37,918,804	(18,124)	(18,124)
AJ Total Vietnam Co., Ltd.	Vietnam	December	60,438,713	37,418,461	-	-	-
AJ TOTAL HANOI CO., Ltd.	Vietnam	December	8,659,743	1,824	-	-	-
AJ Park Co., Ltd.	Korea	December	-	-	18,517,961	(4,276,522)	(4,276,522)
AJ Capital Partners Co., Ltd.	Korea	December	-	-	3,521,330	366,343	366,343
AJ International Traders Co., Ltd.	Korea	December	-	-	-	-	-
AJ Networks America, Inc.	Korea	December	12,333,894	308,466	1,680,068	(1,193,521)	(1,193,521)
AJ M. Co., Ltd.	Korea	December	-	-	-	(772,069)	(772,069)
AJ Ens Co., Ltd.	Korea	December	-	-	-	(55,126)	(55,126)
Tcha Partners Public Mobility No. 1 private equity partnership <sup>1</sup>	Korea	December	63,577,054	50,070,409	82,457,916	1,932,279	1,688,789
Tcha Partners Public Mobility No. 2 private equity partnership <sup>1</sup>	Korea	December	73,990,016	63,644,473	73,462,701	436,491	436,491

**AJ Networks Co., Ltd.**  
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Tcha Partners Public Mobility No. 3 private equity partnership <sup>1</sup>	Korea	December	68,873,555	51,572,509	48,908,299	477,439	477,439
Auto Gallery Holdings, Inc. <sup>1</sup>	USA	December	73,703,922	50,457,904	149,756,864	5,725,187	7,339,304
Modu Rental Co., Ltd. <sup>1</sup>	Korea	December	139,559,609	108,795,001	88,978,108	1,079,190	1,051,525
A2 PARTNERS RHINOS No. 1 private equity partnership <sup>1</sup>	Korea	December	102,129,439	39,815,643	130,991,689	7,287,010	7,287,010
Darae Parktech Co., Ltd.	Korea	December	19,648,206	18,210,419	25,661,986	(2,225,907)	(2,225,907)
AJ Junsymall Co., Ltd.	Korea	December	22,056,147	6,276,911	46,638,207	(4,820,805)	(4,820,805)
AJ Rental Co., Ltd	Vietnam	December	13,308,098	4,115,956	5,194,330	416,777	1,275,554
AJ Rental Service Co., Ltd.	Korea	December	6,843,274	6,560,823	55,480,641	598,297	598,297
AJ JEONGUK SKY Co., Ltd.	Korea	December	4,852,527	949,411	4,382,106	109,997	109,997
AJ Rental Arabia, Ltd.	Saudi	December	23,142	-	117,579	(50,279)	(45,904)

<sup>1</sup> It is summarized financial information of the consolidated financial statements.

<i>(in thousands of Korean won)</i>	<b>2020</b>						
	<b>Location</b>	<b>Closing month</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Operating revenue</b>	<b>Profit (loss) for the year</b>	<b>Total comprehensive income (loss)</b>
AJ Total Co., Ltd. <sup>1</sup>	Korea	December	₩ 158,515,194	₩ 78,042,906	₩ 52,232,076	₩ 5,240,408	₩ 3,914,690
AJ Energy Co., Ltd.	Korea	December	46,797,832	29,086,174	259,088,380	1,212,294	1,212,294
AJ Park Co., Ltd. <sup>1</sup>	Korea	December	202,453,661	169,624,462	85,026,005	8,242,768	8,329,286
AJ Capital Partners Co., Ltd. <sup>1</sup>	Korea	December	80,149,327	17,709,297	18,600,786	2,011,073	2,014,551
AJ Rental Co., Ltd	Vietnam	December	11,253,915	3,337,327	3,993,231	(136,142)	(136,142)
AJ Rental Service Co., Ltd.	Korea	December	5,417,304	5,733,151	49,029,638	46,365	46,365
AJ International Traders Co., Ltd.	Korea	December	41,190	-	-	2,140,459	2,140,459
AJ Junsymall Co., Ltd.	Korea	December	16,147,591	15,498,641	52,564,753	(2,227,651)	(2,227,651)
AJ JEONGUK SKY Co., Ltd.	Korea	December	5,865,910	2,072,790	3,920,649	(178,923)	(178,923)
AJ Rental Inc. <sup>1</sup>	USA	December	70,412,916	4,077,339	12,778,759	(882,562)	(882,562)
AJ Carian Service Co., Ltd. <sup>1</sup>	Korea	December	6,943,654	6,401,518	44,761,887	(986,447)	(986,447)
World Rent-A-Car Co., Ltd.	Korea	December	585,644	16,500	206,149	(226,188)	(226,188)
Four season Rent-A-Car Co., Ltd	Korea	December	188,495	311,953	107,957	21,367	21,367
AJ Networks America, Inc. <sup>1</sup>	USA	December	12,333,894	308,466	1,680,068	(1,138,446)	(1,138,446)
AJ Sellcar Co., Ltd.	Korea	December	51,864,498	49,472,259	85,173,688	(1,614,902)	(1,614,902)
AJ M. Co., Ltd. <sup>1</sup>	Korea	December	21,133,702	11,014,727	11,199,985	(7,778,239)	(7,778,239)
AJ Ens Co., Ltd. <sup>1</sup>	Korea	December	14,204,667	4,609,528	24,687,410	(1,869,336)	(1,869,336)

**AJ Networks Co., Ltd.**  
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Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	December	163,251	34,371	396,892	(13,782)	(13,782)
AJ Auto Parking Systems Co., Ltd.	Korea	December	34,542,635	44,505,314	46,628,099	(5,595,845)	(5,614,386)
AJ Rental Arabia, Ltd.	Saudi	December	69,046	-	214,174	(82,360)	(82,360)
AJ Networks First Limited Company	Korea	December	37,347,329	37,344,329	1,558,823	-	-
LinkDotz Inc.	Korea	December	590,755	366,430	421,150	(20,944)	(20,944)
Tcha Partners Public Mobility No. 1 private equity partnership <sup>1</sup>	Korea	December	62,891,407	48,140,077	79,650,252	166,993	166,993
Tcha Partners Public Mobility No. 2 private equity partnership <sup>1</sup>	Korea	December	68,383,214	53,955,900	16,372,456	(1,740,277)	(1,740,277)
Tcha Partners Public Mobility No. 3 private equity partnership <sup>1</sup>	Korea	December	76,779,903	57,697,215	955	(917,313)	(917,313)
Auto Gallery Holdings, Inc. <sup>1</sup>	USA	December	67,719,379	52,126,476	99,929,033	1,884,981	1,884,981
AJ Networks Vietnam Co., Ltd.	Vietnam	December	2,098,399	160,684	1,008,658	(176,557)	(176,557)

<sup>1</sup> It is summary financial information of the consolidated financial statements.

The tables below provide unrecognized share of losses of subsidiaries or associates, both for the reporting period and cumulatively, because the Company has stopped recognizing its share of losses of the subsidiaries or associates when applying the equity method.

<i>(in thousands of Korean won)</i>	2021		2020	
	Unrecognized loss	Unrecognized changes	Unrecognized loss	Unrecognized changes
AJ Rental Service Co., Ltd.	₩ -	₩ -	₩ (315,846)	₩ -
Four season Rent-A-Car Co., Ltd	(139,147)	-	(123,459)	-
AJ Auto Parking Systems Co., Ltd.	(13,778,166)	-	(9,946,738)	-

**AJ Networks Co., Ltd.**  
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The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the subsidiaries and associates.

(in thousands of  
Korean won

	2021					
	Net assets <sup>1</sup>	Goodwill	Fair value difference	Intergroup transactions	Others	Book amount
AJ Total Co., Ltd. <sup>1</sup>	₩ 58,428,608	₩ -	₩ -	₩ (668,266)	₩ -	₩ 57,760,342
AJ Energy Co., Ltd.	19,438,609	-	-	(254,349)	-	19,184,260
AJ Rental Inc. <sup>1</sup>	82,950,421	-	-	-	(1,086,473)	81,863,948
AJ Daewon Co., Ltd.	3,729,982	3,578,181	3,016,718	-	1,081,584	11,406,465
AJ ICT Co., Ltd.	4,296,572	-	1,180,990	-	-	5,477,562
AJ Total Vietnam Co., Ltd.	23,020,252	-	-	-	1,019,229	24,039,481
AJ TOTAL HANOI CO., Ltd.	8,598,464	-	-	-	(1,628,040)	6,970,424
Tcha Partners Public Mobility No. 1 private equity partnership <sup>1</sup>	6,668,906	-	-	-	(533,723)	6,135,183
Tcha Partners Public Mobility No. 2 private equity partnership <sup>1</sup>	5,108,112	-	-	-	(1,779,335)	3,328,777
Tcha Partners Public Mobility No. 3 private equity partnership <sup>1</sup>	8,564,018	-	-	-	(958,461)	7,605,557
Auto Gallery Holdings, Inc.	11,617,630	-	-	-	(1,221,681)	10,395,949
AJ Junsymall Co., Ltd.	5,259,219	-	-	(456,654)	-	4,802,565
Modu Rental Co., Ltd. <sup>1</sup>	6,971,237	3,080,614	286,001	-	-	10,337,853
A2 PARTNERS RHINOS No. 1 private equity partnership <sup>1</sup>	20,688,180	-	-	-	664,773	21,352,954
Darae Parktech Co., Ltd.	536,278	7,061,726	682,416	-	-	8,280,419

<sup>1</sup> The amounts represent the net assets of subsidiaries and associates after eliminating those attributable to the non-controlling interest.



**AJ Networks Co., Ltd.**  
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(in thousands of  
Korean won

	2020					
	Net assets <sup>1</sup>	Goodwill	Fair value difference	Intergroup transactions	Others	Book amount
AJ Total Co., Ltd. <sup>1</sup>	₩ 80,221,515	₩ -	₩ -	₩ (8,761,107)	₩ -	₩ 71,460,408
AJ Energy Co., Ltd.	17,711,657	-	-	(270,438)	-	17,441,220
AJ Park Co., Ltd.	32,829,199	3,880,056	-	-	-	36,709,255
AJ Capital Partners Co., Ltd.	62,440,030	-	-	-	(35,442,267)	26,997,763
AJ Junsyall Co., Ltd.	648,950	353,640	190,579	(906,456)	-	286,713
Four season Rent-A-Car Co., Ltd	(123,459)	144,826	-	-	(21,367)	-
LinkDotz Inc. <sup>1</sup>	48,220	186,167	-	-	-	234,387
Tcha Partners Public Mobility No. 1 private equity partnership <sup>1</sup>	6,634,868	-	-	-	17,302	6,652,170
Tcha Partners Public Mobility No. 2 private equity partnership <sup>1</sup>	7,040,738	-	-	-	(881,053)	6,159,685
Tcha Partners Public Mobility No. 3 private equity partnership <sup>1</sup>	9,445,930	-	-	-	(463,243)	8,982,687
Auto Gallery Holdings, Inc. <sup>1</sup>	7,807,275	-	-	-	(1,146,575)	6,660,700

<sup>1</sup> The amounts represent the net assets of subsidiaries and associates after eliminating those attributable to the non-controlling interest.

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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**8. Operating Segments**

Sales are mostly composed of rental revenues, revenue from the sale of goods and others. The 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 pallets, rental, and holdings.

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

*(in thousands of  
Korean won)*

		<b>2021</b>				
		<b>Rental</b>				
		<b>Pallets</b>	<b>Construction equipment</b>	<b>IT</b>	<b>Holdings</b>	<b>Total</b>
Operating revenue	₩	199,798,714	₩ 83,713,540	₩ 193,089,605	₩ 8,921,857	₩ 485,523,716
Depreciation		52,292,988	28,317,911	50,301,994	4,141,149	135,054,041
Amortization		115,035	174,623	428,799	347,260	1,065,717
Operating profit (loss)		42,361,140	10,665,614	14,788,858	(11,342,035)	56,473,577

*(in thousands of  
Korean won)*

		<b>2020</b>				
		<b>Rental</b>				
		<b>Pallets</b>	<b>Construction equipment</b>	<b>IT</b>	<b>Holdings</b>	<b>Total</b>
Operating revenue	₩	167,035,838	₩ 79,134,360	₩ 195,779,013	₩ 11,605,681	₩ 453,554,892
Depreciation		50,060,187	28,006,383	55,849,121	2,957,848	136,873,539
Amortization		105,472	204,628	1,021,147	310,247	1,641,494
Operating profit (loss)		33,791,329	8,323,506	16,193,304	(8,021,428)	50,286,711

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2021 and 2020**

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

*(in thousands of Korean won)*

	<b>2021</b>					
	<b>Pallets</b>	<b>Rental</b>		<b>IT</b>	<b>Holdings</b>	<b>Total</b>
		<b>Construction equipment</b>				
Rental assets	₩ 281,052,426	₩ 199,795,799	₩ 134,179,799	₩ 917	₩ 615,028,941	
Trade receivables	25,835,572	12,494,161	14,913,321	830,644	54,073,698	

*(in thousands of Korean won)*

	<b>2020</b>					
	<b>Pallets</b>	<b>Rental</b>		<b>IT</b>	<b>Holdings</b>	<b>Total</b>
		<b>Construction equipment</b>				
Rental assets	₩ 253,259,277	₩ 186,406,499	₩ 139,981,180	₩ 10,333	₩ 579,657,288	
Trade receivables	21,390,342	10,847,275	21,126,929	1,923,230	55,287,776	

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:

*(in thousands of Korean won)*

	<b>Revenue from external customers<sup>1</sup></b>		<b>Non-current assets<sup>2</sup></b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Korea	₩ 483,795,579	₩ 450,824,486	₩ 1,009,383,856	₩ 966,752,436
Philippines	621,935	505,672	-	-
Saudi	1,106,202	2,195,753	-	-
Vietnam	-	28,981	-	-
	<u>₩ 485,523,716</u>	<u>₩ 453,554,892</u>	<u>₩ 1,009,383,856</u>	<u>₩ 966,752,436</u>

<sup>1</sup> Revenue is attributed to the country based on the customer's location.

<sup>2</sup> The amount excludes financial instruments and deferred tax assets.

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

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2021 and 2020**

**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 <sup>1</sup>	Book amount	Cost	Accumulated depreciation <sup>1</sup>	Book amount
IT	₩ 263,109,417	₩ (131,661,989)	₩ 131,447,428	₩ 249,804,790	₩ (119,278,181)	₩ 130,526,609
Pallets	536,386,831	(255,334,406)	281,052,425	476,874,446	(223,615,168)	253,259,278
Construction equipment	341,260,483	(142,142,302)	199,118,181	304,425,523	(118,130,856)	186,294,667
Pick-Pick	21,572	(20,655)	917	21,572	(11,240)	10,333
Assets in transit	257,456	-	257,456	-	-	-
Others	3,152,534	-	3,152,534	9,566,402	-	9,566,402
	<u>₩ 1,144,188,293</u>	<u>₩ (529,159,352)</u>	<u>₩ 615,028,941</u>	<u>₩ 1,040,692,733</u>	<u>₩ (461,035,445)</u>	<u>₩ 579,657,289</u>

<sup>1</sup> 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	Pick-Pick	Assets in transit	Others	Total
Beginning balance	₩ 130,526,609	₩ 253,259,277	₩ 186,294,667	₩ 10,333	₩ -	₩ 9,566,402	₩ 579,657,288
Acquisition	81,166,139	71,652,480	49,016,879	-	3,286,408	3,152,534	208,274,440
Disposal	(8,643,639)	(1,395,199)	(4,414,334)	-	-	-	(14,453,172)
Depreciation	(49,282,467)	(41,028,020)	(33,545,990)	(9,415)	-	-	(123,865,892)
Impairment loss <sup>1</sup>	(4,692,363)	(782,640)	-	-	-	-	(5,475,003)
Transfer	(17,626,852)	(653,473)	1,766,959	-	(3,028,952)	(9,566,402)	(29,108,720)
Ending balance	<u>₩ 131,447,428</u>	<u>₩ 281,052,425</u>	<u>₩ 199,118,181</u>	<u>₩ 917</u>	<u>₩ 257,456</u>	<u>₩ 3,152,534</u>	<u>₩ 615,028,941</u>

<sup>1</sup> An impairment loss is recognized for assets that are unable to be used after the term of the rental.

**AJ Networks Co., Ltd.**  
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(in thousands of  
Korean won)

	2020						
	IT	Pallets	Construction equipment	Pick-Pick	Assets in transit	Others	Total
Beginning balance	₩ 106,990,166	₩ 249,548,991	₩ 205,306,463	₩ 10,381	₩ 959,694	₩ -	₩ 562,815,695
Acquisition	86,690,296	46,901,929	23,538,434	-	661,725	9,566,402	167,358,786
Disposal	(7,160,609)	(1,239,015)	(3,438,857)	(2,419)	-	-	(11,840,900)
Depreciation	(54,902,683)	(39,331,104)	(33,010,673)	(10,758)	-	-	(127,255,218)
Impairment loss <sup>1</sup>	-	(2,186,411)	(8,762)	(140)	-	-	(2,195,313)
Transfer	(1,090,561)	(435,113)	(6,091,938)	13,269	(1,621,419)	-	(9,225,762)
Ending balance	₩ 130,526,609	₩ 253,259,277	₩ 186,294,667	₩ 10,333	₩ -	₩ 9,566,402	₩ 579,657,288

<sup>1</sup> An impairment loss is recognized for assets that are unable to be used after the term of the rental.

The Company 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 Company 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	₩ 115,136,524	₩ 118,320,556
1~5 years	94,729,202	115,478,547
Over 5 years	109,842	435,467
	₩ 209,975,568	₩ 234,234,570

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.

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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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 <sup>1</sup>	Book amount	Cost	Accumulated depreciation <sup>1</sup>	Book amount
Land	₩ 29,774,777	₩ -	₩ 29,774,777	₩ 29,774,777	₩ -	₩ 29,774,777
Buildings	20,459,548	(3,009,924)	17,449,624	20,359,594	(2,497,862)	17,861,732
Structures	1,149,817	(631,132)	518,685	1,044,339	(521,653)	522,686
Furniture and fixture	5,818,739	(4,125,761)	1,692,978	5,486,058	(3,268,644)	2,217,414
Vehicles	7,345,495	(3,309,034)	4,036,461	7,305,028	(2,686,405)	4,618,623
Machinery	9,778,755	(6,774,952)	3,003,803	8,655,137	(6,651,160)	2,003,977
Facilities	-	-	-	1,100	(1,099)	1
Others	117,617	-	117,617	110,378	-	110,378
Construction-in progress	1,098,932	-	1,098,932	116,100	-	116,100
	<u>₩ 75,543,680</u>	<u>₩ (17,850,803)</u>	<u>₩ 57,692,877</u>	<u>₩ 72,852,511</u>	<u>₩ (15,626,823)</u>	<u>₩ 57,225,688</u>

<sup>1</sup> 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	Ending balance
Land	₩ 29,774,777	₩ -	₩ -	₩ -	₩ -	₩ 29,774,777
Buildings	17,861,732	99,954	-	(512,062)	-	17,449,624
Structures	522,686	105,477	-	(109,478)	-	518,685
Furniture and fixture	2,217,414	244,712	(74,417)	(1,211,327)	516,596	1,692,978
Vehicles	4,618,623	265,732	(159,935)	(711,341)	23,382	4,036,461
Machinery	2,003,977	1,918,656	(12)	(1,034,918)	116,100	3,003,803
Facilities	1	-	-	-	(1)	-
Others	110,378	7,239	-	-	-	117,617
Construction-in progress	116,100	1,098,932	-	-	(116,100)	1,098,932
	<u>₩ 57,225,688</u>	<u>₩ 3,740,702</u>	<u>₩ (234,364)</u>	<u>₩ (3,579,126)</u>	<u>₩ 539,977</u>	<u>₩ 57,692,877</u>

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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(in thousands of  
Korean won)

	2020					
	Beginning balance	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	₩ 25,582,480	₩ 5,500	₩ -	₩ -	₩ 4,186,797	₩ 29,774,777
Buildings	15,585,742	2,718,804	-	(452,715)	9,900	17,861,731
Structures	319,291	188,946	-	(99,570)	114,019	522,686
Furniture and fixture	2,017,381	625,779	(173,000)	(1,203,340)	950,593	2,217,413
Vehicles	4,831,087	427,613	(746)	(656,128)	16,797	4,618,623
Machinery	1,444,931	1,460,055	(4)	(904,005)	3,000	2,003,977
Facilities	3	-	-	-	(2)	1
Others	103,140	7,239	-	-	-	110,379
Construction-in progress	4,631,216	116,100	(260,000)	-	(4,371,216)	116,100
	<u>₩ 54,515,271</u>	<u>₩ 5,550,036</u>	<u>₩ (433,750)</u>	<u>₩ (3,315,758)</u>	<u>₩ 909,888</u>	<u>₩ 57,225,687</u>

**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	Total
Acquisition amount	₩ 14,790,641	₩ 4,593,335	₩ 19,383,976
Accumulated depreciation	<u>(4,044,764)</u>	<u>(1,952,351)</u>	<u>(5,997,115)</u>
Net carrying amount	<u>₩ 10,745,877</u>	<u>₩ 2,640,984</u>	<u>₩ 13,386,861</u>

(in thousands of Korean won)

	2020		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 12,894,664	₩ 4,784,657	₩ 17,679,321
Accumulated depreciation	<u>(3,148,663)</u>	<u>(1,915,577)</u>	<u>(5,064,240)</u>
Net carrying amount	<u>₩ 9,746,001</u>	<u>₩ 2,869,080</u>	<u>₩ 12,615,081</u>

**AJ Networks Co., Ltd.**  
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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	Termination of lease contract	Replacement	Ending balance
Land and buildings	₩ 9,746,001	₩ 6,344,941	₩ (3,215,986)	₩ (288,624)	₩ (1,840,455)	₩ 10,745,877
Vehicles	2,869,080	1,439,980	(1,447,366)	(220,710)	-	2,640,984
	<u>₩ 12,615,081</u>	<u>₩ 7,784,921</u>	<u>₩ (4,663,352)</u>	<u>₩ (509,334)</u>	<u>₩ (1,840,455)</u>	<u>₩ 13,386,861</u>

(in thousands of  
Korean won)

	2020					
	Beginning balance	Acquisition	Depreciation	Termination of lease contract	Ending balance	
Land and buildings	₩ 6,673,163	₩ 6,003,555	₩ (2,848,339)	₩ (82,378)	₩ 9,746,001	
Vehicles	2,382,173	2,184,968	(1,471,199)	(226,863)	2,869,080	
	<u>₩ 9,055,336</u>	<u>₩ 8,188,524</u>	<u>₩ (4,319,538)</u>	<u>₩ (309,241)</u>	<u>₩ 12,615,081</u>	

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

(in thousands of  
Korean won)

	2021						
	Beginning balance	Acquisition	Lease payment	Replacement to liquidity lease liabilities	Interest expense	Termination of lease contract	Ending balance
Current	₩ 6,326,409	₩ 996,416	₩ (8,359,708)	₩ 7,725,728	₩ 251,909	₩ (253,197)	₩ 6,687,558
Non-current	27,701,539	6,675,213	-	(7,725,728)	1,045,661	(265,124)	27,431,561
	<u>₩ 34,027,948</u>	<u>₩ 7,671,630</u>	<u>₩ (8,359,708)</u>	<u>₩ -</u>	<u>₩ 1,297,570</u>	<u>₩ (518,321)</u>	<u>₩ 34,119,119</u>

(in thousands of  
Korean won)

	2020						
	Beginning balance	Acquisition	Lease payment	Replacement to liquidity lease liabilities	Interest expense	Termination of lease contract	Ending balance
Current	₩ 4,642,202	₩ 1,180,851	₩ (6,702,217)	₩ 7,099,385	₩ 219,985	₩ (113,797)	6,326,409
Non-current	19,594,919	14,600,125	-	(7,099,385)	807,384	(201,503)	27,701,540
	<u>₩ 24,237,121</u>	<u>₩ 15,780,976</u>	<u>₩ (6,702,217)</u>	<u>₩ -</u>	<u>₩ 1,027,369</u>	<u>₩ (315,300)</u>	<u>₩ 34,027,949</u>



**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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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	₩	591,370	₩ 1,173,340	₩ 4,965,744	₩ 22,009,454	₩ 6,576,861	₩ 35,316,769
Vehicles		111,712	211,382	828,699	1,671,544	-	2,823,337
	₩	<u>703,082</u>	<u>₩ 1,384,722</u>	<u>₩ 5,794,443</u>	<u>₩ 23,680,998</u>	<u>₩ 6,576,861</u>	<u>₩ 38,140,106</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	₩	549,666	₩ 1,088,820	₩ 4,564,975	₩ 19,050,130	₩ 10,209,292	₩ 35,462,883
Vehicles		126,018	248,219	913,457	1,790,367	-	3,078,061
	₩	<u>675,684</u>	<u>₩ 1,337,039</u>	<u>₩ 5,478,432</u>	<u>₩ 20,840,497</u>	<u>₩ 10,209,292</u>	<u>₩ 38,540,944</u>

The separate 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	₩ 3,215,986	₩ 2,848,339
Vehicles	1,447,366	1,471,199
	<u>₩ 4,663,352</u>	<u>₩ 4,319,538</u>
Interest expense relating to lease liabilities	₩ 1,297,570	₩ 1,027,369
Expense relating to short-term leases	730,569	581,141
Expense relating to leases of low-value assets that are not short-term leases	72,622	54,353
Expense relating to variable lease payments not included in lease liabilities	678,787	684,265

The total cash outflow for leases in 2021 was ₩ 9,842 million (2020: ₩ 8,022 million).

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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- Leases as lessor

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

<i>(in thousands of Korean won)</i>	<b>2021</b>
Current	₩ 7,467,510
Non-current	11,273,147
	<u>₩ 18,740,657</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>	<b>Gross investment in the lease</b>	<b>Present value of minimum lease payments</b>
Within one year	₩ 8,066,706	₩ 7,467,510
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	110,535
	<u>₩ 22,283,182</u>	<u>₩ 18,740,657</u>

There is no income related to variable lease payments that are not included in the net investment in the lease for the year ended December 31, 2021. Sales and costs for lease receivables for the year ended December 31, 2021, amounted to ₩ 10,022 million and ₩ 10,298 million, and interest income was ₩ 1,830 million.

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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**12. Investment Properties**

The Company provides some of the right-of-use assets as sub-lease, of which operating leases are classified as investment properties.

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Acquisition amount	₩	26,781,269	₩	25,727,677
Accumulated depreciation		<u>(6,699,204)</u>		<u>(3,771,857)</u>
Net carrying amount	₩	<u>20,082,065</u>	₩	<u>21,955,820</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>				
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Depreciation</b>	<b>Replacement<sup>1</sup></b>	<b>Ending balance</b>
Investment properties	₩ 21,955,820	₩ 60,497	₩ (2,945,671)	₩ 1,011,419	₩ 20,082,065

<sup>1</sup> ₩ 1,011 million was transferred from right-of-use assets to investment properties.

In 2021, operating income from investment properties is ₩ 4,930 million, and operating expenses from investment properties are ₩ 1,630 million.

<i>(in thousands of Korean won)</i>	<b>2020</b>				
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Depreciation</b>	<b>Replacement</b>	<b>Ending balance</b>
Investment properties	₩ 14,757,876	₩ 9,180,967	₩ (1,983,023)	₩ -	₩ 21,955,820

In 2020, operating income from investment properties is ₩ 2,174 million, and operating expenses from investment properties are ₩ 802 million.

**AJ Networks Co., Ltd.**  
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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:

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Within one year	₩	2,569,870	₩	934,950
Between 1 and 2 years		1,474,516		751,200
Between 2 and 3 years		525,210		120,647
Between 3 and 4 years		308,080		-
Between 4 and 5 years		33,333		-
	₩	<u>4,911,009</u>	₩	<u>1,806,797</u>

**13. Intangible Assets**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>			<b>2020</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Book amount</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Book amount</b>
Software	₩ 4,111,482	₩ (2,674,256)	₩ 1,437,226	₩ 3,859,351	₩ (2,349,934)	₩ 1,509,417
Others	3,989,535	(983,487)	3,006,048	3,906,548	(1,786,135)	2,120,413
	₩ <u>8,101,017</u>	₩ <u>(3,657,743)</u>	₩ <u>4,443,274</u>	₩ <u>7,765,899</u>	₩ <u>(4,136,068)</u>	₩ <u>3,629,830</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		
	<b>Software</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 1,509,417	₩ 2,120,413	₩ 3,629,830
Acquisition	250,768	1,421,978	1,672,746
Disposal	(168,187)	(17,337)	(185,524)
Amortization	(544,772)	(520,945)	(1,065,717)
Others	390,000	1,939	391,939
Ending balance	₩ <u>1,437,226</u>	₩ <u>3,006,048</u>	₩ <u>4,443,274</u>

**AJ Networks Co., Ltd.**  
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(in thousands of Korean won)

	<b>2020</b>		
	<b>Software</b>	<b>Others</b>	<b>Total</b>
Beginning balance	₩ 1,300,652	₩ 3,025,902	₩ 4,326,554
Acquisition	511,381	342,875	854,256
Disposal	(2)	(153,905)	(153,907)
Amortization	(504,214)	(1,137,281)	(1,641,495)
Others	201,600	42,822	244,422
Ending balance	<u>₩ 1,509,417</u>	<u>₩ 2,120,413</u>	<u>₩ 3,629,830</u>

**14. Other Financial Assets**

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

(in thousands of Korean won)

	<b>2021</b>	<b>2020</b>
<b>Other current financial assets</b>		
Other receivables	₩ 1,888,080	₩ 2,891,323
Provision for impairment	(265,233)	(265,233)
Accrued income	65,793	13,849
Short-term financial instruments	1,000,000	8,917,756
Short-term loans	2,800,000	37,370,000
Current portion of long-term loans	4,742,000	-
Derivative assets (current)	-	143,010
Financial assets at amortized cost (current)	5,000,000	-
Current portion of finance lease receivable	7,467,510	-
	<u>₩ 22,698,150</u>	<u>₩ 49,070,705</u>
<b>Other non-current financial assets</b>		
Long-term loans	₩ -	₩ 4,352,000
Long-term other receivables	1,092,236	352,829
Deposits received	12,949,602	10,968,591
Derivative assets	4,671,664	-
Financial assets at amortized cost	-	5,000,000
Finance lease receivable	11,273,148	-
Provision for impairment	(59,523)	-
Long-term financial instruments	797,600	7,000
	<u>₩ 30,724,727</u>	<u>₩ 20,680,420</u>

**AJ Networks Co., Ltd.**  
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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>	<b>2021</b>	<b>2020</b>
Beginning balance	₩ 265,233	₩ 11,769,955
Other impairment loss	59,523	4,500,000
Write-off	-	(2,504,722)
Others	-	(13,500,000)
Ending balance	<u>₩ 324,756</u>	<u>₩ 265,233</u>

**15. Other Assets**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Other current assets</b>		
Advance payments	₩ 23,163,112	₩ 9,891,058
Provision for impairment	(32,260)	(32,260)
Prepaid expenses	3,013,334	3,204,040
	<u>₩ 26,144,186</u>	<u>₩ 13,062,838</u>
<b>Other non-current assets</b>		
Long-term advance payments	₩ 2,914,998	₩ 1,048,913
Long-term prepaid expenses	74,792	58,427
	<u>₩ 2,989,790</u>	<u>₩ 1,107,340</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Current:</b>		
Beginning balance	₩ 32,260	₩ 45,113
Other impairment loss	-	(6,453)
Write-off	-	(6,400)
Ending balance	<u>₩ 32,260</u>	<u>₩ 32,260</u>

Provision for impaired receivables and amounts reversed have been included in the statement of profit or loss within 'other income (expenses)'.

**AJ Networks Co., Ltd.**  
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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*

<i>(in thousands of Korean won)</i>	<b>Details</b>	<b>Annual interest rate as at December 31, 2021</b>	<b>2021</b>	<b>2020</b>
HANA Bank		3.40%~3.41%	₩ 4,500,000	₩ 14,500,000
Kookmin Bank		3.62%~3.67%	4,000,000	4,000,000
THE DAEGU BANK LTD	General fund	2.85%~3.14%	4,000,000	8,000,000
KDB		2.25%	10,000,000	40,000,000
Shinhan bank		3.16%~3.58%	15,000,000	16,500,000
Suhyup bank		3.73%	5,000,000	-
Corporate Liquidity Support Organization (SPV)		-	-	50,000,000
SHINYOUNG SECURITIES CO., LTD	Commercial paper	-	-	21,000,000
WOORI INVESTMENT BANK CO., LTD.		-	-	10,000,000
KIWOOM SECURITIES Corp.		-	-	5,000,000
SHINYOUNG SECURITIES CO., LTD	Electronic short-term bond	-	-	4,000,000
KIWOOM SECURITIES Corp.		-	-	15,000,000
			<u>₩ 42,500,000</u>	<u>₩ 188,000,000</u>

**AJ Networks Co., Ltd.**  
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*(b) Long-term borrowings*

<i>(in thousands of Korean won)</i>	<b>Details</b>	<b>Annual interest rate as at December 31, 2021</b>	<b>2021</b>	<b>2020</b>
Shinhan bank		4.14%	₩ 5,000,000	₩ -
Kyongnam Bank		-	-	1,666,664
HANA Bank		3.93%~4.23%	55,416,667	41,493,333
Kookmin Bank		3.32%~4.41%	54,633,333	51,583,333
NongHyup Bank		4.08%	13,333,280	25,555,480
THE DAEGU BANK LTD		3.08%	1,000,000	7,055,470
KDB		2.84%~2.86	36,000,000	-
AJ Networks First Limited Company <sup>1</sup>		1.98%~3.97%	29,000,000	36,500,000
Net One Q First Co., Ltd.		3.40%	6,720,000	13,360,000
Suhyup bank	Facility fund and others	4.01%	1,916,667	4,363,178
THE JEONBUK BANK LTD		3.88%	1,333,328	2,333,324
IBK Capital Co., Ltd.		4%~4.20%	17,758,736	13,271,135
KB Capital		3.89%~3.90%	10,414,242	21,478,487
KIS Plus 1st Co., Ltd. and 1 other		3.65%	40,000,000	-
HANKOOKCAPITAL CO., LTD. and 1 other		3.70%	9,208,340	-
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	4,868,074
			<u>337,207,020</u>	<u>274,367,441</u>
	Less: present value discounts account		(369,956)	(584,176)
	Less: current portion of long-term borrowings		<u>(144,147,523)</u>	<u>(123,347,703)</u>
			<u>₩ 192,689,541</u>	<u>₩ 150,435,562</u>

<sup>1</sup> Securitization borrowings for trade receivables borrowed from Korea Development Bank by pledging a priority beneficiary right to trade receivables in the future as collateral are included.

In relation to the above long-term and short-term borrowings, property, plant and equipment and rental assets are provided as collateral (Note 19).



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

<i>(in thousands of Korean won)</i>	<b>Latest maturity date</b>	<b>Annual interest rate as at December 31,</b>	<b>2021</b>	<b>2020</b>
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	-
			<u>340,000,000</u>	<u>349,000,000</u>
Less: discounts on debentures			(406,886)	(652,514)
Less: current portion of bonds			<u>(141,922,059)</u>	<u>(114,893,385)</u>

**AJ Networks Co., Ltd.**  
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₩ 197,671,055	₩ 233,454,101
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Public offering Debentures 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:

*(in thousands of Korean won)*

	<b>2021</b>	<b>2020</b>
<b>Other current financial liabilities</b>		
Other payables	₩ 11,759,943	₩ 12,594,314
Accrued expenses	8,497,070	11,506,039
Rental deposits	4,199,793	2,750,970
Financial guarantee liabilities	375,077	212,111
Financial derivative liabilities (current)	2,248	-
Deposits provided	1,230,137	1,000,000
	₩ 26,064,268	₩ 28,063,434
<b>Other non-current financial liabilities</b>		
Long-term rental deposits	₩ 592,027	₩ 410,673
Financial guarantee liabilities	1,141,055	318,317
Rent deposits	2,011,100	580,000
Long-term accrued expenses	225,413	197,181
Financial derivative liabilities	5,210,076	219,685
	₩ 9,179,671	₩ 1,725,856

**AJ Networks Co., Ltd.**  
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Other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
<b>Other current liabilities</b>		
Advance from customers <sup>1</sup>	₩ 2,042,828	₩ 2,321,003
Withholdings	278,752	356,831
Unearned revenues	-	1,585,206
Withholding tax	1,808,022	-
	<u>₩ 4,129,602</u>	<u>₩ 4,263,040</u>
<b>Other non-current liabilities</b>		
Provision for restoration	₩ 451,520	₩ 438,410
	<u>₩ 451,520</u>	<u>₩ 438,410</u>

<sup>1</sup> Includes contract liabilities under Korean IFRS 1115.

**18. Post-employment Benefits**

As the Company entered defined contribution pension plans, the Company recognized contributions as expenses during the year. The contributions are recognized as expenses are ₩ 2,470 million and ₩ 2,752 million for the years ended December 31, 2021 and 2020, respectively.

**AJ Networks Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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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	Credit line	Borrowings
Kookmin Bank	Facility fund	₩ 54,633,333	₩ 54,633,333
	General fund	4,000,000	4,000,000
THE DAEGU BANK LTD	Facility fund	1,000,000	1,000,000
	General fund	8,000,000	4,000,000
Shinhan bank	Facility fund	5,000,000	5,000,000
	General fund	21,500,000	15,000,000
THE JEONBUK BANK LTD	Facility fund	1,333,328	1,333,328
HANA Bank	Facility fund	55,416,667	55,416,667
	General fund	4,500,000	4,500,000
NongHyup Bank	Facility fund	13,333,280	13,333,280
Suhyup bank	Facility fund	1,916,667	1,916,667
	General fund	5,000,000	5,000,000
KDB	Facility fund	36,000,000	36,000,000
	General fund	10,000,000	10,000,000
AJ Networks First Limited Company <sup>1</sup>	Loans secured by trade receivables	29,000,000	29,000,000
KIS Plus 1st Co., Ltd. and 1 other	Facility fund	40,000,000	40,000,000
Net One Q First Co., Ltd	Facility fund	6,720,000	6,720,000
IBK Capital Co., Ltd.	Facility fund	17,758,736	17,758,736
KB Capital	Facility fund	10,414,242	10,414,242
Hana Capital Co., Ltd.	Facility fund	29,400,007	29,400,007
BNK Capital Co., Ltd.	Facility fund	19,930,402	19,930,402
KDB Capital Co., Ltd.	Facility fund	2,887,407	2,887,407
KB Kookmin Card Co., Ltd.	Facility fund	3,254,611	3,254,611
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	9,208,340	9,208,340
		<u>₩ 390,207,020</u>	<u>₩ 379,707,020</u>

<sup>1</sup> The Company 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 Company 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	Credit line	Borrowings
Kookmin Bank	Facility fund	₩ 51,583,333	₩ 51,583,333
	General fund	4,000,000	4,000,000
THE DAEGU BANK LTD	Facility fund	7,055,470	7,055,470
	General fund	8,000,000	8,000,000
Shinhan bank	General fund	21,500,000	16,500,000
THE JEONBUK BANK LTD	Facility fund	2,333,324	2,333,324
HANA Bank	Facility fund	41,493,333	41,493,333
	General fund	14,500,000	14,500,000
Kyongnam Bank	Facility fund	1,666,664	1,666,664
NongHyup Bank	Facility fund	25,555,480	25,555,480
Suhyup bank	Facility fund	4,363,178	4,363,178
	General fund	5,000,000	-
SHINYOUNG SECURITIES CO., LTD	Commercial paper	21,000,000	21,000,000
	Electronic short-term bond	4,000,000	4,000,000
KIWOOM SECURITIES Corp.	Commercial paper	5,000,000	5,000,000
	Electronic short-term bond	15,000,000	15,000,000
Corporate Liquidity Support Organization (SPV)	Commercial paper	50,000,000	50,000,000
WOORI INVESTMENT BANK CO. LTD	Commercial paper	10,000,000	10,000,000
KDB	General fund	40,000,000	40,000,000
AJ Networks First Limited Company <sup>1</sup>	Loans secured by trade receivables	36,500,000	36,500,000
Net One Q First Co., Ltd	Facility fund	13,360,000	13,360,000
IBK Capital Co., Ltd.	Facility fund	13,271,135	13,271,135
KB Capital	Facility fund	21,478,487	21,478,487
Hana Capital Co., Ltd.	Facility fund	24,221,427	24,221,427
BNK Capital Co., Ltd.	Facility fund	20,377,829	20,377,829
KDB Capital Co., Ltd.	Facility fund	6,239,707	6,239,707
KB Kookmin Card Co., Ltd.	Facility fund	4,868,073	4,868,073
		₩ 472,367,440	₩ 462,367,440

<sup>1</sup> The Company 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 Company 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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Details of payment guarantees provided by third parties are as follows:

<i>(in thousands of Korean won)</i>				
<b>Guarantor</b>	<b>Details</b>		<b>2021</b>	<b>2020</b>
Seoul Guarantee Insurance Co., Ltd.	Performance guarantees and others	₩	11,431,776	₩ 9,948,820

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

<i>(in thousands of Korean won)</i>			<b>Guaranteed amount</b>
<b>Beneficiary</b>			
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
		₩	<u>18,410,482</u>

As at December 31, 2020, there is no payment guarantee provided for others other than related parties. As at December 31, 2021 and 2020, payment guarantees provided to related parties are disclosed in Note 35.

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

<i>(in thousands of Korean won)</i>		<b>2021</b>		
	<b>Collateral amount</b>	<b>Borrowing amount</b>		<b>Security right holders</b>
Land, Buildings, Machinery and others	₩ 26,700,000	₩ 21,050,000		Kookmin bank and Shinhan bank
Rental assets	482,700,000	229,240,354		Hana bank and others
Financial assets at fair value through profit or loss <sup>1</sup>	1,604,309	-		Kodit 2020 the 15th Securitization Specialty Co., Ltd. and the others

<sup>1</sup> Matters about collaterals for deposits and subordinated bond related to PCBO

In order to secure the principal and interest repayment obligations of bonds borne by the pledger "the Company" to the pledgees "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 Company has opened a deposit account to pledge the deposit as collateral.

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<i>(in thousands of Korean won)</i>		<b>2020</b>		
	<b>Collateral amount</b>	<b>Borrowing amount</b>		<b>Security right holders</b>
Land, Buildings, Machinery and others	₩ 3,900,000	₩ 3,000,000		Kookmin bank and Shinhan bank
Rental assets	430,396,000	208,284,110		Hana bank and others
Financial assets at fair value through profit or loss <sup>1</sup>	1,014,807	-		Kodit 2020 the 15th Securitization Specialty Co., Ltd. and the others

<sup>1</sup> Matters about collaterals for deposits and subordinated bond related to PCBO

In order to secure the principal and interest repayment obligations of bonds borne by the pledger "the Company" to the pledgees "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 Company has opened a deposit account to pledge the deposit as collateral.

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

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

<sup>1</sup> In connection with the borrowings from AJ Networks First Limited Company amounting to ₩ 29 billion (2020: ₩ 36.5 billion), the Company has entered into an agreement to provide loans for the shortfall if the Korea Development Bank, a trustee, determines that the funds are insufficient to make payment for the senior debt.

<sup>2</sup> In connection with the borrowings from Net One Q First Co., Ltd. amounting to ₩ 6.72 billion (2020: ₩ 13.36 billion), the Company has agreed to provide loans for the shortfall to the lender if 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.

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

	<b>Occurrence condition</b>	<b>Remarks</b>
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 Company 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 Company 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 Company 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., that were disposed during 2021, there is an agreement in which the Company 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 the condition that it shall be terminated before the expiration of the lease period. In this regard, the Company 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 Company will bear only supplementary liability.



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*Call-option and Drag-along*

	<b>Occurrence condition</b>	<b>Remarks</b>
Call-option	The Company 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 Company 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 AJ Capital Partners Co., Ltd. and Modu Rental Holdings Co., Ltd., AJ Capital Partners Co., Ltd. was granted a call option for all or part of the redeemable convertible preferred share of Modu Rental Co., Ltd. held by Modu Rental Holdings Co., Ltd. In addition, AJ Capital Partners Co., Ltd. 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. On March 31, 2021, as the Company merged with the investment business related to Modu Rental Co., Ltd., of AJ Capital Partners Co., Ltd., the subject of all contracts was transferred to the Company. For these options, the Company 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 Company are provided as collateral to Mirae Asset Daewoo Co., Ltd. and Shinhan Capital Co., Ltd. of ₩ 42 billion (2020: ₩ 42 billion).

As at December 31, 2021, the Company has 4 litigation in which the Company is a defendant due to affirmation of the non-existence of rental fees, and the outcome of the litigation cannot be reasonably estimated. Total litigation amount is ₩ 1,266 million, of which ₩ 1,141 million of impairment on trade receivables and rental assets and others was reflected in the separate financial statements for the year ended December 31, 2021.

As at December 31, 2020, there was no litigation in which the Company is a defendant.

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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 Company 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 Company's accounting policy.

Details of unsettled derivative instruments held by the Company 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>	Type	Financial institutions	2021		2020	
			Assets	Liabilities	Assets	Liabilities
Currency swap			₩ -	₩ -	₩ 143,010	₩ -
Interest rate swap		Hana bank	113,643	2,248	-	68,385
Interest rate swap		Nonghyup bank	15,615	-	-	151,300
Call-option		Modu Rental Holdings Co., Ltd.	4,542,405	-	-	-
Drag-along			-	5,210,076	-	-
			₩ 4,671,664	₩ 5,212,324	₩ 143,010	₩ 219,685

For the year ended December 31, 2021, the Company 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	₩ 103,725,390	46,822,295	₩ 46,822,295	₩ 103,725,390
Revaluation surplus	-	-	(8,084)	-	-	-
Ending balance	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 103,717,306</u>	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 103,725,390</u>

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

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
<b>Capital adjustment</b>		
Other capital adjustment	₩ (26,516,922)	₩ (26,516,922)
Treasury shares	(6,992,178)	(5,751,480)
	<u>₩ (33,509,100)</u>	<u>₩ (32,268,402)</u>
<b>Other comprehensive income</b>		
Equity method changes in equity	₩ 511,729	₩ (10,356,038)
Change in financial assets at fair value through other comprehensive income	(355,681)	(1,001,829)
	<u>₩ 156,048</u>	<u>₩ (11,357,867)</u>
<b>Other components of equity</b>		
Share option	₩ 17,883	₩ -
Others	(672,557)	-
	<u>₩ (654,673)</u>	<u>₩ -</u>

**AJ Networks Co., Ltd.**  
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**23. Share-based Payments**

The establishment of the Company'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:

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

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

<b>Grant date</b>	<b>Exercisable period</b>	<b>Expiry date</b>	<b>Exercise price per share (in Korean won)</b>	<b>Number of shares (in shares)</b>
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	<u>17,316</u>
				<u>86,580</u>

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

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The Company 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:

		<b>2021</b>
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>	<b>2021</b>	<b>2020</b>
Legal reserves <sup>1</sup>	₩ 5,212,783	₩ 4,256,497
Reserve for business rationalization <sup>2</sup>	1,173,040	1,173,040
Retained earnings before appropriation	<u>249,870,641</u>	<u>186,093,754</u>
	<u>₩ 256,256,465</u>	<u>₩ 191,523,291</u>

<sup>1</sup> 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).

<sup>2</sup> The Company recorded tax credits from the Tax Reduction and Exemption Control Act as a business rationalization reserve until 2002. The reserve can only be used as a reserve for loss carry forwards or transfer to ordinary shares. However, on December 11, 2002, with amended Tax Reduction and Exemption Control Act, the related clause was removed, and the business rationalization reserves were changed to discretionary reserves.

The appropriation of retained earnings for the year ended December 31, 2021, is expected to be appropriated at the shareholders' meeting on March 29, 2022. The appropriation date for the year ended December 31, 2020, was March 30, 2021.

The appropriation of retained earnings for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Unappropriated retained earnings carried over from prior year	₩ 175,574,606	₩ 168,973,141
Share of other comprehensive income of associates and others <sup>1</sup>	232,783	-
Profit for the year	<u>74,063,252</u>	<u>17,120,613</u>
Retained earnings available for appropriation	<u>249,870,641</u>	<u>186,093,754</u>
Appropriation of retained earnings		
Earned profit reserves	(1,208,731)	(956,286)
Cash dividends	(12,087,310)	(9,562,862)
	<u>(13,296,041)</u>	<u>(10,519,148)</u>
Unappropriated retained earnings to be carried forward	<u>₩ 236,574,600</u>	<u>₩ 175,574,606</u>

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<sup>1</sup> Transfer of share of other comprehensive income(loss) of subsidiaries and associates due to discontinuation of the equity method and disposal of subsidiaries of approximately ₩ 162 million, transfer of gain or loss on disposal of financial assets at fair value through other comprehensive income of approximately ₩ 63 million and transfer of revaluation reserves of approximately ₩ 8 million.

**25. Earnings per Share**

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

<i>(in Korean won)</i>	<b>2021</b>	<b>2020</b>
Profit for the year	₩ 74,063,252,281	₩ 17,120,613,068
Weighted average number of ordinary shares outstanding <sup>1</sup> <i>(in shares)</i>	<u>44,994,826</u>	<u>45,818,378</u>
Basic earnings per share	<u>₩ 1,646</u>	<u>₩ 374</u>

<sup>1</sup> 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>	<b>Date</b>	<b>Number of ordinary shares outstanding</b>	<b>Number of days</b>	<b>Weighted average</b>
<b>2021</b>				
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>
<b>2020</b>				
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 Company issued the share options with no dilutive effect, basic earnings per share is identical to diluted earnings per share.

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**26. 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>	<b>2021</b>	<b>2020</b>
Salaries	₩ 27,172,742	₩ 31,219,259
Miscellaneous salaries	17,450	87,837
Retirement benefits	2,469,807	2,751,547
Other employee benefits	5,247,390	5,946,698
Service fees	369,350	475,868
Communications	332,800	296,523
Entertainment expense	1,804,386	1,499,185
Rent expense	1,229	14,785
Depreciation	4,127,869	3,872,744
Commissions and fees	12,386,602	6,953,728
Maintenance fee for vehicles	1,086,057	1,008,930
Advertisement	592,285	730,808
Amortization	569,524	529,115
Impairment loss	7,454,785	1,789,723
Others	1,944,804	1,606,487
	<u>₩ 65,577,080</u>	<u>₩ 58,783,237</u>



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**27. 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>	<b>2021</b>	<b>2020</b>
Finance income		
Interest income	₩ 1,519,153	₩ 2,258,001
Dividend income	282,007	1,025,200
Gain on foreign currency transaction	834,809	896,547
Gain on foreign currency translation	526,075	2,286,128
Financial guarantee income	542,556	549,224
Gain on valuation of financial assets at fair value through profit or loss	1,351,689	6,462,189
Gain on disposal of financial assets at fair value through other comprehensive income	-	8,068
Gain on valuation of derivatives	346,696	48,694
	<u>₩ 5,402,985</u>	<u>₩ 13,534,051</u>
Finance costs		
Interest expenses	₩ 28,991,299	₩ 29,823,596
Loss on foreign currency transaction	118,412	2,644,012
Loss on foreign currency translation	12,668	672,878
Loss on valuation of derivatives	2,285,289	1,962,890
Loss on disposal of financial assets at fair value through profit or loss	3,465	1,904
Loss on valuation of financial assets at fair value through profit or loss	1,399,656	6,009,865
Impairment loss on financial assets at fair value through profit or loss	-	42,264
	<u>₩ 32,810,789</u>	<u>₩ 41,157,409</u>

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**28. 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>	<b>2021</b>	<b>2020</b>
Other income		
Gain on disposal of property, plant and equipment	₩ 15,784	₩ 38,617
Miscellaneous gain	1,169,449	1,509,910
Reversal of provision for impairment	-	6,453
Gain on disposal of intangible assets	1,450	6,130
Gain on cancellation of right-of-use assets	8,987	6,059
Commission revenue	2,463	14,540
Reversal of provision for restoration	10,584	-
Gain on disposal of investments in subsidiaries	6,833,855	-
Gain on disposal of investments in associates	2,386,611	-
	<u>₩ 10,429,183</u>	<u>₩ 1,581,709</u>
Other expenses		
Other impairment loss	₩ -	₩ 4,500,000
Loss on disposal of property, plant and equipment	57,394	120,005
Impairment loss on property, plant and equipment	214	11,666
Loss on disposal of intangible assets	5,186	60,363
Donations	209,987	298,227
Miscellaneous loss	493,872	2,538,857
Loss on cancellation of right-of-use assets	358,250	-
Loss on disposal of investments in subsidiaries	783,632	-
Loss on disposal of investments in associates	3,776	-
	<u>₩ 1,912,311</u>	<u>₩ 7,529,118</u>

**29. Gain or Loss on Investments in Subsidiaries and Associates**

Gain or loss on investments in subsidiaries and associates for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Share of profit of subsidiaries and associates	₩ 50,722,918	₩ 28,558,404
Share of loss of subsidiaries and associates	(14,682,145)	(23,023,504)
Gain on disposal of investments in subsidiaries	-	529,113
Loss on disposal of investments in subsidiaries	-	(1,459,535)
	<u>₩ 36,040,773</u>	<u>₩ 4,604,478</u>

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**30. Income Tax Expense**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Current tax expense	₩	1,562,486	₩	4,632,966
Origination and reversal of temporary differences		13,474,825		514,432
Income tax expense directly reflected in capital		(5,742)		(170,039)
Additional income taxes		583,870		923,942
Income taxes refunds		-		(1,913,263)
Income tax expense	₩	<u>15,615,439</u>	₩	<u>3,988,038</u>

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>	<b>2021</b>		<b>2020</b>	
Profit before income tax expense	₩	89,678,691	₩	21,108,652
Tax at tax rates applicable to profits		21,240,243		4,646,294
Tax effects of:				
Non-taxable income		(5,213,084)		(2,053,298)
Non-deductible expense		5,900,253		5,179,762
Tax credits		79,032		91,681
Effect of unrecognized deferred income tax assets and others		(8,697,211)		(2,832,779)
Others		2,306,206		(1,043,622)
Income tax expense	₩	<u>15,615,439</u>	₩	<u>3,988,038</u>
Effective tax rate		17.41%		18.89%

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>	<b>2021</b>			<b>2020</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 828,395	₩ (182,247)	₩ 646,148	₩ 344,971	₩ (73,119)	₩ 271,852
Share of other comprehensive of associates	<u>10,691,262</u>	<u>176,504</u>	<u>10,867,767</u>	<u>(9,501,309)</u>	<u>(96,920)</u>	<u>(9,598,229)</u>
	₩ 11,519,657	₩ (5,742)	₩ 11,513,915	₩ (9,156,338)	₩ (170,039)	₩ (9,326,377)

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Major accumulated temporary differences and movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<b>2021</b>				
	<b>Accumulated temporary differences</b>			<b>Deferred tax assets (liabilities)</b>	
	<b>Beginning balance</b>	<b>Increase (decrease)</b>	<b>Ending balance</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Investments accounted for using equity method	₩ 47,220,248	₩ (47,393,962)	₩ (173,715)	₩ 10,045,483	₩ (38,217)
Impairment loss on financial assets at fair value through other comprehensive income	77,995	57,622	135,617	16,592	29,836
Provision for impairment	7,733,372	4,640,326	12,373,698	1,645,173	2,722,214
Loss on valuation of financial assets at fair value through other comprehensive income	65,142	(871,013)	(805,871)	13,858	(177,292)
Rental assets	(582,865)	234,096	(348,769)	(123,997)	(76,729)
Provision for land revaluation	(30,385,459)	-	(30,385,459)	(6,464,104)	(6,684,802)
Undefined expenses	8,979,507	(3,465,763)	5,513,744	1,910,271	1,213,024
Trade receivables	2	-	2	-	-
Derivative financial liabilities	47,140,580	(46,285,918)	854,662	10,028,535	188,026
Derivative financial assets	(143,010)	1,446,626	1,303,616	(30,423)	286,796
Interest income	264,381	-	264,381	56,244	58,164
Payment guarantee commission	6,059	-	6,059	1,289	1,333
Valuation allowance of inventories	1,775,145	(774,169)	1,000,976	377,639	220,215
Non-current assets held for sale	211,770	(211,770)	-	45,051	-
Temporary reserves of overseas local entities	20,567	-	20,567	4,375	4,525
Loss on obsolescence of inventories	-	9,559,682	9,559,682	-	2,103,130
Treasury shares	-	2,486,259	2,486,259	-	546,977
Others	20,000,160	(23,584,161)	(3,584,000)	4,254,770	(788,481)
	<u>₩ 102,383,594</u>	<u>₩ (104,162,145)</u>	<u>₩ (1,778,551)</u>	21,780,756	(391,281)
Effect of exclusion of deferred tax recognition				7,450,614	(1,246,598)
Recognition of deferred tax assets (liabilities)				<u>₩ 14,330,142</u>	<u>₩ 855,317</u>

**AJ Networks Co., Ltd.**  
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<i>(in thousands of Korean won)</i>	<b>2020</b>				
	<b>Accumulated temporary differences</b>			<b>Deferred tax assets (liabilities)</b>	
	<b>Beginning balance</b>	<b>Increase (decrease)</b>	<b>Ending balance</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Investments accounted for using equity method	₩ 43,855,167	₩ 3,365,081	₩ 47,220,248	₩ 9,648,137	₩ 10,045,483
Impairment loss on financial assets at fair value through other comprehensive income	77,995	-	77,995	17,159	16,592
Provision for impairment	15,546,702	(7,813,330)	7,733,372	3,420,274	1,645,173
Loss on valuation of financial assets at fair value through other comprehensive income	408,846	(343,704)	65,142	89,946	13,858
Rental assets	(1,517,793)	934,928	(582,865)	(333,915)	(123,997)
Provision for land revaluation	(30,385,459)	-	(30,385,459)	(6,684,801)	(6,464,104)
Undefined expenses	8,399,308	580,199	8,979,507	1,847,848	1,910,271
Trade receivables	2	-	2	-	-
Derivative financial liabilities	47,066,429	74,151	47,140,580	10,354,614	10,028,535
Gain on valuation of derivatives	(1,983,054)	1,840,044	(143,010)	(436,272)	(30,423)
Interest income	264,381	-	264,381	58,164	56,244
Payment guarantee commission	6,059	-	6,059	1,333	1,289
Valuation allowance of inventories	89,366	1,685,779	1,775,145	19,660	377,639
Tax losses carryforward	7,929,496	(7,929,496)	-	1,744,489	-
Non-current assets held for sale	-	211,770	211,770	-	45,051
Temporary reserves of overseas local entities	20,567	-	20,567	4,525	4,375
Others	24,440,018	(4,439,858)	20,000,160	5,376,804	4,254,769
	<u>₩ 114,218,030</u>	<u>₩ (11,834,436)</u>	<u>₩ 102,383,594</u>	<u>25,127,965</u>	<u>21,780,755</u>
Effect of exclusion of deferred tax recognition				<u>10,283,390</u>	<u>7,450,613</u>
Recognition of deferred tax assets (liabilities)				<u>₩ 14,844,575</u>	<u>₩ 14,330,142</u>

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Temporary differences		
Investments accounted for using equity method	₩ (5,870,824)	₩ 34,731,678
Payment guarantee commission	6,059	6,059
Temporary reserves of overseas local entities	20,567	20,567
Interest income	264,381	264,381
Financial guarantee	(122,777)	-
Deemed acquisition tax	36,239	-
	<u>₩ (5,666,355)</u>	<u>₩ 35,022,685</u>

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>	<b>2021</b>	<b>2020</b>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 13,154,472	₩ 9,757,694
Deferred tax asset to be recovered within 12 months	7,188,479	18,807,528
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(17,697,593)	(12,454,729)
Deferred tax liability to be recovered within 12 months	(1,790,042)	(1,780,351)
Deferred tax assets, net	<u>₩ 855,316</u>	<u>₩ 14,330,142</u>

**AJ Networks Co., Ltd.**  
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**31. Breakdown of Expenses by Nature**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Good issued and use of stored goods	₩ 134,628,561	₩ 128,409,456
Salaries	27,191,370	31,314,969
Post-employment benefits	2,469,807	2,751,547
Other employee benefits	5,247,390	5,946,698
Rent expenses	1,362,637	580,084
Depreciation	135,054,041	136,873,539
Amortization	1,065,717	1,641,494
Commissions and fees	82,676,318	69,743,135
Vehicle maintenance expenses	2,840,757	2,483,430
Advertisement expenses	592,285	730,808
Impairment loss	7,454,785	1,789,723
Freight expenses	5,908,674	5,259,065
Impairment loss on rental assets	5,475,003	2,195,313
Other expenses	17,082,794	13,548,920
	₩ 429,050,139	₩ 403,268,181

**32. 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>	<b>2021</b>	<b>2020</b>
Profit (loss) for the year	₩ 74,063,252	₩ 17,120,613
Adjustments for:		
Share of loss or associates	14,682,145	23,023,504
Depreciation	135,054,041	136,873,539
Amortization	1,065,717	1,641,494
Impairment loss	7,454,785	1,789,723
Loss on valuation of inventories	114,523	1,686,439
Interest expenses	28,991,299	29,823,596
Gain on disposal of investments in subsidiaries	(6,833,855)	(529,113)
Loss on disposal of financial assets at fair value through profit or loss	3,465	1,904
Loss on valuation of financial assets at fair value through profit or loss	1,399,656	6,009,865
Other impairment loss	-	4,500,000

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<i>(in thousands of Korean won)</i>	<b>2021</b>	<b>2020</b>
Loss on valuation of derivatives	2,285,289	1,962,890
Income tax expenses	15,615,439	3,988,038
Share of profit or associates	(50,722,918)	(28,558,404)
Gain on disposal of financial assets at fair value through profit or loss	(1,351,689)	(6,462,189)
Gain on valuation of derivatives	(346,696)	(48,694)
Interest income	(1,519,153)	(2,258,001)
Dividend income	(282,007)	1,025,200
Impairment loss on financial assets at fair value through profit or loss	-	42,264
Impairment loss on non-current assets held for sale	-	211,770
Gain on disposal of non-current assets held for sale	(16,055,273)	-
Gain on disposal of investments in associates	(2,386,611)	-
Impairment loss on rental assets	5,475,003	2,195,313
Others	183,318	(1,885,659)
	<u>132,826,478</u>	<u>175,033,481</u>
Change in operating assets and liabilities:		
Increase in trade receivables	(6,264,302)	(8,345,943)
Decrease (increase) in other financial assets	(8,221,920)	6,430,793
Increase in other assets	(174,016)	(1,226,120)
Increase in rental assets	(208,274,440)	(167,358,786)
Decrease in inventories	29,646,317	12,113,257
Increase in trade payables	4,217,681	11,831,123
Increase in other financial liabilities	772,272	3,760,144
Increase in other liabilities	136,562	1,112,390
	<u>(188,161,846)</u>	<u>(141,683,142)</u>
Cash generated from operations	<u>₩ 18,727,884</u>	<u>₩ 50,470,951</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>	<b>2021</b>		<b>2020</b>	
Write-off of other financial assets	₩	921,962	₩	2,300,000
Transfer of long-term borrowings to current portion of borrowings		144,147,523		123,561,922
Transfer of debentures to current portion of debentures		142,000,000		115,021,835
Non-trade payables related to acquisition of property, plant and equipment		(75,254)		7,099,385
Non-trade payables related to acquisition of intangible assets		(22,505)		(67,432)
Debt-to-equity swap of loans to subsidiaries		2,000,000		65,765
Contribution in kind of subsidiaries		12,696,065		-
Transfer of long-term loans to current portion of loans		4,742,000		4,352,000
Transfer of lease liabilities to current portion of lease liabilities		7,725,728		7,099,385
Reclassification of non-current assets held for sale		31,982,612		40,608,171
New increase in lease liabilities and right-of-use assets (investment properties)		7,671,630		15,780,975

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>	<b>2021</b>			
	<b>Beginning balance</b>	<b>Cash flows</b>	<b>Non-cash effects</b>	<b>Ending balance</b>
Borrowings	₩ 461,783,265	₩ (54,517,410)	₩ (27,928,790)	₩ 379,337,064
Debentures	348,347,486	(9,309,789)	555,418	339,593,114
Lease liabilities	34,027,948	(7,062,139)	7,153,309	34,119,119
	<u>₩ 844,158,699</u>	<u>₩ (70,889,338)</u>	<u>₩ (20,220,064)</u>	<u>₩ 753,049,297</u>

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Beginning balance</b>	<b>Cash flows</b>	<b>Non-cash effects</b>	<b>Ending balance</b>
Borrowings	₩ 401,388,077	₩ 62,165,003	₩ (1,769,815)	₩ 461,783,265
Debentures	339,386,898	8,449,864	510,724	348,347,486
Lease liabilities	24,237,121	(5,674,848)	15,465,675	34,027,948
	<u>₩ 765,012,097</u>	<u>₩ 64,940,018</u>	<u>₩ 14,206,584</u>	<u>₩ 844,158,699</u>

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**33. Operating Revenue**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
Rental revenue	₩	346,797,066	₩	305,805,135
Revenue from sale of goods		123,731,309		130,575,174
Others		14,995,341		17,174,583
	₩	<u>485,523,716</u>	₩	<u>453,554,892</u>

The Company 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>	<b>2021</b>		
	<b>Lease components</b>	<b>Revenue from contracts with customers</b>	<b>Total</b>
Rental revenue	₩ 320,631,510	₩ 26,165,556	₩ 346,797,066
Revenue from sale of goods	-	123,731,309	123,731,309
Others	-	14,995,341	14,995,341
	₩ 320,631,510	₩ 164,892,206	₩ 485,523,716

<i>(in thousands of Korean won)</i>	<b>2020</b>		
	<b>Lease components</b>	<b>Revenue from contracts with customers</b>	<b>Total</b>
Rental revenue	₩ 283,389,947	₩ 22,415,188	₩ 305,805,135
Revenue from sale of goods	-	130,575,174	130,575,174
Others	-	17,174,583	17,174,583
	₩ 283,389,947	₩ 170,164,945	₩ 453,554,892

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**34. 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, in VND and USD)</i>	<b>2021</b>		<b>2020</b>	
Cash and cash equivalents <sup>1</sup>	₩	15,573,060	₩	13,201,004
Trade receivables		54,073,698		55,287,776
Other current financial assets		22,698,150		49,070,704
Financial assets at fair value through profit or loss (current)		3,213,923		3,262,175
Financial assets at fair value through profit or loss (non-current)		1,604,309		1,014,807
Other non-current financial assets		26,182,321		20,680,421
Financial guarantee contracts <sup>2</sup>		75,844,068		84,904,974
		VND 763,502,821,573	VND	68,000,000,000
			- USD	1,100,000

<sup>1</sup> Cash on hand is excluded.

<sup>2</sup> This amount represents the total amount that payments can be made in the future due to the financial guarantee contract.

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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
<b>December 31, 2021</b>					
Expected loss rate	0.29%	14.10%	82.09%	100.00%	
Gross carrying amount – trade receivables	₩ 52,841,637	₩ 1,312,591	₩ 1,429,520	₩ 7,676,241	₩ 63,259,988
Loss allowance provision	151,547	185,075	1,173,427	7,676,241	9,186,289
<b>December 31, 2020</b>					
Expected loss rate	0.45%	22.00%	75.69%	100.00%	
Gross carrying amount – trade receivables	₩ 54,705,364	₩ 905,720	₩ 513,586	₩ 1,928,088	₩ 58,052,759
Loss allowance provision	248,892	199,258	388,744	1,928,088	2,764,983

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	₩ 2,764,983	₩ 1,675,315
Impairment loss	7,395,262	1,789,723
Write-off	(973,956)	(904,777)
Others	-	204,722
Ending balance	<u>₩ 9,186,289</u>	<u>₩ 2,764,983</u>

Impairment loss and reversal of provisions for impaired receivables are included in selling and administrative expenses in the separate statement of comprehensive income.

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*(b) Liquidity risk*

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

<i>(in thousands of Korean won and in VND)</i>	2021			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 31,243,339	₩ -	₩ -	₩ 31,243,339
Long and short-term borrowings	197,597,774	141,567,410	57,196,073	396,361,256
Debentures	150,430,557	170,877,305	30,154,494	351,462,357
Other financial liabilities	25,689,192	6,708,089	1,330,527	33,727,808
Financial guarantee contracts <sup>1</sup>	75,844,068	-	-	75,844,068
	VND 763,502,821,573	-	-	VND 763,502,821,573

<sup>1</sup> 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 Company can be required to make payments.

<i>(in thousands of Korean won and in USD and VND)</i>	2020			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 27,043,809	₩ -	₩ -	₩ 27,043,809
Long and short-term borrowings	321,953,810	99,617,546	56,173,826	477,745,182
Debentures	125,283,320	127,056,605	113,792,636	366,132,561
Other financial liabilities	28,226,323	285,691	746,847	29,258,861
Financial guarantee contracts <sup>1</sup>	84,904,974	-	-	84,904,974
	VND 68,000,000,000	-	-	VND 68,000,000,000
	USD 1,100,000	-	-	USD 1,100,000

<sup>1</sup> 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 Company can be required to make payments.

*(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	₩ 36,741	₩ (36,741)	₩ 155,161	₩ (155,161)
JPY/won	3,968	(3,968)	4,256	(4,256)

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*(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	₩ (1,735,500)	₩ 1,735,500	₩ (1,698,908)	₩ 1,698,908
Interest income	-	-	12,541	(12,541)

*(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	₩ 753,049,297	₩ 844,158,699
Less: cash and cash equivalents	15,573,060	13,201,292
Net liabilities(a)	737,476,237	830,957,407
Equity	372,788,340	298,444,707
Total capital(b)	₩ 1,110,264,577	₩ 1,129,402,113
Equity ratio(a/b)	66.42%	73.57%

*(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
Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total		
<b>Financial assets measured at fair value</b>						
Financial assets at fair value through other comprehensive income	₩ -	₩ 5,848,865	₩ -	₩ -	₩ 5,848,865	₩ 5,848,865
Financial assets at fair value through profit or loss (current)	3,213,923	-	-	-	3,213,923	3,213,923

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	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 at fair value through profit or loss	20,939,288	-	-	-	20,939,288	20,939,288
Derivative financial assets	4,671,664	-	-	-	4,671,664	4,671,664
	<u>₩ 28,824,875</u>	<u>₩ 5,848,865</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 34,673,740</u>	<u>₩ 34,673,740</u>
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	₩ -	₩ -	₩ 15,573,060	₩ -	₩ 15,573,060	1
Trade receivables	-	-	54,073,698	-	54,073,698	1
Other current financial assets	-	-	22,698,150	-	22,698,150	1
Other non-current financial assets (except for derivatives)	-	-	26,053,063	-	26,053,063	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 118,397,971</u>	<u>₩ -</u>	<u>₩ 118,397,971</u>	
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities	₩ 5,212,324	₩ -	-	-	₩ 5,212,324	₩ 5,212,324
<b>Financial liabilities not measured at fair value</b>						
Trade payables	₩ -	₩ -	₩ 31,243,339	₩ -	₩ 31,243,339	1
Borrowings	-	-	379,337,064	-	379,337,064	₩ 380,310,442
Debentures	-	-	339,593,114	-	339,593,114	339,762,037
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	25,686,944	-	25,686,944	1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	2,828,541	-	2,828,541	1
Financial guarantee liabilities	-	-	-	1,516,131	1,516,131	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 778,689,002</u>	<u>₩ 1,516,131</u>	<u>₩ 780,205,133</u>	

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

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2020

	Carrying amount						Fair value
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total		
<b>Financial assets measured at fair value</b>							
Financial assets at fair value through profit or loss (current)	₩ 3,262,175	₩ -	₩ -	₩ -	₩ 3,262,175	₩ 3,262,175	
Financial assets at fair value through profit or loss	1,014,807	-	-	-	1,014,807	1,014,807	
Financial assets at fair value through other comprehensive income	-	4,915,012	-	-	4,915,012	4,915,012	
Derivative financial assets	143,010	-	-	-	143,010	143,010	
	<u>₩ 4,419,992</u>	<u>₩ 4,915,012</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 9,335,004</u>	<u>₩ 9,335,004</u>	
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	₩ -	₩ -	₩ 13,201,292	₩ -	₩ 13,201,292		1
Trade receivables	-	-	55,287,776	-	55,287,776		1
Other current financial assets (except for derivatives)	-	-	48,927,695	-	48,927,695		1
Other non-current financial assets	-	-	20,680,421	-	20,680,421		1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 138,097,184</u>	<u>₩ -</u>	<u>₩ 138,097,184</u>		
<b>Financial liabilities measured at fair value</b>							
Derivative financial liabilities	₩ 219,685	₩ -	₩ -	₩ -	₩ 219,685	₩ 219,685	
<b>Financial liabilities not measured at fair value</b>							
Trade payables	₩ -	₩ -	₩ 27,043,809	₩ -	₩ 27,043,809		1
Borrowings	-	-	461,783,265	-	461,783,265	₩ 457,702,122	
Debentures	-	-	348,347,486	-	348,347,486	385,466,007	
Other current financial liabilities (except for financial guarantee liabilities)	-	-	27,851,323	-	27,851,323		1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	1,187,854	-	1,187,854		1
Financial guarantee liabilities	-	-	-	530,428	530,428		1
	<u>₩ 219,685</u>	<u>₩ -</u>	<u>₩ 866,213,737</u>	<u>₩ 530,428</u>	<u>₩ 866,963,850</u>		



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

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	₩ -	₩ -	₩ 24,153,211	₩ 24,153,211
Financial assets at fair value through other comprehensive income	4,970,370	-	878,496	5,848,865
Derivative financial assets	-	129,259	4,542,405	4,671,664
Derivative financial liabilities	-	2,248	5,210,076	5,212,324

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

<i>(in thousands of Korean won)</i>	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 4,276,982	₩ 4,276,982
Financial assets at fair value through other comprehensive income	4,141,975	-	773,037	4,915,012
Derivative financial assets	-	143,010	-	143,010
Derivative financial liabilities	-	219,685	-	219,685

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

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

- Level 1: 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>		<b>2021</b>		<b>2020</b>	<b>Inputs</b>	<b>Valuation techniques</b>
Derivative financial liabilities	₩	2,248	₩	219,685	Discount rate <sup>1</sup>	DCF model
Derivative financial assets		129,259		143,010		

<sup>1</sup> The fair value of the interest rate swap is calculated as the present value of future cash flows estimated by observable yield curves. 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 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>		<b>Fair value</b>			<b>Inputs</b>	<b>Valuation techniques</b>
		<b>2021</b>	<b>2020</b>			
Financial assets at fair value through profit or loss	₩	4,818,232	₩	4,276,982		Net asset value method
		19,334,979		-		DCF model
Financial assets at fair value through other comprehensive income		878,496		773,037	Discount rate considering credit risk	DCF model
Derivative financial assets		4,542,405		-		Binominal model
Derivative financial liabilities		5,210,076		-		

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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	₩ 773,037	₩ 4,276,982	₩ -	₩ -
Total profit or loss				
Amount recognized in profit or loss	-	(47,966)	(1,432,875)	852,414
Amount recognized in other comprehensive income	-	-	-	-
Purchases	-	4,917,417	-	-
Sales	(146,054)	(1,427,030)	-	-
Others	251,513	16,433,808	5,975,280	4,357,662
Transfer into level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Ending balance	₩ 878,496	₩ 24,153,211	₩ 4,542,405	₩ 5,210,076

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 other comprehensive income	₩ 8,785	₩ (8,785)	₩ 7,730	₩ (7,730)
Financial assets at fair value through profit or loss	241,532	(241,532)	42,770	(42,770)
Derivative financial assets	175,011	(167,480)	-	-
Derivative financial liabilities	(54,583)	67,343	-	-

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

**AJ Networks Co., Ltd.**  
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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>	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Borrowings	₩ -	₩ -	₩ 380,310,442	₩ 380,310,442
Debentures	-	-	339,762,037	339,762,037
	₩ -	₩ -	₩ 720,072,479	₩ 720,072,479

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Borrowings	₩ -	₩ -	₩ 457,702,122	₩ 457,702,122
Debentures	-	-	385,466,007	385,466,007
	₩ -	₩ -	₩ 843,168,129	₩ 843,168,129

The Company has not disclosed the fair values for financial instruments, because their carrying amounts are a reasonable approximation of fair values.

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>	<b>Fair value</b>		<b>Inputs</b>	<b>Valuation techniques</b>
	<b>2021</b>	<b>2020</b>		
Debentures and borrowings	₩ 720,072,479	₩ 843,168,129	Discount rate considering credit risk	DCF model

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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)

	<b>2021</b>		
	<b>Finance income</b>	<b>Finance costs</b>	<b>Other comprehensive income</b>
Assets at amortized cost	₩ 3,364,986	₩ -	₩ -
Financial assets at fair value through profit or loss	1,409,297	1,403,121	-
Financial assets at fair value through other comprehensive income	282,007	-	646,148
Liabilities at amortized cost	-	29,122,379	-
Derivatives	346,695	2,285,289	-
	<u>₩ 5,402,985</u>	<u>₩ 32,810,789</u>	<u>₩ 646,148</u>

(in thousands of Korean won)

	<b>2020</b>		
	<b>Finance income</b>	<b>Finance costs</b>	<b>Other comprehensive income</b>
Assets at amortized cost	₩ 5,976,222	₩ -	₩ -
Financial assets at fair value through profit or loss <sup>1</sup>	7,509,136	6,054,035	-
Financial assets at fair value through other comprehensive income	-	-	271,656
Liabilities at amortized cost	-	33,140,485	-
Derivatives	48,694	1,962,890	-
	<u>₩ 13,534,052</u>	<u>₩ 41,157,410</u>	<u>₩ 271,656</u>

<sup>1</sup> Loss on valuation due to the possibility of ceasing the redemption of private fund investments is included.

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**35. Related Party Transactions**

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

Type	2021
Subsidiaries	AJ Rental Service Co., Ltd. AJ Rental Co., Ltd. AJ JEONGUK SKY Co., Ltd. AJ Rental Dallas Inc. AJ Networks America Inc. AJ International TOGO. Inc. Auto Gallery international. Inc. AJ Rental Arabia, Ltd. AJ Networks First Limited Company AJ Rental, Inc. AJ Energy Co., Ltd. World Rent-A-Car Co., Ltd. Four season Rent-A-Car Co., Ltd AJ Daewon Co., Ltd. AJ Auto Parking Systems Co., Ltd. AJ Total Co., Ltd. AJ Hanlock Co., Ltd. AJ TOTAL VIETNAM CO. Ltd. Daul F & B Co., Ltd. Sewoo Food Co., Ltd. AJ Retail Co., Ltd. <sup>1</sup> AJ Maintenance Partners Co., Ltd. <sup>2</sup> Ryu Ga-Hyoung Golf Academy Co., Ltd. AJ ICT Co., Ltd. <sup>3</sup> AJ TOTAL HANOI CO. Ltd. <sup>4</sup>
Associates	Tcha Partners Public Mobility No. 1 Private Equity Partnership Tcha Partners Public Mobility No. 2 Private Equity Partnership Tcha Partners Public Mobility No. 3 Private Equity Partnership A2 Partners Rhinos No.1 Limited Partnership <sup>5</sup> Modu Rental Co., Ltd. <sup>6</sup> Darae Parktech Co., Ltd. <sup>7</sup> Auto Gallery Holdings, Inc. AJ Junsymall Co., Ltd. <sup>8</sup>
Others	Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. BNP INC. Songdo Trans Co., Ltd. <sup>9</sup>

<sup>1</sup> The entity was incorporated through split-off from AJ Park Co., Ltd., which was disposed of during the current period, as AJ Total Co., Ltd., a subsidiary of the Company, acquired this entity, the entity

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became a consolidated subsidiary of AJ Total Co., Ltd..

<sup>2</sup> The name of the entity was changed from AJ Carian Service Co., Ltd. during the year ended December 31, 2021.

<sup>3</sup> 99.83% of the shares were newly acquired during the year ended December 31, 2021.

<sup>4</sup> AJ Total Co., Ltd., a subsidiary, newly established the entity during the year ended December 31, 2021.

<sup>5</sup> The entity was included in associates by merging with AJ M Co., Ltd. during the year ended December 31, 2021.

<sup>6</sup> The entity was included in associates by merging assets related to Modu Rental Co., Ltd. of AJ Capital Partners Co., Ltd., which was disposed of during the year ended December 31, 2021.

<sup>7</sup> The entity was included in associates by acquiring 37.3% of shares from AJ Park Co., Ltd., which was disposed of during the year ended December 31, 2021.

<sup>8</sup> As the Company's ownership was changed from 100% to 33.33% during the year ended December 31, 2021, the entity was classified from investments in subsidiaries to investments in associates.

<sup>9</sup> A wholly owned subsidiary of Tcha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Company.

Type	2020
Subsidiaries	AJ Rental Service Co., Ltd. AJ Rental Co., Ltd. AJ JEONGUK SKY Co., Ltd. AJ Rental, Inc. AJ Rental Top Tier Inc. AJ Rental Dallas Inc. AJ Networks First Limited Company AJ Rental Arabia, Ltd. AJ Junsymall Co., Ltd. AJ Sellcar Co., Ltd. <sup>9</sup> AJ Energy Co., Ltd. AJ International Traders Co., Ltd. <sup>10</sup> World Rent-A-Car Co., Ltd. Four season Rent-A-Car Co., Ltd. AJ Ens Co., Ltd. <sup>11</sup> AJ Daewon Co., Ltd. AJ Park Co., Ltd. <sup>1,8,9</sup> Aju E-Parking Nonhyeon3 Co., Ltd. <sup>9</sup> Duckone Parking Co., Ltd. <sup>9</sup> Daejeo Asset Management Co., Ltd. <sup>9</sup>

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Type	2020
	AJ Auto Parking Systems Co., Ltd. <sup>2,3</sup>
	AJ Total Co., Ltd.
	AJ Safety Partners Co., Ltd. <sup>10</sup>
	AJ Hanlock Co., Ltd.
	AJ TOTAL VIETNAM CO. Ltd.
	Daul F & B Co., Ltd.
	Sewoo Food Co., Ltd.
	AJ Maintenance Partners Co., Ltd.
	AJ M. Co., Ltd. <sup>11</sup>
	Linkable Co., Ltd.
	Ryu Ga Hyoung Golf Academy Co., Ltd.
	AJ Networks America Inc.
	AJ International TOGO. Inc.
	Auto Gallery international. Inc.
	AJ Networks Vietnam Co., Ltd. <sup>8,12</sup>
	AJ Capital Partners Co., Ltd. <sup>8,9</sup>
Associates	LinkDotz Inc. <sup>13</sup>
	Tcha Partners Public Mobility No. 1 Private Equity Partnership
	Tcha Partners Public Mobility No. 2 Private Equity Partnership <sup>4</sup>
	Tcha Partners Public Mobility No. 3 Private Equity Partnership <sup>5</sup>
	Auto Gallery Holdings, Inc. <sup>6</sup>
Others	Darae Parktech Co., Ltd.
	Guro Hyeonju Motors Co., Ltd.
	AJ Fleet Link Co., Ltd.
	Modu Rental Co., Ltd.
	A2 Partners Rhinos No.1 Limited Partnership <sup>7</sup>
	AJ Agrifood Export Promotion Fund No. 2
	AJ Creation Tourism No. 1
	BNP INC.
	AJ Smart Tourism No. 2

<sup>1</sup> The percentage of ownership was changed from 55.12% to 100% as the Company acquired the shares during the year ended December 31, 2020.

<sup>2</sup> The entity merged with AJ Auto Parking Systems Co., Ltd. during the year ended December 31, 2020.

<sup>3</sup> The Company acquired the shares from AJ Park Co., Ltd. during the year ended December 31, 2020.

<sup>4</sup> The entity was classified as investments in associates as the Company acquired 49.38% of shares during the year ended December 31, 2020.

<sup>5</sup> The entity was classified as investments in associates as the Company acquired 49.50% of shares during the year ended December 31, 2020.



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<sup>6</sup> The entity was classified from investments in subsidiaries to investments in associates as the Company disposed of part of the shares during the year ended December 31, 2020.

<sup>7</sup> AJ M. Co., Ltd. acquired 33.2% of shares during the year ended December 31, 2020.

<sup>8</sup> The entity was classified as non-current assets held for sale as at December 31, 2020 (Note 34).

<sup>9</sup> The entity was excluded from related parties due to disposal of shares during the year ended December 31, 2021.

<sup>10</sup> The entity was excluded from related parties due to liquidation during the year ended December 31, 2021.

<sup>11</sup> The entity was excluded from related parties as the Company merged with the entity during the year ended December 31, 2021.

<sup>12</sup> AJ TOTAL VIETNAM Co., Ltd merged with the entity during the year ended December 31, 2021.

<sup>13</sup> The entity was excluded from related parties as the Company's ownership was changed from 21.5% to 14.5% during the year ended December 31, 2021.

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

<i>(in thousands of Korean won)</i>	<b>2021</b>			
	<b>Operating revenue<sup>6</sup></b>	<b>Non-operating revenue</b>	<b>Operating expenses</b>	<b>Other expenses</b>
<b>Subsidiaries</b>				
AJ Total Co., Ltd.	₩ 735,135	₩ -	₩ 28,600	₩ 10,557
AJ Park Co., Ltd. <sup>1</sup>	911,798	92,695	4,410	-
AJ Rental Service Co., Ltd.	2,145	-	54,730,967	-
Aju E-Parking Nonhyeon3 Co., Ltd. <sup>1</sup>	-	9,106	-	-
AJ Sellcar Co., Ltd. <sup>2</sup>	165,548	38,198	-	-
AJ Maintenance Partners Co., Ltd.	514,630	30,771	326,663	-
Ryu Ga Hyoung Golf Academy Co., Ltd.	222,347	-	145	-
AJ Safety Partners Co., Ltd. <sup>3</sup>	4,580	5,345	-	-
AJ JEONGUK SKY Co., Ltd.	958,332	58,475	168,845	-
AJ Auto Parking Systems Co., Ltd.	646,673	294,112	-	-
AJ Hanlock Co., Ltd.	482,029	-	-	-
AJ Rental Inc. (formerly, Rental USA)	-	-	138,352	-
AJ Energy Co., Ltd	557,762	1,015	151,650	-
AJ M. Co., Ltd. <sup>4</sup>	-	144,795	-	-
AJ Ens Co., Ltd. <sup>5</sup>	2,494	24,267	-	-
AJ Daewon Co., Ltd. (formerly,	469,241	-	1,712,256	-

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<i>(in thousands of Korean won)</i>	<b>2021</b>			
	<b>Operating revenue<sup>6</sup></b>	<b>Non-operating revenue</b>	<b>Operating expenses</b>	<b>Other expenses</b>
Daewon General Management Co., Ltd.)				
Daul F & B Co., Ltd.	41,309	-	-	-
Seewoo Food Co., Ltd.	5,700	-	-	-
AJ ICT Co., Ltd.	655,589	52,241	2,394,523	-
AJ Networks First Limited Company	-	-	-	1,394,115
AJ Rental Arabia, Ltd.	-	-	141,005	-
AJ Retail Co., Ltd.	2,002	-	-	-
AJ TOTAL VIETNAM CO. Ltd.	-	88,186	-	-
<b>Associates</b>				
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	-
<b>Others</b>				
AJ Fleet Link Co., Ltd.	728	-	-	-
Songdo Trans Co., Ltd.	-	63,288	-	-
	<u>₩ 18,682,851</u>	<u>₩ 1,338,361</u>	<u>₩ 59,803,266</u>	<u>₩ 1,404,672</u>

<sup>1</sup> Transactions with AJ Park Co., Ltd. and Aju E-Parking Nonhyeon3 Co., Ltd. for the year ended December 31, 2021 include transactions occurred before disposal.

<sup>2</sup> Transactions with AJ Selcar Co., Ltd. for the year ended December 31, 2021 are transactions occurred before disposal.

<sup>3</sup> Transactions with AJ Safety Partners Co., Ltd. for the year ended December 31, 2021 are transactions occurred before liquidation.

<sup>4</sup> Transactions with AJ M. Co., Ltd. for the year ended December 31, 2021 are transactions occurred before merger.

<sup>5</sup> Transactions with AJ Ens Co., Ltd. for the year ended December 31, 2021 are transactions occurred before merger.

<sup>6</sup> The Company provides the sublease to related parties including AJ Park Co., Ltd. and others, which reside in the headquarters building. The rental income received by the sublease from related parties amounting to ₩ 3,145 million is included.

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<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Operating revenue<sup>1</sup></b>	<b>Non-operating revenue</b>	<b>Operating expenses</b>	<b>Other expenses</b>
<b>Subsidiaries</b>				
AJ Total Co., Ltd.	₩ 1,096,208	₩ 7,521	₩ 306,710	₩ -
AJ Capital Partners Co., Ltd.	847,960	-	378,524	-
AJ Park Co., Ltd.	2,233,150	309,530	8,430	-
AJ Rental Service Co., Ltd.	67,108	-	48,482,243	-
Aju E-Parking Nonhyeon3 Co., Ltd.	-	18,413	-	-
AJ Rental Co.,Ltd (formerly, VINA)	-	23,438	-	-
AJ Sellcar Co., Ltd.	2,217,187	262,731	-	-
AJ Carian Service Co., Ltd.	801,163	60,741	171,549	-
AJ Junsymall Co., Ltd.	9,300,496	248,908	185,344	-
AJ Networks America Inc.	-	4,699	-	-
AJ Safety Partners Co., Ltd.	40,723	9,363	-	-
AJ JEONGUK SKY Co., Ltd.	459,784	93,370	-	-
AJ Auto Parking Systems Co., Ltd.	937,817	559,787	-	-
AJ Hanlock Co., Ltd.	370,093	-	-	-
AJ Rental Inc. (formerly, Rental USA)	-	-	-	213,445
AJ Energy Co., Ltd	694,938	-	88,200	-
Linkable Co., Ltd.	1,417	-	-	-
World Rent-A-Car Co., Ltd.	254,000	1,357	-	-
Four season Rent-A-Car Co., Ltd	24,000	1,885	-	-
AJ Bike Co.,Ltd	126,771	-	-	-
AJ M. Co., Ltd.	219,452	104,675	-	54,025
AJ Ens Co., Ltd.	74,848	39,072	-	-
AJ Daewon Co., Ltd. (formerly, Daewon General Management Co., Ltd.)	441,541	-	801,588	-
Daul F & B Co., Ltd.	8,959	-	-	-
Seewoo Food Co., Ltd.	3,656	-	-	-
AJ Rental Arabia, Ltd.	141,057	-	-	-
AJ Networks First Limited Company Ryu Ga Hyoung Golf Academy Co., Ltd.	-	-	-	1,590,576
176,665	-	-	-	-
<b>Associates</b>				
Auto Gallery Holdings, Inc.	-	251,588	-	-
<b>Others</b>				
AJ Fleet Link Co., Ltd.	728	-	-	-
Darae Parktech Co., Ltd.	79,387	-	-	-
	<u>₩ 20,619,108</u>	<u>₩ 1,997,079</u>	<u>₩ 50,422,588</u>	<u>₩ 1,858,047</u>

<sup>1</sup> The Company provides the sublease to related parties including AJ Park Co., Ltd. and others, which

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reside in the headquarters building. The rental income received by the sublease from related parties amounting to ₩ 2,164 million is included.

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

(in thousands of Korean won)	2021							
	Receivables				Payables			
	Trade receivables	Non-trade receivables	Loans and others	Prepayments	Accrued income and others	Trade payables and others	Borrowings and others	
<b>Subsidiaries</b>								
AJ Total Co., Ltd.	₩ 63,030	₩ 5,664	₩ -	₩ -	₩ -	₩ 23,920	₩ -	
AJ Rental Service Co., Ltd.	-	-	-	-	-	5,383,037	-	
AJ ICT Co., Ltd.	107,747	27,941	-	-	-	708,886	8,630	
AJ Maintenance Partners Co., Ltd. <sup>1</sup>	53,225	4,860	300,000	-	30	44,716	1,554	
Ryu Ga Hyoung Golf Academy Co., Ltd.	20,161	2,005	-	-	-	33,000	-	
AJ JEONGUK SKY Co., Ltd.	188,188	-	500,000	-	-	-	-	
AJ Auto Parking Systems Co., Ltd.	48,938	205,684	-	-	-	-	111,203	
AJ Hanlock Co., Ltd.	50,725	1,124	-	-	-	-	-	
AJ Energy Co., Ltd.	97,096	5,855	-	-	-	25,392	935	
AJ Daewon Co., Ltd. (formerly, Daewon General Management Co., Ltd.)	6,842	-	-	-	-	7,579	-	
Daul F & B Co., Ltd.	15,852	2,234	-	-	-	-	-	
Seewoo Food Co., Ltd.	605	296	-	-	-	-	-	
AJ Networks First Limited Company	-	-	-	2,169,883	150,000	-	28,630,044	
AJ Retail Co., Ltd.	1,026	557	-	-	-	-	-	
AJ Networks America Inc.	-	-	-	-	-	-	-	
AJ TOTAL VIETNAM CO. Ltd.	-	1,231,005	-	-	-	-	1,139,781	
AJ Rental Co.,Ltd	-	5,850	-	-	-	18,277	5,766	
<b>Associates</b>								
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. <sup>2</sup>	1,099,496	112,425	-	-	440,000	112,517	-	
<b>Others</b>								
AJ Fleet Link Co., Ltd.	67	-	-	-	-	-	-	
Songdo Trans Co., Ltd.	-	-	2,000,000	-	35,671	-	-	
	<u>₩ 1,755,064</u>	<u>₩ 1,692,728</u>	<u>₩ 7,542,000</u>	<u>₩ 2,169,883</u>	<u>₩ 640,804</u>	<u>₩ 6,357,324</u>	<u>₩ 29,897,913</u>	

<sup>1</sup> The Company converted ₩ 2,000,000 thousand of its loans into equity during the year ended December 31, 2021.

<sup>2</sup> The Company converted ₩ 2,003,255 thousand of its loans into equity during the year ended

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	2020													
	Receivables				Payables									
	Trade receivables	Non-trade receivables	Loans and others	Prepayments	Accrued income and others	Trade payables and others	Borrowings and others							
<b>Subsidiaries</b>														
AJ Total Co., Ltd.	₩	199,894	₩	16,564	₩	-	₩	-	₩	50	₩	-		
AJ Capital Partners Co., Ltd.		91,628		11,566		-		-		38,870		-		
AJ Park Co., Ltd.		789,449		434,560		4,000,000		2,512		3,483		241,566		
AJ Rental Service Co., Ltd.		4,183		2,539		-		-		4,007,877		-		
Aju E-Parking Nonhyeon3 Co., Ltd.		-		161,873		-		65,149		-		206,768		
AJ Sellcar Co., Ltd. <sup>3</sup>		193,931		24,999		19,000,000		-		3,279		1,060		
AJ Carian Service Co., Ltd.		52,906		18,467		2,000,000		-		29,283		4,424		
AJ International Traders Co., Ltd. <sup>2</sup>		-		-		-		-		-		-		
AJ Junsymall Co., Ltd.		1,220,140		100,605		4,400,000		496		93,026		9,780		
AJ Networks America Inc.		-		77,016		-		-		-		-		
AJ Safety Partners Co., Ltd.		3,130		24		-		-		-		-		
AJ JEONGUK SKY Co., Ltd.		88,862		188		1,700,000		-		-		-		
AJ Auto Parking Systems Co., Ltd. <sup>1</sup>		116,774		234,157		-		-		3,057		34,126		
AJ Networks Vietnam Co., Ltd.		-		87,904		-		-		-		-		
AJ Hanlock Co., Ltd.		42,780		1,217		-		-		-		-		
Auto Gallery Holdings, Inc.		-		80,054		4,352,000		-		-		-		
AJ Energy Co., Ltd.		93,692		11,760		-		-		64,680		-		
World Rent-A-Car Co., Ltd.		16,500		-		-		-		-		-		
Four season Rent-A-Car Co., Ltd.		6,600		-		-		-		-		-		
AJ M. Co., Ltd.		-		-		10,000,000		-		-		-		
AJ Ens Co., Ltd.		-		-		1,270,000		9,707		-		-		
Darae Parktech Co., Ltd.		7,755		-		-		-		-		-		
AJ Daewon Co., Ltd. (formerly, Daewon General Management Co., Ltd.)		59,720		9,003		-		-		152,511		-		
Daul F & B Co., Ltd.		1,489		2,217		-		-		1,000		-		
Seewoo Food Co., Ltd.		523		406		-		-		-		-		
AJ Networks First Limited Company		-		-		-		1,214,408		150,000		-		
Ryu Ga Hyoung Golf Academy Co., Ltd.		21,039		1,535		-		-		-		-		
	₩	3,010,995	₩	1,276,654	₩	46,722,000	₩	1,214,408	₩	227,864	₩	4,397,116	₩	36,413,548

<sup>1</sup> The Company recognized ₩ 4,500,000 thousand of impairment loss related to loans and converted loans amounting to ₩ 13,500,000 thousand into equity during the year ended December 31, 2020.

<sup>2</sup> ₩ 2,300,000 thousand of loans was written off during the year ended December 31, 2020.

**AJ Networks Co., Ltd.**  
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<sup>3</sup> Financial assets at amortized cost amounting to ₩ 5,000,000 thousand are included in loans and others.

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

(in thousands of Korean won)	2021					
	Borrowing transactions		Loan transactions			Dividends
	Borrowings	Repayments	Loans	Collections	Others <sup>2,3</sup>	Receipt
<b>Subsidiaries</b>						
AJ JEONGUK SKY Co., Ltd.	₩	-	₩	-	₩ 1,200,000	₩ -
AJ Sellcar Co., Ltd. <sup>1</sup>		-		-	14,000,000	-
AJ Park Co., Ltd.		-		4,800,000	8,800,000	-
AJ Ens Co., Ltd.		-		10,000	-	1,280,000
AJ Maintenance Partners Co., Ltd.		-		1,350,000	1,050,000	-
AJ Auto Parking Systems Co., Ltd.		-		6,600,000	6,600,000	-
AJ Rental Inc.		-		-	-	-
AJ ICT Co., Ltd.		-		6,300,000	6,300,000	-
AJ M. Co., Ltd.		-		-	-	10,000,000
AJ Total Co., Ltd. <sup>4</sup>		28,000,000		28,000,000	-	-
<b>Associates</b>						
AJ Junsyall Co., Ltd.		-		22,900,000	24,856,745	440,000
Tcha Partners Public Mobility No. 1 Private Equity Partnership		-		-	-	1,282,763
Tcha Partners Public Mobility No. 2 Private Equity Partnership		-		-	-	2,660,325
Tcha Partners Public Mobility No. 3 Private Equity Partnership		-		-	-	891,000
<b>Others</b>						
Songdo Trans Co., Ltd.		-		2,000,000	-	-
		<u>₩ 28,000,000</u>		<u>₩ 28,000,000</u>	<u>₩ 43,960,000</u>	<u>₩ 62,806,745</u>
					<u>₩ 11,720,000</u>	<u>₩ 4,834,088</u>

<sup>1</sup> Transactions with AJ Sellcar Co., Ltd. during the year ended December 31, 2021 are transactions occurred before disposal.

<sup>2</sup> As the Company merged with AJ M Co., Ltd., loans of the Company amounting to ₩ 10,000,000 thousand to AJ M. Co., Ltd. and borrowings of AJ M. Co., Ltd. amounting to ₩ 10,000,000 thousand to the Company were offset during the year ended December 31, 2021.

<sup>3</sup> As the Company merged with AJ Ens Co., Ltd., loans of the Company amounting to ₩ 1,280,000 thousand to AJ Ens Co., Ltd. and borrowings of AJ Ens Co., Ltd. amounting to ₩ 1,280,000 thousand to the Company were offset during the year ended December 31, 2021.

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<sup>4</sup> The Company borrowed ₩ 28,000,000 thousand from AJ Total Co., Ltd. and the amount was offset with ₩ 28,000,000 thousand among the payments of capital reduction with consideration during the year ended December 31, 2021.

(in thousands of Korean won and in USD)	2020							
	Borrowing transactions		Loan transactions		Dividends			
	Borrowings	Repayments	Loans	Collections	Receipt			
<b>Subsidiaries</b>								
AJ JEONGUK SKY Co., Ltd.	₩	-	₩	-	₩	1,200,000	₩	-
AJ Ens Co., Ltd.		-		-		970,000		-
AJ Carian Service Co., Ltd.		-		-		11,100,000		11,700,000
AJ Junsyrmall Co., Ltd.		-		-		24,800,000		23,400,000
AJ Auto Parking Systems Co., Ltd. <sup>1</sup>		-		-		4,500,000		-
AJ Safety Partners Co., Ltd.		-		-		-		500,000
AJ Sellcar Co., Ltd.		-		-		15,000,000		-
World Rent-A-Car Co., Ltd.		-		-		-		3,600,000
Four season Rent-A-Car Co., Ltd.		-		-		-		2,750,000
AJ M. Co., Ltd.		10,000,000		10,000,000		10,000,000		-
<b>Associates</b>								
Tcha Partners Public Mobility No. 1 Private Equity Partnership		-		-		-		-
Auto Gallery Holdings, Inc.	USD	-	USD	-	USD	-	USD	1,483,225
	₩	10,000,000	₩	10,000,000	₩	66,370,000	₩	43,150,000
	USD	-	USD	-	USD	-	USD	1,000,000

<sup>1</sup> Loans amounting to ₩ 13.5 billion which were converted into equity during the year ended December 31, 2020 is included.

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

<i>(in thousands of Korean won and in USD)</i>	2021							
	Contribution transactions				Equity securities			
	Contribution in cash and others		Collection		Acquisition		Disposal	
<b>Subsidiaries</b>								
AJ Maintenance Partners Co., Ltd.	₩	2,000,000	₩	-	₩	-	₩	-
AJ Rental Inc. <sup>1</sup>	USD	11,207,709	USD	-	USD	-	USD	-
AJ ICT Co., Ltd.	₩	-	₩	-	₩	2,202,562	₩	-
AJ Total Co., Ltd. <sup>2</sup>		-		50,000,000		-		-
AJ Networks Vietnam Co., Ltd. <sup>3</sup>		-		-		-		1,725,945
AJ TOTAL VIETNAM CO. Ltd. <sup>4</sup>		-		-		24,039,481		-
AJ TOTAL HANOI CO. Ltd. <sup>4</sup>		-		-		6,970,424		-
<b>Associates</b>								
Darae Parktech Co., Ltd. <sup>5</sup>		-		-		8,205,769		-
AJ Junsymall Co., Ltd.		2,003,255		-		-		-
	₩	4,003,255	₩	50,000,000	₩	41,418,236	₩	1,725,945
	USD	11,207,709	USD	-	USD	-	USD	-

<sup>1</sup> The Company provided the shares of AJ Networks America Inc held by the Company through contribution in kind during the year ended December 31, 2021.

<sup>2</sup> The Company collected total of ₩ 50,000,000 thousand through the capital reduction with consideration of AJ Total Co., Ltd., of which ₩ 28,000,000 thousand was offset with borrowings and ₩ 22,000,000 thousand was received in cash.

<sup>3</sup> The Company disposed of it to AJ Total Co., Ltd. and re-acquired after the merger with AJ TOTAL VIETNAM CO. Ltd during the year ended December 31, 2021.

<sup>4</sup> The Company acquired the shares from AJ Total Co., Ltd. during the year ended December 31, 2021.

<sup>5</sup> The Company acquired the shares from AJ Park Co., Ltd. during the year ended December 31, 2021.

The Company 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.



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<i>(in thousands of Korean won and in USD and SAR)</i>	2020							
	Contribution transactions				Equity securities			
	Contribution in cash and others		Collection		Acquisition	Disposal		
<b>Subsidiaries</b>								
AJ Networks America Inc.	USD	1,650,000	USD	-	USD	-	USD	-
AJ Rental Co. Ltd.	USD	2,000,000	USD	-	USD	-	USD	-
AJ Rental Inc.	USD	20,000,000	USD	-	USD	-	USD	-
AJ Auto Parking Systems Co., Ltd.	₩	13,500,000	₩	-	₩	-	₩	-
AJ Rental Arabia, Ltd.	SAR	-	SAR	-	SAR	500,000	SAR	-
<b>Associates</b>								
Tcha Partners Public Mobility No. 2 Private Equity Partnership	₩	-	₩	-	₩	7,900,000	₩	-
Tcha Partners Public Mobility No. 3 Private Equity Partnership		-		-		9,900,000		-
	₩	13,500,000	₩	-	₩	17,800,000	₩	-
	USD	23,650,000	USD	-	USD	-	USD	-
	SAR	-	SAR	-	SAR	500,000	SAR	-

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Details of payment guarantees, and collateral provided by the Company for the related parties as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won and in VND)</i>	<b>2021</b>		<b>Guaranteed by</b>
	<b>Guaranteed amount</b>		
AJ Rental Co., Ltd.	VND	22,666,666,664	Shinhan Bank Yeoksam-dong Corporate Finance Center
	VND	45,100,000,000	Kookmin Bank Hanoi
AJ Total Vietnam Co., Ltd.	VND	90,000,000,000	Hana Bank Ho Chi Minh
	VND	90,000,000,000	Shinhan Bank Vietnam
	VND	90,000,000,000	Daegu Bank Ho Chi Minh
	VND	40,000,000,000	Woori Bank Vietnam
	VND	40,000,000,000	Busan Bank Ho Chi Minh
	VND	206,475,104,909	Hana Bank Ho Chi Minh
	VND	139,261,050,000	Hana Bank Hanoi
AJ Auto Parking Systems Co., Ltd.	₩	4,400,000	Shinyoung Securities Co., Ltd
		800,000	
		15,000,000	KB Securities Co., Ltd
		5,000,000	
		1,300,000	
		1,900,000	
		443,050	Korea Export Insurance Corporation
		45,441	Hana Bank
		1,359,653	Korea Specialty Contractor Financial Cooperative
		9,996,000	Korea Development Bank
		389,442	Seoul Guarantee Insurance Co., Ltd.
AJ Maintenance Partners Co., Ltd.		1,200,000	Shinhan Bank
AJ Energy Co., Ltd.		600,000	Hana Bank
AJ ICT Co., Ltd.		15,000,000	Shinyoung Securities Co., Ltd
	₩	57,433,586	
	VND	763,502,821,573	

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<i>(in thousands of Korean won and in USD and VND)</i>	<b>2020</b>		
	<b>Guaranteed amount</b>		<b>Guaranteed by</b>
AJ Rental Co., Ltd.	VND	68,000,000,000	Shinhan Bank Yeoksam-dong Corporate Finance Center
	USD	1,100,000	Nonghyup Hanoi
AJ Park Co., Ltd.	₩	4,320,000	Korea Development Bank
		4,800,000	
		2,400,000	
		3,600,000	
		2,400,000	
		10,490,084	Korea Parking Operation Co., Ltd.
		10,000,000	Kodit 2020 the 20th Securitization Specialty Co., Ltd.
Aju E-Parking Nonhyeon3 Co., Ltd.		11,872,317	Korea Private Concession Fund III
AJ Junsymall Co., Ltd.		3,600,000	Shinhan Bank
		2,916,000	Korea Development Bank
AJ Sellcar Co., Ltd.		1,000,000	Samsung Card Co., Ltd.
		1,200,000	Shinhan Bank
AJ Auto Parking Systems Co., Ltd.		24,000,000	Wonpunch DM 1st Co.
		402,773	Korea Trade Insurance Corporation
		41,310	Woori Bank
		174,000	Woori Bank
		443,050	Korea Trade Insurance Corporation
		45,441	Hana Bank
AJ Carian Service Co., Ltd.		1,200,000	Shinhan Bank
	₩	84,904,975	
	VND	68,000,000,000	
	USD	1,100,000	

Executive compensation of the Company 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>	<b>2021</b>		<b>2020</b>	
Short-term employee benefits	₩	917,293	₩	2,144,931
Post-employment benefits		231,438		487,357
Share-based payments		9,983		-
	₩	1,158,714	₩	2,632,288

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**36. Non-current Assets Held for Sale**

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

<i>(in thousands of Korean won)</i>	<b>2021</b>		<b>2020</b>	
AJ Networks Vietnam Co., Ltd. <sup>1</sup>	₩	-	₩	1,725,945
AJ Sellcar Co., Ltd. <sup>2</sup>		-		2,979,696
AJ Capital Partners Co., Ltd. <sup>3</sup>		-		35,442,267
AJ Park Co., Ltd. <sup>4</sup>		-		-
	₩	-	₩	<u>40,147,908</u>

<sup>1</sup> The Company's Board of Directors decided to transfer the entire shares of AJ Networks Vietnam Co., Ltd., a subsidiary, on November 20, 2020. According to this decision, the shares of AJ Networks Vietnam Co., Ltd. owned by the Company, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021.

<sup>2</sup> The Company's Board of Directors decided to transfer the entire shares of AJ Selcar Co., Ltd., a subsidiary, on January 5, 2021. According to this decision, the shares of AJ Selcar Co., Ltd. owned by the Company, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021.

<sup>3</sup> The Company's Board of Directors decided to transfer the entire shares (However, shares and beneficiary certificates related to Modu Rental Co., Ltd. owned by the Company 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 Company, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021.

The Company'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 Company, were classified as non-current assets held for sale, and the sale was completed during the year ended December 31, 2021.

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>	<b>2021</b>		<b>2020</b>	
Share of other comprehensive income of associates	₩	-	₩	3,479
	₩	-	₩	<u>3,479</u>

**AJ Networks Co., Ltd.**  
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**37. Business Combination of Entities Under a Common Control**

On May 1, 2021, the Company merged AJ Ens Co., Ltd. and AJ M. Co., Ltd., which were 100% owned by the Company, at a merger ratio of 1:0. In addition, on April 1, 2021, the Company split off the business segment including assets related to Modu Rental Co., Ltd. of AJ Capital Partners Co., Ltd., which was 100% owned by the Company, and merged the divided segment at a merger ratio of 1:0. The Company applied the book amount method to account for the merger since the merger was a business combination among the entities under a common control. Details of the merger are as follows:

*(a) Summary of merger*

	<b>Merged Company</b>		
<b>Name of company</b>	AJ Ens Co., Ltd.	AJ M. Co., Ltd.	AJ Capital Partners Co., Ltd. <sup>1</sup>
<b>Main business</b>	Real estate comprehensive building management	Management consulting	Financial lease business

<sup>1</sup> Business segment including assets related to Modu Rental Co., Ltd. held by AJ Capital Partners Co., Ltd.

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*(b) Accounting treatments of mergers*

The assets and liabilities acquired from the merger with the entities were recognized as the book amount on the consolidated financial statements of the Company, the Ultimate Parent Company, at the merger date. There is no consideration paid and the book amount of acquired net assets is equal to the amount of the Company's investments in subsidiaries. There is no cost incurred related to the merger. The following table summarizes the consideration paid for the entities, the book amount of assets acquired and liabilities assumed:

<i>(in thousands of Korean won)</i>	<b>AJ Ens Co., Ltd.</b>	<b>AJ M. Co., Ltd.</b>	<b>AJ Capital Partners Co., Ltd.<sup>1</sup></b>
Consideration			
Investments in subsidiaries	₩ 8,069,058	₩ 9,346,906	₩ 27,099,470
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	2,758	3,624,310	-
Other current financial assets	-	1,000,767	-
Other current assets	1,728	5,532	-
Investments in subsidiaries	9,378,546	-	-
Investments in associates	-	15,724,472	9,102,159
Financial assets at fair value through profit or loss	-	-	16,379,693
Derivative financial assets	-	-	5,975,280
Borrowings	(1,280,000)	(10,000,000)	-
Other liabilities	(33,973)	(1,008,175)	-
Derivative financial liabilities	-	-	(4,357,661)
Fair value of identifiable net assets	8,069,058	9,346,906	27,099,470
Difference	₩ -	₩ -	₩ -

<sup>1</sup> Business segment including assets related to Modu Rental Co., Ltd. held by AJ Capital Partners Co., Ltd.

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**38. Events After the Reporting Period**

On November 3, 2020, the Company 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 Company'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 Company, has decided to decrease capital with consideration for 515,000 shares held by AJ Networks Co., Ltd. in 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.

On February 14, 2022, the Company'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 Company.

## **Report on Independent Auditor's Audit of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

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

### **Opinion on Internal Control over Financial Reporting**

We have audited AJ Networks Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of profit or loss, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 21, 2022 expressed an unqualified opinion.

### **Basis for Opinion on Internal Control over Financial Reporting**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards is further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting 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.

### **Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting**

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on the Effectiveness of Internal Control over Financial Reporting.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.



### **Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting**

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

### **Definition and Inherent Limitations of Internal Control over Financial Reporting**

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Samil PricewaterhouseCoopers

March 21, 2022

This report is effective as at 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 Company's internal control over financial reporting 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.

## **Report on the Effectiveness of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

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

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting (“ICFR”) Officer of AJ Networks Co., Ltd. (the “Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting for the year ended December 31, 2021.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2021, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

February 10, 2022

Park Dae-Hyun,  
Chief Executive Officer

Kim Young-il,  
Internal Control over Financial Reporting Officer