

AJ Networks Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2022 and 2021

AJ Networks Co., Ltd. and Subsidiaries
Index
December 31, 2022 and 2021

	Page(s)
Independent Auditor's Report	1 - 5
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Equity	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 115



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

(a) Occurrence of rental revenue

Why it is determined to be a Key Audit Matter

As described in Note 2 to the consolidated 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 35% of the Group's total revenues, is determined by the operating system, which calculates and stores the amount of revenue recognized according to the billing schedule generated based on the contract information. The processing results of the operating system are periodically transferred and recorded in a separate financial system in order to be reflected in the consolidated financial statements. There is a potential risk in the Group's revenue recognition process that the amount of revenue recognition might be inappropriate due to manual input of contract information and automated processing of a large volume of data. As a result, we determined that there is a significant risk in relation to the occurrence of rental revenue and focused on this area.

How our audit addressed the Key Audit Matter

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

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

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

Why it is determined to be a Key Audit Matter

As described in Note 12 to the consolidated financial statements, the Group has a goodwill of ₩ 7,840 million as at December 31, 2022, and performs an impairment test for goodwill on an annual basis. We focused on this area due to the significance of size of goodwill balance and because the assessment of the 'value in use' of the Group's cash generating units (CGUs) involves management's judgments about the future results of the business and the discount rates applied to future cash flow forecast. In particular, we focused our audit effort on goodwill recognized in relation to CGU of AJ Total Co., Ltd., in consideration of business performance and size of related goodwill amounts.

AJ Total Co., Ltd. was acquired by the Group in 2019, but performance since acquisitions has been impacted by a deterioration in the business environment, resulting in the current year impairment. As a result of the impairment test, the Group recognized impairment loss of ₩ 4,401 million for the CGU of AJ Total Co., Ltd.

How our audit addressed the Key Audit Matter

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

- Assessed the qualifications and competence of external experts employed by the Group to evaluate the value in use of the CGUs subject to impairment test.
- Inquired of and reviewed the valuation model used by the Group's management.
- Assessed the reasonableness of the key assumptions such as sales growth rate and operating profit used in estimating the future cash flows of the CGU subject to impairment test.
- Evaluated the appropriateness of estimated business forecast of the CGUs by performing a retrospective review of the actual results against past business plans.
- Assessed the reasonableness of the other assumptions such as discount rate and permanent growth rate used in the valuation model
- Evaluated the results of a sensitivity analysis on discount rate and perpetual growth rate performed by management to assess the impact of changes in key assumptions on the impairment assessment.

(c) Impairment testing of investments in associates

Why it is determined to be a Key Audit Matter

As described in Note 8 to the consolidated financial statements, the Group has investments in associates of ₩ 68,432 million as at December 31, 2022. The Group reviews whether there are any impairment indicators of investments in associates and performs an impairment test when it is determined that there is an impairment indicator on annual basis. The Group determines the amount of impairment related to investments in associates requiring impairment as the difference between their carrying amount and the greater of their value in use and their fair value. We focused on this area because the estimation of the 'value in use' of investments in associates involves management's significant judgments about the key assumptions such as sales growth rate, discount rate and permanent growth rate. In particular, we focused our audit effort on Darae Parktech Co., Ltd., an associate, in consideration of business performance and size of related investments in associates.

The Group acquired the equity shares of Darae Parktech Co., Ltd. in 2017, but performance has been deteriorated due to changes in the business environment. As a result of the impairment test, the Group recognized impairment loss of ₩ 4,288 million for the investments in associates of Darae Parktech Co., Ltd.

How our audit addressed the Key Audit Matter

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

- Assessed the qualifications and competence of external experts employed by the Group to evaluate the value in use of the CGUs subject to impairment test.
- Performed inquiry and reviewed the valuation model used by the Group's management.
- Obtained an understanding of the future cash flows of the CGUs, and reviewed the reasonableness of future estimates, including comparison with the management's business plans and others.
- Evaluated the appropriateness of estimated business forecast of the CGUs by performing a retrospective review of the actual results against past business plans.
- Assessed the reasonableness of the other assumptions such as discount rate and permanent growth rate used in the valuation model
- Evaluated the results of a sensitivity analysis on discount rate and perpetual growth rate performed

by management to assess the impact of changes in key assumptions on the impairment assessment.

Other Matter

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Song, Certified Public Accountant.

Seoul, Korea
March 21, 2023

<p>This report is effective as of March 21, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

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

(in Korean won)	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	5,35	₩ 131,861,397,964	₩ 85,232,019,813
Trade receivables	35,36	94,962,107,923	93,251,536,505
Inventories	6	25,024,737,042	19,735,719,639
Financial assets at fair value through profit or loss	7	3,848,586,865	3,213,923,145
Other current financial assets	14,35,36	21,306,674,780	30,183,540,039
Other current assets	15,36	<u>24,466,084,527</u>	<u>42,296,166,236</u>
		<u>301,469,589,101</u>	<u>273,912,905,377</u>
Non-current assets held for sale	39	<u>28,029,513,229</u>	-
Non-current assets			
Long-term financial instruments	5,35	1,358,500,000	1,160,726,636
Financial assets at fair value through profit or loss	7,35	22,812,260,111	25,539,624,849
Financial assets at fair value through other comprehensive income	7,35	12,685,375,553	14,577,407,247
Investments in associates	8,36	68,432,286,614	76,928,639,795
Rental assets	9,19	741,974,075,642	657,113,475,992
Property, plant and equipment	10,19	166,985,381,711	177,684,993,354
Intangible assets	12,19	25,270,682,800	27,941,557,766
Investment properties	13	20,395,944,677	23,585,604,256
Right-of-use assets	11	43,693,880,205	38,685,595,799
Other non-current financial assets	14,20,35	33,780,468,445	32,210,490,619
Other non-current assets	15	3,427,483,029	3,165,471,726
Deferred tax assets	31	<u>11,129,930,628</u>	<u>2,537,956,539</u>
		<u>1,151,946,269,415</u>	<u>1,081,131,544,578</u>
Total assets		<u>₩ 1,481,445,371,745</u>	<u>₩ 1,355,044,449,955</u>
Liabilities			
Current liabilities			
Trade payables	35	₩ 55,310,291,271	₩ 43,057,838,717
Short-term borrowings	16,19,35	209,481,577,325	113,290,328,000
Current portion of long-term borrowings	16,19,35	231,028,286,339	153,480,837,105
Current portion of long-term bonds	16,35	230,556,881,567	141,922,058,703
Other current financial liabilities	17,19,35,36	52,020,854,549	34,999,835,176
Other current liabilities	17,36	11,453,565,939	12,612,214,659
Current lease liabilities	11	11,000,760,757	10,841,504,832
Current tax liabilities	31	<u>13,512,637,659</u>	<u>14,972,161,133</u>
		<u>814,364,855,406</u>	<u>525,176,778,325</u>
Non-current liabilities held for sale	39	<u>23,581,953,463</u>	-
Non-current liabilities			
Bonds	16,35	65,447,736,112	197,671,055,559
Long-term borrowings	16,19,35	173,582,204,785	223,293,807,977
Other non-current financial liabilities	17,20,35	4,223,279,209	8,996,132,231
Other non-current liabilities	17	1,557,711,179	1,351,474,998
Net defined benefit liabilities	18	300,765,487	1,410,387,247
Non-current lease liabilities	11	34,014,827,606	31,295,649,607
Deferred tax liabilities	31	<u>2,486,196,008</u>	<u>3,339,075,893</u>
		<u>281,612,720,386</u>	<u>467,357,583,512</u>
Total liabilities		<u>1,119,559,529,255</u>	<u>992,534,361,837</u>
Equity			
Share capital	1,21	46,822,295,000	46,822,295,000
Capital surplus	21	100,589,604,129	100,589,604,129
Capital adjustments	22	(37,203,171,749)	(33,833,226,018)
Other capital	22,23	(605,114,014)	(761,844,645)
Accumulated other comprehensive income	7,22	7,119,172,188	759,063,529
Retained earnings	24	<u>244,834,019,461</u>	<u>247,924,996,406</u>
Equity attributable to owners of the Parent Company		<u>361,556,805,015</u>	<u>361,500,888,401</u>
Non-controlling interest	37	<u>329,037,475</u>	<u>1,009,199,717</u>
Total equity		<u>361,885,842,490</u>	<u>362,510,088,118</u>
Total liabilities and equity		<u>₩ 1,481,445,371,745</u>	<u>₩ 1,355,044,449,955</u>

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

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

<i>(in Korean won)</i>	Notes	2022	2021
Operating revenue	4,26,36	₩ 1,208,367,577,386	₩ 981,947,656,833
Operating expenses	4,27,32,36	1,132,920,190,871	933,875,938,995
Operating profit	4	<u>75,447,386,515</u>	<u>48,071,717,838</u>
Other income	29,36	4,956,914,345	9,727,849,536
Other expenses	29	13,743,551,609	12,048,995,691
Share of net profit (loss) of associates accounted for using the equity method	8,30	(1,314,973,776)	6,293,680,627
Finance income	28,34,35,36	7,729,439,703	5,325,760,514
Finance costs	28,34,35	45,432,551,164	35,079,775,243
Profit before income tax		<u>27,642,664,014</u>	<u>22,290,237,581</u>
Income tax expense from continuing operations	31	5,563,231,232	9,988,298,462
Profit from continuing operations		<u>22,079,432,782</u>	<u>12,301,939,119</u>
Discontinued operations			
Profit (loss) from discontinued operations	39	(13,309,898,402)	64,435,193,956
Profit for the year		<u>₩ 8,769,534,380</u>	<u>₩ 76,737,133,075</u>
Profit (loss) is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		₩ 22,306,231,774	₩ 12,316,459,686
Profit (loss) from discontinued operations		(13,309,898,402)	64,475,115,566
Profit attributable to owners of the Parent Company		<u>8,996,333,372</u>	<u>76,791,575,252</u>
Non-controlling interests			
Loss from continuing operations		(226,798,992)	(14,520,567)
Loss from discontinued operations		-	(39,921,610)
Loss attributable to non-controlling interests		<u>(226,798,992)</u>	<u>(54,442,177)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Gain (loss) on valuation of financial assets at fair value through other comprehensive income		₩ (1,279,392,733)	₩ 676,652,732
Remeasurements of net defined benefit liability		218,714,154	55,193,333
Share of other comprehensive income of associates		615,371,889	188,814,893
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translation difference for foreign operations	22	6,866,268,816	10,538,878,466
Share of other comprehensive income of associates	22	(58,364,555)	807,486,851
Other comprehensive income for the year, net of tax		<u>6,362,597,571</u>	<u>12,267,026,275</u>
Total comprehensive income for the year		<u>₩ 15,132,131,951</u>	<u>₩ 89,004,159,350</u>
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		₩ 15,356,442,031	₩ 88,990,324,372
Non-controlling interest	37	(224,310,080)	13,834,978
		<u>₩ 15,132,131,951</u>	<u>₩ 89,004,159,350</u>
Earnings (losses) per share	25		
Basic earnings per share from continuing operations		₩ 498	₩ 274
Basic earnings (losses) per share from discontinued operations		(297)	1,433
Basic earnings per share for owners of the Parent Company		<u>₩ 201</u>	<u>₩ 1,707</u>
Diluted earnings per share from continuing operations		₩ 498	₩ 274
Diluted earnings (losses) per share from discontinued operations		(297)	1,433
Diluted earnings per share for owners of the Parent Company		<u>₩ 201</u>	<u>₩ 1,707</u>

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

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

(in Korean won)

	Attributable to owners of the Parent Company							Total Equity
	Share capital	Capital surplus	Capital adjustments	Other capital	Accumulated other comprehensive income (loss)	Retained earnings	Non-controlling interest	
Balance at January 1, 2021	₩ 46,822,295,000	₩ 100,597,687,755	₩ (31,510,944,400)	₩ -	₩ (11,439,685,591)	₩ 180,625,164,088	₩ 2,913,293,254	₩ 288,007,810,106
Total comprehensive income								
Profit (Loss) for the year	-	-	-	-	-	76,791,575,252	(54,442,177)	76,737,133,075
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	676,652,732	63,035,000	-	739,687,732
Foreign currency translation difference for foreign operations	-	-	-	-	10,470,689,620	-	68,188,846	10,538,878,466
Remeasurements of net defined benefit liability	-	-	-	-	55,105,024	-	88,309	55,193,333
Share of other comprehensive income of associates	-	-	-	(779,728,095)	996,301,744	-	-	216,573,649
Transactions with owners								
Stock option	-	-	-	17,883,450	-	-	-	17,883,450
Dividends paid	-	-	-	-	-	(9,562,861,560)	-	(9,562,861,560)
Acquisition of treasury shares	-	-	(1,240,697,925)	-	-	-	-	(1,240,697,925)
Revaluation surplus	-	(8,083,626)	-	-	-	8,083,626	-	-
Changes in scope of consolidation	-	-	(1,081,583,693)	-	-	-	(1,917,928,515)	(2,999,512,208)
Balance at December 31, 2021	<u>₩ 46,822,295,000</u>	<u>₩ 100,589,604,129</u>	<u>₩ (33,833,226,018)</u>	<u>₩ (761,844,645)</u>	<u>₩ 759,063,529</u>	<u>₩ 247,924,996,406</u>	<u>₩ 1,009,199,717</u>	<u>₩ 362,510,088,118</u>
Balance at January 1, 2022	₩ 46,822,295,000	₩ 100,589,604,129	₩ (33,833,226,018)	₩ (761,844,645)	₩ 759,063,529	₩ 247,924,996,406	₩ 1,009,199,717	₩ 362,510,088,118
Total comprehensive income								
Profit (Loss) for the year	-	-	-	-	-	8,996,333,372	(226,798,992)	8,769,534,380
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	-	(1,279,392,733)	-	-	(1,279,392,733)
Foreign currency translation difference for foreign operations	-	-	-	-	6,863,779,904	-	2,488,912	6,866,268,816
Remeasurements of net defined benefit liability	-	-	-	-	218,714,154	-	-	218,714,154
Share of other comprehensive income of associates	-	-	-	-	557,007,334	-	-	557,007,334
Transactions with owners								
Stock option	-	-	-	156,730,631	-	-	-	156,730,631
Dividends paid	-	-	-	-	-	(12,087,310,317)	-	(12,087,310,317)
Changes in scope of consolidation	-	-	(3,369,945,731)	-	-	-	(455,852,162)	(3,825,797,893)
Balance at December 31, 2022	<u>₩ 46,822,295,000</u>	<u>₩ 100,589,604,129</u>	<u>₩ (37,203,171,749)</u>	<u>₩ (605,114,014)</u>	<u>₩ 7,119,172,188</u>	<u>₩ 244,834,019,461</u>	<u>₩ 329,037,475</u>	<u>₩ 361,885,842,490</u>

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

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

<i>(in Korean won)</i>	Note	2022	2021
Cash flows from operating activities			
Cash generated from operations	33	₩ 65,703,533,769	₩ 16,197,715,506
Interest received		2,153,679,076	2,662,430,680
Interest paid		(36,787,391,085)	(33,249,344,984)
Dividends received		2,317,493,254	5,132,557,722
Income taxes paid		(15,062,903,150)	(2,061,431,242)
Net cash inflow (outflow) from operating activities		<u>18,324,411,864</u>	<u>(11,318,072,318)</u>
Cash flows from investing activities			
Increase in short-term financial instruments		(50,237,110,000)	(48,738,484,891)
Decrease in short-term financial instruments		54,110,000,000	56,699,584,563
Increase of short-term loans		(1,080,550,000)	(2,080,611,150)
Decrease of short-term loans		2,047,648,000	650,931,860
Increase in long-term financial instruments		(1,058,400)	(60,815,993)
Decrease in long-term financial instruments		224,795,436	10,000,000
Acquisition of financial assets at fair value through other comprehensive income		(523,762,990)	-
Disposal of financial assets at fair value through other comprehensive income		-	630,188,826
Acquisition of financial assets at fair value through profit or loss		(50,657,647,052)	(8,534,863,000)
Disposal of financial assets at fair value through profit or loss		49,491,433,519	1,452,251,259
Disposal of financial assets at amortized cost		5,000,000,000	-
Increase of deposit		(2,065,481,282)	(3,703,037,054)
Decrease of deposit		1,272,610,015	4,476,208,781
Acquisition of right-of-use assets		-	(7,571,827,534)
Acquisition of investments in associates		-	(402,000,000)
Disposal of investments in associates		-	483,300,000
Acquisition of property, plant and equipment (excluding rental assets)		(25,633,724,625)	(45,723,754,552)
Disposal of property, plant and equipment (excluding rental assets)		761,578,075	4,892,849,920
Acquisition of intangible assets		(5,719,928,129)	(2,596,698,106)
Disposal of intangible assets		77,300,000	226,618,050
Disposal of investment property		36,363,636	-
Disposal of non-current assets held for sale		-	209,519,173,743
Cash outflow due to changes in scope of consolidation		(808,760,957)	(4,549,401,079)
Net cash inflow (outflow) from investing activities		<u>(23,706,294,754)</u>	<u>155,079,613,643</u>
Cash flows from financing activities			
Repayment of short-term borrowings		(415,511,393,916)	(436,727,865,155)
Proceeds from short-term borrowings		509,528,200,997	331,231,447,960
Repayment of current portion of long-term borrowings		(234,045,577,933)	(197,870,460,257)
Proceeds from current portion of long-term borrowings		22,685,350	-
Repayment of long-term borrowings		(1,072,382,087)	-
Proceeds from long-term borrowings		263,549,827,098	215,752,593,998
Repayment of bonds		(142,000,000,000)	(115,000,000,000)
Proceeds from bonds		97,993,315,000	105,690,210,553
Acquisition of treasury shares		-	(1,240,697,925)
Payment of financial lease liabilities		(12,392,273,434)	(24,443,641,000)
Increase in leasehold deposits		80,506,000	2,843,996,545
Decrease in leasehold deposits		(2,000,000)	(482,760,000)
Dividends paid		(12,087,310,317)	(9,562,861,560)
Acquisition of non-controlling interest		(3,107,758,779)	-
Net cash inflow (outflow) from financing activities		<u>50,955,837,979</u>	<u>(129,810,036,841)</u>
Replacement of non-current assets held for sale		(109,907,491)	-
Net increase in cash and cash equivalents		45,464,047,598	13,951,504,484
Cash and cash equivalents at the beginning of the financial year		85,232,019,813	69,806,738,399
Effects of exchange rate changes on cash and cash equivalents		1,165,330,553	1,473,776,930
Cash and cash equivalents at the end of the year		<u>₩ 131,861,397,964</u>	<u>₩ 85,232,019,813</u>

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

1. General Information

1.1 General Information of the Parent Company

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

The Group’s initial capital was ₩ 10,000 million and, after a number of capital increases, our paid-in capital is ₩ 46,822 million as at December 31, 2022. The Group's major stockholders as at December 31, 2022, are as follows:

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

The consolidated financial statements have been prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements* for the purpose of consolidating 27 subsidiaries including AJ Total Co., Ltd (collectively referred to as the “Group”).

1.2 Consolidated Subsidiaries

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

	Location	Percentage of ownership		Closing month	Main business
		Parent Company	Subsidiary		
AJ Total Co., Ltd.	Korea	100.00%	-	December	Franchise management
AJ Hanlock Co., Ltd. ¹	Korea	-	100.00%	December	Comprehensive logistics service
AJ Retail Co., Ltd. ¹	Korea	-	100.00%	December	Convenience store operations
AJ TOTAL VIETNAM Co., Ltd	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ TOTAL HANOI Co.,Ltd.	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Logistics pallet rental business
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Construction and civil engineering machinery rental business
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Construction and civil engineering machinery rental business
AJ Daewon Co., Ltd.	Korea	100.00%	-	December	Real Estate Comprehensive

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

ACE INDUSTRIAL TECH CO., LTD. ^{2,3}	Korea	-	100.00%	December	Building Management Mechanical equipment performance inspection business
AJ Rental, Inc.	America	100.00%	-	December	Rental business
AJ Rental Dallas, Inc. ^{4,5}	America	-	100.00%	December	Construction Equipment Rental
AJ Networks America, Inc. ⁵	America	-	100.00%	December	Management Consulting
AJ International Togo, Inc. ⁶	America	-	100.00%	December	Management Consulting
Auto Gallery International, Inc. ⁶	America	-	60.03%	December	Vehicle repairs
AJ Maintenance Partners Co., Ltd.	Korea	100.00%	-	December	Vehicle management
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash business
World Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
Four season Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
AJ Networks First Limited Company ⁷	Korea	-	-	March	Financial industry
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service business
AJ Auto Parking Systems Co., Ltd. ⁸	Korea	100.00%	-	December	Parking facility manufacturing and construction
AJ Rental Arabia, Ltd.	Saudi Arabia	100.00%	-	December	Rental business
AJ ICT Co., Ltd.	Korea	99.83%	-	December	Service business
AJ POLSKA Sp. z o. o. ²	Poland	100.00%	-	December	Packaging and logistics agency
TS GLOBAL CO. ⁹	Korea	70.00%	-	December	Manufacturing, rental, and sales of logistics containers
AJ LogisValue Hungary Kft. ²	Hungary	100.00%	-	December	Logistics packaging and pallet rental business

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

² Newly established by investing during the year ended December 31, 2022.

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

⁴ 30% of the residual interest were acquired during the year ended December 31, 2022.

⁵ It is a subsidiary of AJ Rental, Inc., a subsidiary of the Company.

⁶ It is a subsidiary of AJ Networks America Inc., a grandson company of the Company.

⁷ As a special purpose corporation established to borrow trade receivables from the Korea Development Bank, the entity is classified as a subsidiary because the Company has a power and is exposed to variable profits.

⁸ 0.16% of the residual interest were acquired during the year ended December 31, 2022.

⁹ 70% of the shares were newly acquired during the year ended December 31, 2022.

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

	Location	Percentage of ownership		Closing month	Main business
		Parent Company	Subsidiary		
AJ Total Co., Ltd.	Korea	100.00%	-	December	Refrigerated warehouse rental
AJ Hanlock Co., Ltd. ¹	Korea	-	100.00%	December	Comprehensive logistics service
Daul F & B Co., Ltd. ¹	Korea	-	100.00%	December	Franchise management
Sewoo Food Co., Ltd. ¹	Korea	-	100.00%	December	Food production
AJ Retail Co., Ltd. ^{1,2}	Korea	-	100.00%	December	Convenience store operations
AJ TOTAL VIETNAM Co., Ltd. ³	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ TOTAL HANOI Co., Ltd. ^{3,4}	Vietnam	100.00%	-	December	Refrigerated warehouse rental
AJ Rental Service Co., Ltd.	Korea	100.00%	-	December	Logistics pallet rental business
AJ Rental Co., Ltd.	Vietnam	100.00%	-	December	Construction and civil engineering machinery rental business
AJ JEONGUK SKY Co., Ltd.	Korea	100.00%	-	December	Construction and civil engineering machinery rental business
AJ Daewon Co., Ltd. ⁵	Korea	100.00%	-	December	Real Estate Comprehensive Building Management
AJ Rental, Inc.	America	100.00%	-	December	Rental business
AJ Rental Dallas, Inc. ⁶	America	-	70.00%	December	Construction Equipment Rental
AJ Networks America, Inc. ^{6,7}	America	-	100.00%	December	Management Consulting
AJ International Togo, Inc. ⁸	America	-	100.00%	December	Management Consulting
Auto Gallery International, Inc. ⁸	America	-	60.03%	December	Vehicle repairs
AJ Maintenance Partners Co., Ltd. ⁹	Korea	100.00%	-	December	Vehicle management
AJ Energy Co., Ltd.	Korea	100.00%	-	December	Oil sales and car wash business
World Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
Four season Rent-A-Car Co., Ltd.	Korea	100.00%	-	December	Car rental
AJ Networks First Limited Company ¹⁰	Korea	-	-	March	Financial industry
Ryu Ga Hyoung Golf Academy Co., Ltd.	Korea	100.00%	-	December	Service business
AJ Auto Parking Systems Co., Ltd.	Korea	99.84%	-	December	Parking facility manufacturing and construction
AJ Rental Arabia, Ltd.	Saudi Arabia	100.00%	-	December	Rental business
AJ ICT Co., Ltd. ¹¹	Korea	99.83%	-	December	Service business

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

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

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

⁴ Newly established during the year ended December 31, 2021.

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

⁷ The shares of AJ Networks America, Inc. held by the Company were sold to AJ Rental Inc., a subsidiary of the Company, by in kind investment during the year ended December 31, 2021. As a result, the entity became a consolidated subsidiary of AJ Rental Inc. and there are no changes within the Group.

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

⁹ The entity name was changed from AJ Carian Service Co., Ltd. during the year ended December 31, 2021.

¹⁰ As a special purpose corporation established to borrow trade receivables from the Korea Development Bank, the entity is classified as a subsidiary because the Company has a power and is exposed to variable profits.

¹¹ 99.83% of the shares were newly acquired during the year ended December 31, 2021.

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

1.3 Summarized Financial Information

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

(in millions of
Korean won)

Subsidiary	2022						Total comprehensive income (loss)
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year		
AJ Total Co., Ltd. ¹	₩ 33,131	₩ 7,559	₩ 25,572	₩ 51,200	₩ (2,815)	₩ (2,815)	
AJ Energy Co., Ltd.	46,313	25,020	21,293	417,709	1,854	1,854	
AJ Maintenance Partners Co., Ltd.	8,905	5,984	2,921	38,155	241	241	
AJ TOTAL VIETNAM Co., Ltd	68,529	47,510	21,019	7,986	(2,779)	(2,001)	
AJ TOTAL HANOI Co.,Ltd.	8,698	79	8,619	-	(312)	(39)	
AJ Rental Service Co., Ltd.	7,905	7,432	473	65,368	191	191	
AJ JEONGUK SKY Co., Ltd.	5,255	979	4,276	5,380	373	373	
AJ Rental Co., Ltd.	16,177	6,176	10,001	6,717	540	809	
AJ Rental, Inc. ¹	99,197	15,674	83,523	22,443	(2,208)	3,585	
World Rent-A-Car Co., Ltd.	584	-	584	-	13	13	
Four season Rent-A- Car Co., Ltd.	174	328	(154)	-	(15)	(15)	
AJ Daewon Co., Ltd. ¹	8,006	3,653	4,353	26,571	624	624	
Ryu Ga Hyoung Golf Academy Co., Ltd.	45	76	(31)	474	(133)	(133)	
AJ Rental Arabia, Ltd.	43	3	40	156	16	17	
AJ ICT Co., Ltd.	13,867	9,258	4,609	43,284	304	304	
AJ POLSKA Sp. z o. o.	5,792	5,059	733	10,442	(264)	(262)	
TS GLOBAL CO.	3,192	1,894	1,298	1,378	(158)	(158)	
AJ LogisValue Hungary Kft.	10	2	8	-	(2)	(2)	
AJ Networks First Limited Company	15,372	15,369	3	1,050	-	-	

¹ Financial information based on consolidated financial statements of subsidiaries.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in millions of
Korean won)

Subsidiary	2021						
	Assets	Liabilities	Equity	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)	
AJ Total Co., Ltd. ^{1,2}	₩ 82,109	₩ 23,680	₩ 58,429	₩ 47,966	₩ (13,374)	₩ (11,088)	
AJ Energy Co., Ltd.	46,057	26,618	19,439	330,445	1,727	1,727	
AJ Maintenance Partners Co., Ltd.	8,029	5,349	2,680	29,730	138	138	
AJ TOTAL VIETNAM Co., Ltd	60,438	37,418	23,020	2,223	(1,561)	(623)	
AJ TOTAL HANOI Co.,Ltd.	8,659	2	8,657	-	(76)	60	
AJ Rental Service Co., Ltd.	6,842	6,561	281	55,481	598	598	
AJ JEONGUK SKY Co., Ltd.	4,853	949	3,904	4,382	110	110	
AJ Rental Co., Ltd.	13,308	4,116	9,192	5,194	417	1,276	
AJ Rental Inc. ²	86,684	3,733	82,951	17,964	(2,518)	5,313	
World Rent-A-Car Co., Ltd.	571	-	571	-	1	1	
Four season Rent-A-Car Co., Ltd.	175	314	(139)	-	(16)	(16)	
AJ Daewon Co., Ltd.	6,718	2,988	3,730	28,942	576	573	
Ryu Ga Hyoung Golf Academy Co., Ltd.	138	35	103	457	(26)	(26)	
AJ Rental Arabia, Ltd.	23	-	23	118	(50)	(46)	
AJ ICT Co., Ltd.	23,770	19,466	4,304	37,919	(18)	(18)	
AJ Auto Parking Service Co., Ltd.	36,035	49,835	(13,800)	45,627	(3,933)	(3,872)	
AJ Networks First Limited Company	29,613	29,610	3	1,329	-	-	

¹ Profit or loss from discontinued operations is excluded.

² Financial information based on consolidated financial statements of subsidiaries.

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

1.4 Changes in Scope for Consolidation

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

Subsidiary	Reason
Daul F & B Co., Ltd. Seewoo Food Co., Ltd.	It was merged to AJ Total Co., Ltd.
AJ POLSKA Sp. z o. o. ACE INDUSTRIAL TECH CO., LTD.	It was newly established.
AJ LogisValue Hungary Kft. TS GLOBAL CO.	It was newly acquired.

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

· defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

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

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

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

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

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

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

(e) Annual improvements to Korean IFRS 2018-2020

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

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

2.2.2 New standards and interpretations not yet adopted by the Group

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

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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

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

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

2.3 Significant Accounting Policies

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

2.3.1 Consolidation

(a) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except for the issuance cost of debt or equity securities accounted for according to Korean IFRS 1032 and 1109.

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

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Non-controlling interests

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

(d) Loss of control

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

(e) Interests in equity method accounted investees

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

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

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

(f) Transactions eliminated on consolidation

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

(g) Business combinations under a common control

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

2.3.2 Discontinued operations

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

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

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

2.3.3 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

2.3.4 Non-derivative financial assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

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

A. Debt securities

Subsequent measurement of debt securities depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt securities 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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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 expense' 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 expense' in the year in which it arises.

B. Equity instruments

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

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

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt securities carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 35.(a) provides more detail of how the Group determines there has been a significant increase in credit risk.)

(d) Recognition and derecognition

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as “borrowings” in the statement of financial position (Note 16).

(e) Offsetting of financial instruments

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

2.3.5 Derivative instruments

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

2.3.6 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 35 for further information about the Group's accounting for trade receivables and Note 35 for a description of the Group's accounting policy for impairment.

2.3.7 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined using the specific identification method and etc.

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

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

2.3.9 Property, plant and equipment (including rental assets)

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

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

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

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

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

	Useful lives
Property, plant and equipment	
Buildings	20, 40 years
Structures	8
Furniture and fixture	2 – 5
Vehicles	4, 8
Machinery	4 – 10
Facilities	4
Rental assets	
OA rental assets	1 – 6
Construction equipment	1 – 12
Pallets	3 – 10

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

rental assets is transferred to inventories.

2.3.10 Borrowing Costs

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

2.3.11 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

technically and commercially feasible, future economic benefits are probable, and The Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures

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

2.3.13 Investment property

Investment property is property (including right-of-use assets) 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). The Group depreciates investment properties, except for land, using the straight-line method over their useful lives.

2.3.14 Impairment of Non-financial Assets

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

2.3.15 Trade and Other Payables

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

2.3.16 Financial Liabilities

(a) Classification and measurement

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

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

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

(b) Derecognition

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

2.3.17 Financial guarantee contracts

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

2.3.18 Compound Financial Instruments

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

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

2.3.19 Provisions

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

2.3.20 Current and deferred tax

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

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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

2.3.21 Employee Benefits

(a) Post-employment benefits

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

(b) Share-based payments

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

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

2.3.22 Revenue recognition

(a) Revenue from contracts with customers

- Sale of goods: Revenue on sales of goods is recognized when the products have been delivered to the customer.
- Rendering of services: For revenue from rendering of services in relation to cold storage and real estate rental services, the Group will recognize the allocated transaction price for each performance obligation over the contract period as revenue over the service period.

(b) Interest income

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

(c) Dividend income

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

2.3.23 Leases

(a) Lessor

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

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

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

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

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

(b) Lessee

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

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

Payments associated with short-term leases of all equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Variable lease payments

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

(d) Extension and termination options

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

2.3.24 Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the period by sum of weighted average number of ordinary shares outstanding and weighted average number of potential dilutive ordinary shares. The potential dilutive shares are reflected in the calculation for dilutive earnings per share when there are dilutive effects.

2.3.25 Segment reporting

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

2.3.26 Approval of issuance of the financial statements

The consolidated financial statements 2022 were approved for issue by the Board of Directors on February 21, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

(a) *Estimated goodwill impairment*

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 10).

(b) *Income taxes*

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 31).

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

(c) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 7).

(d) *Impairment of financial assets*

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

inputs to the impairment calculation based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 35).

(e) Lease

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

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

4. Operating Segments

The management (senior executives), which conducts strategic decision-making, makes decisions on the consolidated entity's operating division. The board of directors makes decisions on the resources to be allocated to the division and, to evaluate the division's performance, is conducting review based on the division's operating profit.

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

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

(in thousands of Korean won)

	2022			
	Rental	Refrigerated and distribution	Others	Total
Operating revenue	₩ 622,338,486	₩ 523,904,231	₩ 62,124,860	₩ 1,208,367,577
Depreciation	148,909,032	5,687,219	616,827	155,213,078
Amortization	867,793	1,051,858	1,730,178	3,649,829
Operating profit (loss)	74,370,828	2,149,488	(1,072,929)	75,447,387

(in thousands of Korean won)

	2021			
	Rental	Refrigerated and distribution	Others	Total
Operating revenue	₩ 506,536,768	₩ 412,558,939	₩ 62,851,950	₩ 981,947,657
Depreciation	142,262,010	5,142,424	638,509	148,042,943
Amortization	1,163,386	1,145,163	1,647,820	3,956,369
Operating profit (loss)	54,205,967	(5,154,411)	(979,838)	48,071,718

The information on assets and revenues by each operating segment reported to the management as at and for the years ended December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

	Revenue from external customers¹		Non-current assets²	
	2022	2021	2022	2021
Korea	₩ 1,238,632,019	₩ 1,022,936,034	₩ 1,108,551,546	₩ 1,084,791,728
United States	22,442,677	17,964,100	65,885,781	58,685,584
Vietnam	14,779,295	7,417,016	84,302,465	74,094,616
Others	13,341,415	1,845,716	-	-
Consolidation adjustments	(80,827,829)	(68,215,209)	(188,560,057)	(212,466,589)
	<u>₩ 1,208,367,577</u>	<u>₩ 981,947,657</u>	<u>₩ 1,070,179,735</u>	<u>₩ 1,005,105,339</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

² The amount excludes financial instruments and deferred tax assets.

There is no customer whose revenue from external customers exceeds 10% of the Group's total revenue for the years ended December 31, 2022 and 2021.

5. Cash and Cash Equivalents

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

<i>(in thousands of Korean won)</i>	2022		2021	
Cash on hand	₩	34,387	₩	41,148
Bank deposits and others		131,827,011		85,190,872
	₩	<u>131,861,398</u>	₩	<u>85,232,020</u>

Financial instruments which are restricted in use as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Financial institutions	2022		2021		Description
Short-term financial instruments	Shinhan bank	₩	626,210	₩	1,000,000	Collaterals for sub-lease deposit, pledge for purchase of business equipment
	Hana bank		2,400,000		400,000	
Long-term financial instruments	Shinhan bank		1,354,000		793,100	Collaterals for performance guarantee of share purchase agreement, sub-lease deposit, deposit for check account and others
	Hana bank		2,000		4,000	
	Citibank Korea Inc		2,500		67,703	
		₩	<u>4,384,710</u>	₩	<u>2,264,803</u>	

6. Inventories

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

<i>(in thousands of Korean won)</i>	2022		2021	
Raw materials	₩	285,277	₩	1,150,036
Merchandises		21,087,758		16,353,359
Allowance for valuation of merchandises		(104,993)		(1,000,976)
Supplies		3,756,695		3,233,301
	₩	<u>25,024,737</u>	₩	<u>19,735,720</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

7. Financial Assets at Fair Value

Financial assets at fair value as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	
	Acquisition cost	Carrying amount
Financial assets at fair value through other comprehensive income		
Equity instrument	₩ 13,307,853	₩ 12,685,376
Financial assets at fair value through profit or loss (current)		
Debt instrument	6,461,652	3,848,587
Financial assets at fair value through profit or loss (non-current)		
Equity instrument	26,308,682	22,262,537
Debt securities	540,000	549,723
	<u>26,848,682</u>	<u>22,812,260</u>
	<u>₩ 46,618,187</u>	<u>₩ 39,346,223</u>

(in thousands of Korean won)

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Change in financial assets at fair value for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Balance at January 1	₩	43,330,955	₩	35,275,377
Acquisition		51,240,130		8,534,863
Disposal		(49,593,539)		(2,085,143)
Gains and losses on valuation		(4,379,704)		860,924
Others ¹		(1,251,619)		744,934
Balance at December 31	₩	<u>39,346,223</u>	₩	<u>43,330,955</u>

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

8. Investments in Associates

Investments in associates as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022						
	Ownership	Acquisition cost	Beginning balance	Share of profit or loss of associates	Dividend received	Others	Ending balance
AJ Fleet Link Co., Ltd.	50.00%	₩ 150,000	₩ 153,666	₩ 21,853	₩ -	₩ -	₩ 175,519
Darae Parktech Co., Ltd. ^{1,2}	37.30%	7,890,837	7,028,153	(227,220)	-	(2,954,684)	3,846,249
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,135,183	1,335,113	(474,000)	317,068	7,313,364
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	3,328,777	2,097,109	(474,000)	-	4,951,886
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	7,605,557	256,775	(594,000)	588,231	7,856,563
A2 PARTNERS RHINOS No. 1 private equity partnership	33.20%	18,503,407	21,352,953	(2,436,276)	-	(75,545)	18,841,132
Auto Gallery Holdings, Inc.	49.98%	6,660,700	10,395,949	(1,351,758)	-	(62,262)	8,981,929
BNP INC.	25.00%	75,000	1,388,229	(125,858)	-	-	1,262,371
Modu Rental Co., Ltd. ³	10.53%	9,078,712	10,337,853	(141,435)	-	491,416	10,687,834
Junsymall.com co.,Ltd. ^{4,5}	33.33%	10,000,527	9,202,320	(743,277)	-	(3,943,603)	4,515,440
		₩ 78,059,183	₩ 76,928,640	₩ (1,314,974)	₩ (1,542,000)	₩ (5,639,379)	₩ 68,432,287

¹ The Group has a put-option to additionally acquire shares (greater of 14,453 shares or 6% of the total issued shares at the time of exercise) in Darae Parktech Co., Ltd. from the largest shareholder for two years from February 12, 2021. In accordance with an additional agreement entered into on March 9, 2021, the Group has a right to acquire shares equivalent to 7.5% without consideration from the largest shareholder and a drag-along right for all the shares held by the largest shareholder if the requirements are not met (Note 19).

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

² During the year ended December 31, 2022, the Group recognizes the difference between the recoverable amount and its book amount as impairment loss amounting to ₩ 3,036 million for Darae Parktech Co., Ltd.

³ The ownership by considering only ordinary shares is 15.38%, and since it has the right to appoint the Board of Directors, it is classified as an associate.

⁴ The entity name was changed from AJ Junsymall Co., Ltd. during the year ended December 31, 2022.

⁵ During the year ended December 31, 2022, the Group recognizes the difference between the recoverable amount and its book amount as impairment loss amounting to ₩ 3,943 million for Junsymall.com co.,Ltd.

(in thousands of
Korean won)

	2021							
	Ownership	Acquisition cost	Beginning balance	Acquisition (Disposal)	Share of profit or loss of associates	Dividend received	Others	Ending balance
LinkDotz Inc. ¹	-	₩ 246,100	₩ 234,387	₩ -	₩ (42,133)	₩ -	₩ (192,254)	₩ -
AJ Fleet Link Co., Ltd.	50.00%	150,000	132,121	-	21,545	-	-	153,666
Darae Parktech Co., Ltd. ²	37.30%	7,890,837	7,954,384	-	(915,473)	-	(10,758)	7,028,153
Cha Partners Public Mobility No. 1 private equity partnership	49.38%	7,900,000	6,652,170	-	621,883	(1,282,763)	143,893	6,135,183
Cha Partners Public Mobility No. 2 private equity partnership	49.38%	7,900,000	6,159,685	-	(306,457)	(2,660,325)	135,874	3,328,777
Cha Partners Public Mobility No. 3 private equity partnership	49.50%	9,900,000	8,982,687	-	(246,278)	(891,000)	(239,852)	7,605,557
A2 PARTNERS								
RHINOS No. 1 private equity partnership	33.20%	18,503,407	16,059,628	-	6,135,532	-	(842,207)	21,352,953
Auto Gallery Holdings, Inc.	49.98%	6,660,700	6,660,700	-	2,861,269	-	873,980	10,395,949
BNP INC.	25.00%	75,000	1,295,407	-	92,822	-	-	1,388,229
Modu Rental Co., Ltd. ³	10.53%	9,078,713	9,078,713	-	(1,148,529)	-	2,407,669	10,337,853
AJ Junsymall Co., Ltd. ⁴	33.33%	10,000,527	-	10,000,527	(780,500)	-	(17,707)	9,202,320
		₩ 78,305,284	₩ 63,209,882	₩ 10,000,527	₩ 6,293,681	₩ (4,834,088)	₩ 2,258,638	₩ 76,928,640

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

² The Group has a put-option to additionally acquire shares (greater of 14,453 shares or 6% of the total issued shares at the time of exercise) in Darae Parktech Co., Ltd. from the largest shareholder

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

for two years from February 12, 2021. In accordance with an additional agreement entered into on March 9, 2021, the Group has a right to acquire shares equivalent to 7.5% without consideration from the largest shareholder and a drag-along right for all the shares held by the largest shareholder if the requirements are not met (Note 19).

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

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

Financial information of investment in associates as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Fleet Link Co., Ltd.	Korea	December	₩ 471,764	₩ 120,726	₩ 55,598	₩ 44,025	₩ 44,025
Darae Parktech Co., Ltd.	Korea	December	15,913,227	14,496,577	25,250,981	(239,517)	(239,517)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	67,663,661	52,583,061	91,050,666	2,667,394	2,910,884
Cha Partners Public Mobility No. 2 private equity partnership	Korea	December	78,752,838	66,956,662	93,361,825	2,453,891	2,453,891
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	77,123,394	51,425,056	55,292,617	1,545,947	3,303,737
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	137,253,212	83,101,726	127,119,298	(3,391,345)	(3,618,755)
Auto Gallery Holdings, Inc.	USA	December	80,884,276	60,427,866	188,226,415	(2,665,027)	(2,789,608)
BNP INC.	Korea	December	8,640,349	3,590,865	46,191	(491,182)	(491,182)
Modu Rental Co., Ltd.	Korea	December	147,324,106	90,415,818	65,695,134	537,276	662,646
Junsymall.com co.,Ltd.	Korea	December	26,153,040	12,774,862	64,623,109	(2,401,058)	(2,401,058)

<i>(in thousands of Korean won)</i>	2021						
	Location	Closing month	Assets	Liabilities	Operating revenue	Profit (loss) for the year	Total comprehensive income (loss)
AJ Fleet Link Co., Ltd.	Korea	December	₩ 408,142	₩ 100,812	₩ 19,585	₩ 43,088	₩ 43,088
Darae Parktech Co., Ltd.	Korea	December	19,648,206	18,210,419	25,661,986	(2,084,756)	(2,084,756)
Cha Partners Public Mobility No. 1 private equity partnership	Korea	December	63,577,054	50,070,409	82,457,916	1,932,279	1,688,789
Cha Partners Public	Korea	December	73,990,016	63,644,473	73,462,701	436,491	436,491

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Mobility No. 2 private equity partnership								
Cha Partners Public Mobility No. 3 private equity partnership	Korea	December	68,873,555	51,572,509	48,908,299	477,439	477,439	
A2 PARTNERS RHINOS No. 1 private equity partnership	Korea	December	102,129,440	39,815,643	130,991,689	7,287,010	7,287,010	
Auto Gallery Holdings, Inc.	USA	December	73,703,922	50,457,904	149,756,864	3,480,991	7,473,931	
BNP INC.	Korea	December	8,314,611	2,750,160	19,477,191	104,870	104,870	
Modu Rental Co., Ltd.	Korea	December	139,559,610	108,795,001	67,282,953	595,934	565,975	
AJ Junsymall Co., Ltd.	Korea	December	22,056,147	6,276,911	46,638,207	(4,820,805)	(4,820,805)	

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

(in thousands of Korean won

	2022						
	Net assets at the end of the year	Group's share in KRW	Goodwill	Fair value difference	Others	Book amount	
AJ Fleet Link Co., Ltd.	₩ 351,037	₩ 175,519	₩ -	₩ -	₩ -	₩ 175,519	
Darae Parktech Co., Ltd.	1,416,650	528,394	2,773,322	544,533	-	3,846,249	
Cha Partners Public Mobility No. 1 private equity partnership	15,080,599	7,446,046	-	-	(132,682)	7,313,364	
Cha Partners Public Mobility No. 2 private equity partnership	11,796,175	5,824,951	-	-	(873,065)	4,951,886	
Cha Partners Public Mobility No. 3 private equity partnership	25,698,338	12,720,677	-	-	(4,864,114)	7,856,563	
A2 PARTNERS RHINOS No. 1 private equity partnership	54,151,486	17,989,124	-	-	852,008	18,841,132	
Auto Gallery Holdings, Inc.	20,456,409	10,223,472	-	-	(1,241,543)	8,981,929	
BNP INC.	5,049,484	1,262,371	-	-	-	1,262,371	
Modu Rental Co., Ltd.	56,908,288	8,577,568	2,003,447	380,831	(274,012)	10,687,834	
Junsymall.com co.,Ltd.	13,378,178	4,458,947	-	63,807	(7,314)	4,515,440	

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won

	2021						
	Net assets at the end of the year	Group's share in KRW	Goodwill	Fair value difference	Others	Book amount	
AJ Fleet Link Co., Ltd.	₩ 307,330	₩ 153,666	₩ -	₩ -	₩ -	₩ 153,666	
Darae Parktech Co., Ltd.	1,437,787	536,277	5,809,460	682,416	-	7,028,153	
Cha Partners Public Mobility No. 1 private equity partnership	13,506,645	6,668,906	-	-	(533,723)	6,135,183	
Cha Partners Public Mobility No. 2 private equity partnership	10,345,543	5,108,112	-	-	(1,779,335)	3,328,777	
Cha Partners Public Mobility No. 3 private equity partnership	17,301,046	8,564,018	-	-	(958,461)	7,605,557	
A2 PARTNERS RHINOS No. 1 private equity partnership	62,313,797	20,688,180	-	-	664,773	21,352,953	
Auto Gallery Holdings, Inc.	23,246,018	11,528,080	-	-	(1,132,131)	10,395,949	
BNP INC.	5,564,451	1,388,229	-	-	-	1,388,229	
Modu Rental Co., Ltd.	30,764,609	6,971,237	3,080,614	878,382	(592,381)	10,337,852	
AJ Junsymall Co., Ltd.	15,779,236	5,259,219	3,186,952	826,944	(70,795)	9,202,320	

Impairment of investments in associates

The Group performed impairment tests considering Darae Parktech Co., Ltd., an associate, as individual Cash Generating Unit (CGU) during the year ended December 31, 2022. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on management's business plan.

The Group recognized the difference between the recoverable amount and its book amount as impairment loss amounting to ₩ 3,036 million for Darae Parktech Co., Ltd., an associate, as at valuation date. Pre-tax discount rate used for major CGUs and the permanent growth rate for the period exceeding these are as follows. The growth rate does not exceed the long-term average growth rates for the industry in which the CGU operates.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(in percentage, %)</i>	Permanent growth rate	Pre-tax discount rate¹
Darae Parktech Co., Ltd.	1.00%	13.00%

¹ Applied to the expected cash flow.

9. Rental Assets

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

	2022			2021		
	Cost	Accumulated depreciation¹	Book amount	Cost	Accumulated depreciation¹	Book amount
IT	₩ 308,618,189	₩ (144,728,327)	₩ 163,889,862	₩ 272,240,181	₩ (135,785,209)	₩ 136,454,972
Pallets	593,262,006	(290,691,471)	302,570,535	536,386,831	(255,334,405)	281,052,426
Construction equipment	449,081,350	(177,849,264)	271,232,086	386,317,922	(151,293,828)	235,024,094
Others	4,396,903	(115,310)	4,281,593	4,732,712	(150,728)	4,581,984
	<u>₩ 1,355,358,448</u>	<u>₩ (613,384,372)</u>	<u>₩ 741,974,076</u>	<u>₩ 1,199,677,646</u>	<u>₩ (542,564,170)</u>	<u>₩ 657,113,476</u>

¹ Accumulated impairment losses are included.

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

	2022				
	IT	Pallets	Construction equipment	Others	Total
Beginning balance	₩ 136,454,972	₩ 281,052,426	₩ 235,024,094	₩ 4,581,984	₩ 657,113,476
Acquisition	99,130,201	67,928,692	63,869,317	4,157,701	235,085,911
Disposal	(13,619,288)	(2,127,935)	(5,215,383)	(237)	(20,962,843)
Depreciation	(57,392,152)	(44,754,696)	(32,757,828)	(56,975)	(134,961,651)
Impairment loss ¹	(577)	(548,114)	(194,752)	-	(743,443)
Transfer	(810,548)	990,891	8,408,307	(4,400,880)	4,187,770
Others	127,254	29,271	2,098,331	-	2,254,856
Ending balance	<u>₩ 163,889,862</u>	<u>₩ 302,570,535</u>	<u>₩ 271,232,086</u>	<u>₩ 4,281,593</u>	<u>₩ 741,974,076</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won)

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

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

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

(in thousands of Korean won)

	2022	2021
Within one year	₩ 128,659,681	₩ 119,572,263
1~2 years	74,928,025	62,825,111
2~3 years	32,995,995	31,913,227
3~4 years	9,482,155	8,134,628
4~5 years	1,796,395	1,175,976
Over 5 years	452,968	321,236
	₩ 248,315,219	₩ 223,942,441

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

10. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2022 and 2021, are as follows:

(in thousands of
Korean won)

	2022			2021		
	Cost	Accumulated depreciation ¹	Book amount	Cost	Accumulated depreciation ¹	Book amount
Land	₩ 58,028,158	₩ -	₩ 58,028,158	₩ 65,347,798	₩ -	₩ 65,347,798
Buildings	65,510,881	(5,367,009)	60,143,872	62,601,682	(6,264,161)	56,337,521
Structures	5,905,291	(2,216,361)	3,688,930	7,172,643	(2,165,000)	5,007,643
Machinery	39,338,417	(11,524,941)	27,813,476	34,460,009	(14,549,179)	19,910,830
Furniture and fixture	9,140,926	(6,652,100)	2,488,826	10,881,598	(8,045,994)	2,835,604
Vehicles	12,615,099	(5,772,288)	6,842,811	12,734,302	(5,552,555)	7,181,747
Others	1,540,479	(1,004,760)	535,719	3,029,601	(1,798,442)	1,231,159
Construction-in progress	7,443,590	-	7,443,590	19,832,691	-	19,832,691
	<u>₩ 199,522,841</u>	<u>₩ (32,537,459)</u>	<u>₩ 166,985,382</u>	<u>₩ 216,060,324</u>	<u>₩ (38,375,331)</u>	<u>₩ 177,684,993</u>

¹ Accumulated impairment losses are included.

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

(in thousands of
Korean won)

	2022					
	Beginning balance	Acquisition	Disposal	Depreciation	Others ¹	Ending balance
Land	₩ 65,347,798	₩ 100,317	₩ -	₩ -	₩ (7,419,957)	₩ 58,028,158
Buildings	56,337,521	857,340	(222,649)	(2,002,548)	5,174,208	60,143,872
Structures	5,007,643	184,114	(101,333)	(408,512)	(992,982)	3,688,930
Machinery	19,910,830	1,761,220	(61,179)	(3,811,964)	10,014,569	27,813,476
Furniture and fixture	2,835,604	869,850	(133,029)	(1,740,372)	656,773	2,488,826
Vehicles	7,181,747	623,498	(138,717)	(1,313,241)	489,524	6,842,811
Others	1,231,159	110,543	(116,478)	(286,050)	(403,455)	535,719
Construction-in progress	19,832,691	21,291,058	-	-	(33,680,159)	7,443,590
	<u>₩ 177,684,993</u>	<u>₩ 25,797,940</u>	<u>₩ (773,385)</u>	<u>₩ (9,562,687)</u>	<u>₩ (26,161,479)</u>	<u>₩ 166,985,382</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won)

	2021					
	Beginning balance	Acquisition	Disposal	Depreciation	Others ¹	Ending balance
Land	₩ 100,463,048	₩ 9,331,643	₩ (2,661,915)	₩ -	₩ (41,784,978)	₩ 65,347,798
Buildings	59,722,064	4,515,409	(243,243)	(1,879,426)	(5,777,283)	56,337,521
Structures	5,834,155	133,678	-	(477,734)	(482,456)	5,007,643
Machinery	14,663,650	2,577,430	(171,954)	(3,019,804)	5,861,508	19,910,830
Furniture and fixture	4,463,830	630,909	(277,476)	(1,925,500)	(56,159)	2,835,604
Vehicles	6,317,098	727,838	(479,174)	(1,264,542)	1,880,527	7,181,747
Others	6,129,234	398,430	(32)	(473,139)	(4,823,334)	1,231,159
Construction-in progress	31,965,877	27,333,163	-	-	(39,466,349)	19,832,691
	<u>₩ 229,558,956</u>	<u>₩ 45,648,500</u>	<u>₩ (3,833,794)</u>	<u>₩ (9,040,145)</u>	<u>₩ (84,648,524)</u>	<u>₩ 177,684,993</u>

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

11. Leases

- Leases as lessee

Right-of-use assets as at December 31, 2022 and 2021, consist of:

(in thousands of Korean won)

	2022		
	Land and buildings	Vehicles	Total
Acquisition amount	₩ 54,467,961	₩ 9,460,999	₩ 63,928,960
Accumulated depreciation	(15,268,277)	(4,966,803)	(20,235,080)
Net carrying amount	<u>₩ 39,199,684</u>	<u>₩ 4,494,196</u>	<u>₩ 43,693,880</u>

(in thousands of Korean won)

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(in thousands of
Korean won)

	2022					
	Beginning balance	Acquisition	Depreciation	Others ¹	Ending balance	
Land and buildings	₩ 33,849,626	₩ 13,498,482	₩ (7,731,140)	₩ (417,284)	₩ 39,199,684	
Vehicles	4,834,314	2,679,077	(2,589,964)	(429,231)	4,494,196	
Others	1,656	-	(1,656)	-	-	
	<u>₩ 38,685,596</u>	<u>₩ 16,177,559</u>	<u>₩ (10,322,760)</u>	<u>₩ (846,515)</u>	<u>₩ 43,693,880</u>	

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

(in thousands of
Korean won)

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

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

Lease liabilities as at December 31, 2022 and 2021, consist of:

(in thousands of Korean won)	2022	2021
Current	₩ 11,000,761	₩ 10,841,505
Non-current	34,014,828	31,295,650
	<u>₩ 45,015,589</u>	<u>₩ 42,137,155</u>

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

(in thousands of
Korean won)

	2022							
	Beginning balance	Acquisition	Replacement to liquidity lease liabilities	Lease payment	Interest expense	Change of lease contract	Others ¹	Ending balance
Current	₩ 10,841,505	₩ 1,771,005	₩ 12,670,616	₩ (14,313,809)	₩ 694,720	₩ (492,920)	₩ (170,356)	₩ 11,000,761
Non-current	31,295,650	14,452,339	(12,670,616)	-	1,226,816	(95,653)	(193,708)	34,014,828
	<u>₩ 42,137,155</u>	<u>₩ 16,223,344</u>	<u>₩ -</u>	<u>₩ (14,313,809)</u>	<u>₩ 1,921,536</u>	<u>₩ (588,573)</u>	<u>₩ (364,064)</u>	<u>₩ 45,015,589</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won)

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

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

Expiration date information of the lease liabilities as at December 31, 2022 and 2021, is as follows:

(in thousands of
Korean won)

		2022					
		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	₩	928,335	₩ 1,849,270	₩ 7,572,857	₩ 28,149,055	₩ 7,195,638	₩ 45,695,155
Vehicles		229,847	445,448	1,790,777	2,698,434	-	5,164,506
	<u>₩</u>	<u>1,158,182</u>	<u>₩ 2,294,718</u>	<u>₩ 9,363,634</u>	<u>₩ 30,847,489</u>	<u>₩ 7,195,638</u>	<u>₩ 50,859,661</u>

(in thousands of
Korean won)

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

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

(in thousands of Korean won)

	2022	2021
Depreciation of right-of-use assets		
Properties	₩ 7,731,140	₩ 14,829,447
Vehicles	2,589,964	2,756,784
Others	1,656	15,560
	<u>₩ 10,322,760</u>	<u>₩ 17,601,791</u>
Interest expense relating to lease liabilities	₩ 1,921,536	₩ 2,844,458

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Expense relating to short-term leases	4,265,842	4,109,509
Expense relating to leases of low-value assets that are not short-term leases	784,408	193,685
Expense relating to variable lease payments not included in lease liabilities	2,740,071	2,313,028

Amounts classified as discontinued operations are included.

The total cash outflow for leases in 2022 was ₩ 22,104 million (2021: ₩ 33,904 million).

- Leases as lessor

Lease receivables as at December 31, 2022 and 2021, consist of (Note 14):

<i>(in thousands of Korean won)</i>	2022		2021	
Current	₩	7,954,045	₩	7,570,077
Non-current		13,763,314		11,273,147
Provision for impairment		(85,414)		(59,522)
	₩	<u>21,631,945</u>	₩	<u>18,783,702</u>

The gross investment in the lease and present value of minimum lease payments for finance lease receivables as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Gross investment in the lease	Present value of minimum lease payments	Gross investment in the lease	Present value of minimum lease payments
Within one year	₩ 9,173,641	₩ 7,954,045	₩ 8,170,206	₩ 7,570,077
Between 1 and 2 years	7,922,103	6,388,993	5,496,393	4,712,157
Between 2 and 3 years	4,879,148	3,790,269	3,914,339	3,110,016
Between 3 and 4 years	3,230,527	2,362,953	2,791,719	2,058,148
Between 4 and 5 years	2,051,525	1,208,158	1,869,229	1,282,290
Later than five years	16,065	12,941	144,795	110,536
	<u>₩ 27,273,009</u>	<u>₩ 21,717,359</u>	<u>₩ 22,386,681</u>	<u>₩ 18,843,224</u>

Income related to variable lease payments that are not included in the net investment in the lease amounted to ₩ 6 million (2021: ₩ 0 million) for the year ended December 31, 2022. Sales and costs for lease receivables for the year ended December 31, 2022, amounted to ₩ 11,211 million (2021: ₩ 10,022 million) and ₩ 10,619 million (2021: ₩ 10,298 million), and interest income on lease receivables for the years ended December 31, 2022 and 2021, amounted to ₩ 2,402 million and ₩ 1,840 million.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

12. Intangible Assets

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

(in thousands of
Korean won)

	2022			2021		
	Cost	Accumulated amortization ¹	Book amount	Cost	Accumulated amortization ¹	Book amount
Goodwill	₩ 22,881,630	₩ (15,041,282)	₩ 7,840,348	₩ 19,233,393	₩ (9,018,994)	₩ 10,214,399
Software	9,405,702	(5,247,033)	4,158,669	8,219,205	(5,604,733)	2,614,472
Others	21,509,514	(8,237,848)	13,271,666	25,179,333	(10,066,646)	15,112,687
	<u>₩ 53,796,846</u>	<u>₩ (28,526,163)</u>	<u>₩ 25,270,683</u>	<u>₩ 52,631,931</u>	<u>₩ (24,690,373)</u>	<u>₩ 27,941,558</u>

¹ Accumulated impairment losses are included.

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

(in thousands of Korean won)

	2022			
	Goodwill	Software	Others	Total
Beginning balance	₩ 10,214,399	₩ 2,614,472	₩ 15,112,687	₩ 27,941,558
Acquisition	1,894,029	2,745,858	1,035,041	5,674,928
Disposal	-	-	(165,500)	(165,500)
Amortization	-	(1,134,290)	(2,561,695)	(3,695,985)
Impairment loss	(4,401,044)	(5,265)	(391,807)	(4,798,116)
Replacement ¹	-	(57,768)	-	(57,768)
Changes in the scope of consolidation	-	-	835	835
Others	132,964	(4,338)	242,105	370,731
Ending balance	<u>₩ 7,840,348</u>	<u>₩ 4,158,669</u>	<u>₩ 13,271,666</u>	<u>₩ 25,270,683</u>

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

(in thousands of Korean won)

	2021			
	Goodwill	Software	Others	Total
Beginning balance	₩ 19,233,394	₩ 3,383,042	₩ 19,120,125	₩ 41,736,561
Acquisition	-	1,353,676	1,558,054	2,911,730
Disposal	-	(168,187)	(61,167)	(229,354)
Amortization	-	(1,081,995)	(3,334,279)	(4,416,274)
Impairment loss	(7,793,532)	(28,996)	(379,643)	(8,202,171)
Replacement ¹	-	(644,688)	(1,790,403)	(2,435,091)
Changes in the scope of consolidation	(1,383,946)	(198,822)	-	(1,582,768)
Others	158,483	442	-	158,925
Ending balance	<u>₩ 10,214,399</u>	<u>₩ 2,614,472</u>	<u>₩ 15,112,687</u>	<u>₩ 27,941,558</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

Impairment of goodwill

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

(in thousands of Korean won)

	2022			
	Beginning balance	Increase	Decrease	Ending balance
AJ Jeonkook Sky Co., Ltd	₩ 308,169	₩ -	₩ -	₩ 308,169
AJ Total Co., Ltd. ¹	4,401,044	-	(4,401,044)	-
AJ Daewon Co., Ltd.	3,578,182	-	-	3,578,182
AJ Rental, Inc. ²	1,927,004	132,964	-	2,059,968
TS GLOBAL CO. ³	-	1,894,029	-	1,894,029
	<u>₩ 10,214,399</u>	<u>₩ 2,026,993</u>	<u>₩ (4,401,044)</u>	<u>₩ 7,840,348</u>

¹ An impairment loss was recognized because the recoverable amount was less than the carrying amount during the year ended December 31, 2022.

² These are changes due to foreign currency translation.

³ 70% of the shares were newly acquired during the year ended December 31, 2022.

(in thousands of Korean won)

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

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

within the Group.

⁵ These are changes due to foreign currency translation.

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

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

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

<i>(in thousands of Korean won)</i>	AJ Jeonkook Sky Co., Ltd	AJ Total Co., Ltd.	AJ Daewon Co., Ltd.	AJ Rental, Inc.	TS GLOBAL CO.
Goodwill at the end of reporting period	₩ 308,169	₩ -	₩ 3,578,181	₩ 2,059,968	₩ 1,894,029
Sales growth rate ¹	(-)2.79%~5.22%	0.1%~8.1%	3.11%~6.68%	12.80%~14.79%	0.97%~6.20%
Permanent growth rate	0.00%	1.00%	0.00%	3.00%	1.00%
Pre-tax discount rate ²	12.46%	13.70%	12.58%	12.00%	15.31%

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

² The pre-tax discount rate applied to the estimated cash flows.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

13. Investment Properties

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

(in thousands of Korean won)

	2022			2021		
	Cost	Accumulated depreciation	Book amount	Cost	Accumulated depreciation	Book amount
Land	₩ 3,998,066	₩ -	₩ 3,998,066	₩ 4,094,641	₩ -	₩ 4,094,641
Buildings	23,978,184	(7,580,306)	16,397,878	24,920,386	(5,429,423)	19,490,963
	<u>₩ 27,976,250</u>	<u>₩ (7,580,306)</u>	<u>₩ 20,395,944</u>	<u>₩ 29,015,027</u>	<u>₩ (5,429,423)</u>	<u>₩ 23,585,604</u>

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

(in thousands of Korean won)

	2022			2021		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 4,094,641	₩ 19,490,963	₩ 23,585,604	₩ 3,033,080	₩ 11,357,495	₩ 14,390,575
Acquisition	-	-	-	-	60,497	60,497
Disposal	-	(39,850)	(39,850)	-	-	-
Depreciation	-	(2,293,417)	(2,293,417)	-	(2,680,178)	(2,680,178)
Others ¹	(96,575)	(759,818)	(856,393)	1,061,561	10,753,149	11,814,710
Ending balance	<u>₩ 3,998,066</u>	<u>₩ 16,397,878</u>	<u>₩ 20,395,944</u>	<u>₩ 4,094,641</u>	<u>₩ 19,490,963</u>	<u>₩ 23,585,604</u>

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

During the year, rental income earned from investment properties is ₩ 4,287 million (2021: ₩ 6,406 million), and direct operating expenses (including repairs and maintenance) from investment properties that generated rental income are ₩ 1,372 million (2021: ₩ 1,939 million).

The investment properties are leased to tenants under operating leases with rentals payable monthly. The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment properties as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Within one year	₩ 2,213,171	₩ 3,122,951
Between 1 and 2 years	577,427	1,983,248
Between 2 and 3 years	304,613	608,908
Between 3 and 4 years	31,250	308,080
Between 4 and 5 years	-	33,333
	<u>₩ 3,126,461</u>	<u>₩ 6,056,520</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Investment properties are land and buildings for private use and rental purposes located in Songpa-gu, Seoul, and are classified according to the rental area ratio. As at December 31, 2022, as there is no significant change in the fair value after acquisition, the difference from the carrying amount at the time of initial acquisition is not expected to be significant, and therefore, the fair value is not disclosed separately.

14. Other Financial Assets

Other financial assets as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current financial assets		
Short-term loans	₩ 6,453,750	₩ 3,850,531
Provision for impairment	(200,000)	(1,642,862)
Other receivables	3,537,900	3,416,798
Provision for impairment	(265,346)	(793,168)
Accrued income	216,607	241,400
Provision for impairment	-	(54,751)
Derivative assets	18,475	-
Current portion of finance lease receivable	7,954,045	7,570,077
Short-term financial instruments	3,552,114	7,814,334
Deposits received	39,130	39,181
Current portion of long-term loans	-	4,742,000
Financial assets at amortized cost	-	5,000,000
	<u>₩ 21,306,675</u>	<u>₩ 30,183,540</u>
Other non-current financial assets		
Derivative assets	₩ 3,339,818	₩ 4,671,664
Finance lease receivable	13,763,314	11,273,148
Provision for impairment	(85,414)	(59,523)
Long-term other receivables	123,108	190,289
Deposits received	16,639,642	16,134,913
	<u>₩ 33,780,468</u>	<u>₩ 32,210,491</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Changes in provisions for impairment for other financial assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 2,550,304	₩ 2,921,294
Impairment loss	53,391	-
Other impairment loss	72,054	59,523
Reversal of other impairment loss	(34)	(109,989)
Write-off	(27,500)	(56,523)
Others ¹	(2,097,455)	(264,001)
Ending balance	<u>₩ 550,760</u>	<u>₩ 2,550,304</u>

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

15. Other Assets

Other assets as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current assets		
Advance payments	₩ 15,884,582	₩ 34,205,717
Provision for impairment	(32,260)	(32,260)
Prepaid expenses	6,643,385	4,143,062
Prepaid value added taxes	1,940,619	3,968,240
Current income tax assets	29,759	11,407
	<u>₩ 24,466,085</u>	<u>₩ 42,296,166</u>
Other non-current assets		
Long-term advance payments	₩ 3,309,763	₩ 2,914,998
Long-term prepaid expenses	117,720	250,474
	<u>₩ 3,427,483</u>	<u>₩ 3,165,472</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

16. Borrowings, etc.

Details of short and long-term borrowings as at December 31, 2022 and 2021, are as follows:

(a) Short-term borrowings

(in thousands of Korean won)

	Annual interest rate as at December 31, 2022		2022		2021
Kookmin Bank	6.07%	₩	500,000	₩	5,196,750
THE DAEGU BANK LTD	6.41%		4,000,000		4,000,000
Shinhan bank	2.50%~6.58%		5,580,000		16,300,000
HANA Bank	5.68%~6.64%		9,500,000		9,878,600
KB Securities Co., Ltd.	-		-		23,200,000
Suhyup bank	-		-		5,000,000
SHINYOUNG SECURITIES CO., LTD	5.2%~8.2%		51,600,000		20,200,000
Korea Specialty Contractor Financial Cooperative	-		-		434,978
China Everbright Bank Co.Ltd. Seoul Branch	6.06%		30,000,000		-
KIWOOM SECURITIES Corp.	5.70%		5,000,000		-
KDB	5.52%~6.37%		26,700,000		29,080,000
Woori bank	5.83%		1,000,000		-
NongHyup Bank	6.20%~7.09%		1,601,577		-
KYOBO SECURITIES CO.,LTD.	5.40%		30,000,000		-
HANA Savings Bank	8.50%		4,000,000		-
Korea Investment & Securities Co., Ltd.	8.50%		40,000,000		-
		₩	209,481,577	₩	113,290,328

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(b) Long-term borrowings

(in thousands of Korean won)

	Annual interest rate as at December 31, 2022		2022		2021
Kookmin Bank	4.16%~7.25%	₩	49,009,033	₩	56,440,654
THE DAEGU BANK LTD	-		-		1,000,000
Shinhan bank	5.21%~7.5%		17,936,269		6,922,103
IBK Capital Co., Ltd.	4.00%~4.80%		19,566,975		17,758,736
THE JEONBUK BANK LTD	5.76%~6.61%		2,833,532		1,333,328
KB Kookmin Card Co., Ltd.	3.50%		1,583,764		3,254,611
HANA Bank	4.08%~6.96%		45,416,667		55,416,667
Woori bank	5.81%		3,000,000		-
Net One Q First Co., Ltd.	-		-		6,720,000
NongHyup Bank	4.05%~5.82%		30,833,300		13,333,280
BNK Capital Co., Ltd.	4.10%		9,442,472		19,930,402
KDB Capital Co., Ltd.	5.52%~7.96%		18,235,294		2,887,407
Suhyup bank	4.01%~5.40%		5,500,000		1,916,667
AJU CO., LTD.	6.57%		40,000,000		-
Small Business Corporation	-		-		69,370
KB Capital	3.90%		1,317,914		10,414,242
KIS Plus 1st Co., Ltd.	3.65%		20,000,000		20,000,000
KIS Plus 2nd Co., Ltd. ¹	-		-		20,000,000
KEB HANA BANK-HCMC BRANCH	5.4~8.0%		33,646,324		31,078,288
Hana Capital Co., Ltd.	3.82%~9.80%		49,151,581		29,400,007
KDB ²	3.10%~6.17%		41,666,560		68,875,000
HANKOOKCAPITAL CO., LTD. and 1 other	3.70%		5,967,561		9,208,340
Timothy Liberto	-		-		592,750
U.S. Small Business Administration	3.75%		633,650		592,750
Hanmi Bank	7.20%		8,871,100		-
J & J Financial	9.90%		145,117		-
			404,757,113		377,144,602
Less: current portion of long-term borrowings			(231,028,286)		(153,480,837)
Less: Present value discounts account			(146,624)		(369,956)
			₩ 173,582,203		₩ 223,293,809

¹ During the year ended December 31, 2022, ₩ 60 billion was repaid in advance in accordance with the covenant phrase of the debt agreement.

² Securitization borrowings for trade receivables borrowed from Korea Development Bank by providing a priority beneficiary right to trade receivables in the future as pledge are included.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Property, plant and equipment and, rental assets are pledged as collateral for above long-term and short-term borrowings (Note 19.(5)).

Debentures outstanding as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Latest maturity date	Annual interest rate as at December 31, 2022	2022	2021
35-2nd unsecured privately placed debenture ¹	2022-05-29	-	₩ -	₩ 26,000,000
36-2nd unsecured privately placed debenture ¹	2022-07-22	-	-	31,000,000
37-1st unsecured privately placed debenture ¹	2022-01-21	-	-	35,000,000
37-2nd unsecured privately placed debenture ¹	2023-01-20	3.91%	22,000,000	22,000,000
38-1st unsecured privately placed debenture ¹	2022-01-28	-	-	20,000,000
38-2nd unsecured privately placed debenture ¹	2023-07-30	4.95%	30,000,000	30,000,000
40th unsecured privately placed debenture	2023-09-24	2.02%	60,000,000	60,000,000
41st unsecured privately placed debenture	2022-11-27	-	-	5,000,000
42nd unsecured privately placed debenture	2022-11-30	-	-	5,000,000
43-1st unsecured privately placed debenture	2022-05-09	-	-	10,000,000
43-2nd unsecured privately placed debenture	2022-08-08	-	-	10,000,000
44th unsecured privately placed debenture	2023-03-15	4.20%	5,000,000	5,000,000
45th unsecured privately placed debenture	2024-03-29	2.11%	30,000,000	30,000,000
46th unsecured privately placed debenture	2023-02-26	3.80%	15,000,000	15,000,000
47th unsecured privately placed debenture ¹	2023-01-27	4.22%	30,000,000	30,000,000
48th unsecured privately placed debenture	2023-11-23	4.20%	6,000,000	6,000,000
49th unsecured privately placed debenture	2023-10-07	3.90%	16,000,000	-
50th unsecured privately placed debenture	2023-10-20	4.90%	12,000,000	-
51st unsecured privately placed debenture	2024-01-22	5.55%	3,500,000	-
52nd unsecured privately placed debenture	2024-03-13	5.50%	2,000,000	-
53rd unsecured privately placed debenture	2025-11-04	5.45%	30,000,000	-

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

54st unsecured privately placed debenture	2023-11-23	9.00%	30,000,000	-
55st unsecured privately placed debenture	2023-11-30	8.50%	5,000,000	-
			<u>296,500,000</u>	<u>340,000,000</u>
Less: discounts on debentures			(495,382)	(406,886)
Less: current portion of bonds			<u>(230,556,882)</u>	<u>(141,922,059)</u>
			<u>₩ 65,447,736</u>	<u>₩ 197,671,055</u>

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

17. Other Financial Liabilities and Other Liabilities

Other financial liabilities as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022	2021
Other current financial liabilities		
Other payables	₩ 19,217,772	₩ 14,902,361
Accrued expenses	18,488,086	13,849,111
Rent deposits	1,850,423	665,160
Guarantee deposits	35,000	1,265,556
Rental deposits	5,399,718	4,257,425
Financial derivative liabilities (current)	6,971,882	2,248
Others	57,974	57,974
	<u>₩ 52,020,855</u>	<u>₩ 34,999,835</u>
Other non-current financial liabilities		
Long-term rental deposits	₩ 962,497	₩ 703,494
Financial derivative liabilities	-	5,210,076
Rent deposits	1,045,511	2,487,111
Long-term accrued expenses	2,082,957	405,163
Others	132,314	190,288
	<u>₩ 4,223,279</u>	<u>₩ 8,996,132</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Other liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Other current liabilities		
Advance from customers ¹	₩ 5,855,065	₩ 6,345,890
Unearned revenues	85,007	527
Withholdings	1,159,207	844,796
Withholding tax	4,354,287	3,436,977
Levy liability	-	1,984,025
	<u>₩ 11,453,566</u>	<u>₩ 12,612,215</u>
Other non-current liabilities		
Legal proceedings provision	101,000	101,000
Other provisions	1,456,711	451,520
Long-term unearned revenues	-	798,955
	<u>₩ 1,557,711</u>	<u>₩ 1,351,475</u>

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

18. Post-employment Benefits

As the Group entered defined contribution pension plans, the Group recognized contributions as expenses during the year. The contributions are recognized as expenses are ₩ 6,023 million and ₩ 5,675 million for the years ended December 31, 2022 and 2021, respectively.

In addition, the Group operates a defined benefit plan, and details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Present value of defined benefit obligations	₩ 300,765	₩ 1,834,795
Fair value of plan assets	-	(424,408)
Net defined benefit liabilities	<u>₩ 300,765</u>	<u>₩ 1,410,387</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

<i>(in thousands of Korean won)</i>	2022		2021	
Beginning balance	₩	1,834,795	₩	1,919,028
Current service cost		328,652		690,717
Interest expense		69,517		38,335
Benefit payments		(967,706)		(748,449)
Remeasurements:				
Actuarial gain from change in financial assumptions		(228,491)		(64,836)
Actuarial loss from experience adjustments		-		-
Transfer to asset held for sale and others		(736,002)		-
Ending balance	₩	<u>300,765</u>	₩	<u>1,834,795</u>

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

<i>(in thousands of Korean won)</i>	2022		2021	
Beginning balance	₩	424,408	₩	231,114
Interest income		12,268		5,449
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(9,777)		(3,510)
Employers' contributions		-		200,646
Payments from plans		(259,699)		(9,291)
Transfer to asset held for sale and others		(167,200)		-
Ending balance	₩	<u>-</u>	₩	<u>424,408</u>

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

<i>(in thousands of Korean won)</i>	2022		2021		
	Amount	In %	Amount	In %	
Time deposits	₩	-	₩	424,408	100%

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

19. Contingencies and Commitments

Commitments and contingencies with financial institutions as at December 31, 2022, are as follows:

(in thousands of Korean won)

	Details	Limit	Borrowings
Kookmin Bank	Facility fund and others	₩ 50,851,533	₩ 49,509,033
Shinhan bank	Facility fund and others	36,432,742	23,516,269
IBK Capital Co., Ltd.	Facility fund	19,566,975	19,566,975
Woori bank	General fund	4,000,000	4,000,000
THE JEONBUK BANK LTD	Facility fund	2,833,532	2,833,532
KB Kookmin Card Co., Ltd.	Facility fund	1,583,764	1,583,764
HANA Bank	Facility fund and others	57,916,667	54,916,667
Hanmi Bank	General fund	12,673,000	8,871,100
J & J Financial	General fund	145,117	145,117
U.S. Small Business Administration	EIDL Loan	633,650	633,650
KYOBO SECURITIES CO.,LTD.	Commercial paper	30,000,000	30,000,000
NongHyup Bank	Facility fund and others	33,333,300	32,434,877
THE DAEGU BANK LTD	General fund	4,000,000	4,000,000
BNK Capital Co., Ltd.	Facility fund	9,442,472	9,442,472
KDB Capital Co., Ltd.	Facility fund	18,235,294	18,235,294
Suhyup bank	Facility fund and others	8,500,000	5,500,000
SHINYOUNG SECURITIES CO., LTD	Short-term bonds and others	66,600,000	51,600,000
China Everbright Bank Co.Ltd. Seoul Branch	Facility fund	30,000,000	30,000,000
KB Capital	Facility fund	1,317,914	1,317,914
KIS Plus 1st Co., Ltd.	Facility fund	20,000,000	20,000,000
KIWOOM SECURITIES Corp.	Commercial paper	5,000,000	5,000,000
KEB HANA BANK-HCMC BRANCH	Facility fund	37,536,300	33,646,324
Hana Savings Bank	General fund	4,000,000	4,000,000
Hana Capital Co., Ltd.	Facility fund	49,151,581	49,151,581
KDB	General fund and others	54,166,560	53,366,560
	Loans secured by trade receivables ¹	15,000,000	15,000,000
HANKOOKCAPITAL CO., LTD. and 1 other	Facility fund	5,967,561	5,967,561
Korea Investment & Securities Co., Ltd.	Commercial paper	40,000,000	40,000,000
		₩ 618,887,962	₩ 574,238,690

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

AJ Networks First Limited Company.

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

(in thousands of Korean won)

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

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

For various contracts, the Group has received guarantees of ₩ 31,666 million (2021: ₩ 28,126

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

million) from Seoul Guarantee Insurance Co., Ltd. and Korea Specialty Contractor Financial Cooperative as at December 31, 2022.

Payment guarantee provided by the Group to others other than related parties as at December 31, 2022 and 2021, is as follows:

(in thousands of Korean won)

Beneficiary	Guarantor	2022		2021	
Hiparking Co., Ltd.	Korea Parking Operation Co., Ltd.	₩	5,348,894	₩	7,944,940
Aju E-parking Nonhyeon III Co., Ltd.	Korea Private Concession Fund III		9,030,630		10,465,542
Daekyung Construction Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.		209,603		209,603
		₩	14,589,127	₩	18,620,085

Assets pledged as collaterals as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			Security right holders
	Collateral amount	Borrowing amount		
Rental assets ¹ Land, Buildings, Machinery, and others	₩ 244,079,137	₩ 216,418,418		Shinhan bank, KDB, Kookmin bank and others
Equity investments and others ²	88,932,744	40,000,000		AJU CO., LTD., Korea Specialty Contractor Financial Cooperative, Engineering guarantee insurance and others
Financial assets at fair value through profit or loss	1,718,052	90,000,000		Kodit 2020 the 15th Securitization Specialty Co., Ltd., and the others

¹ The Group has entered into sales and leaseback contracts of rental assets with some financial institutions, such as IBK Capital, that include conditions for acquisition without considerations after the end of the lease period. The Group recognizes these contracts as collateralized borrowings based on their substance, and the amount secured by collateral for the above rental assets is set at 100% to 130% of balance of borrowings.

² The Group borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(in thousands of Korean won)</i>	2021		
	Collateral amount	Borrowing amount	Security right holders
Rental assets ¹	₩ 259,228,676	₩ 229,240,354	Shinhan bank, KDB, Kookmin bank and others
Land, Buildings, Machinery, and others	154,098,729	82,672,787	
Equity investments and others	3,310,067	-	Korea Specialty Contractor Financial Cooperative, Engineering guarantee insurance and others
Financial assets at fair value through profit or loss	1,604,309	90,000,000	Kodit 2020 the 15th Securitization Specialty Co., Ltd., and the others

¹ The Group has entered into sales and leaseback contracts of rental assets with some financial institutions, such as IBK Capital, that include conditions for acquisition without considerations after the end of the lease period. The Group recognizes these contracts as collateralized borrowings based on their substance, and the amount secured by collateral for the above rental assets is set at 100% to 130% of balance of borrowings.

Details of the capital supplement agreement entered into by the Group as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Guaranteed amount		Borrower
	2022	2021	
Net One Q First Co., Ltd. ¹	₩ -	₩ 6,720,000	AJ Networks First Limited Company

¹ Net One Q First Co., Ltd. is issuing securitized securities with loans to the Group as underlying assets. In the event that Net One Q First Co., Ltd. does not have sufficient funds to fulfill its obligations due to the issuance of the securitized securities, the Group has agreed to lend the shortfall funds to Net One Q First Co., Ltd.

As at December 31, 2021, the Group was provided with the Anseong Auction House as collateral for subordinated bonds of AJ Sellcar of ₩ 5 billion acquired by the Group in 2020 (total collateral amount set at ₩ 32 billion, preferentially provided to the senior bonds of ₩ 18 billion).

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Call-option and Drag-along

	Occurrence condition	Remarks
Call-option	The Group exercises the call-option against the RCPS ¹ held by Modu Rental Holdings Co., Ltd. for 5 years from 24 months after the closing date of the transaction	Exercise price: Amount that can achieve IRR 8% of the call-option
Drag-along	If the management performance of Modu Rental Co., Ltd. does not meet the performance target, the qualifying listing period (four years from the closing date of the transaction) has elapsed and the target company does not meet the requirements for listing, so IPO is not made and the deadline for qualifying listing has passed	Condition that when an investor exercises an option, [Amount that can achieve IRR 8% of the target] is preferentially repaid to the investor up to the total proceeds, and the Group distributes an amount that can achieve an IRR of 8% for the acquisition cost of shares up to the remaining amount

¹ As at December 31, 2022, all RCPSs have been converted to ordinary shares, and the call-option is still effective on the ordinary shares.

On December 23, 2019, in accordance with the shareholders' agreement entered into between the Group and Modu Rental Holdings Co., Ltd., the Group was granted a call option for all or part of the redeemable convertible preferred shares of Modu Rental Co., Ltd. held by Modu Rental Holdings Co., Ltd. In addition, the Group has granted a right to request joint sale to Modu Rental Holdings Co., Ltd. if Modu Rental Holdings Co., Ltd. sells its shares of Modu Rental Co., Ltd. For these call options, the Group has recognized derivative assets of ₩ 2,547 million (2021: ₩ 4,542 million) and derivative liabilities of ₩ 6,971 million (2021: ₩ 5,210 million).

Call-option and right to acquire without considerations

	Occurrence condition	Remarks
Call-option	The Group exercises the call-option against the share held by the largest shareholder for 2 years from 3 years after the closing date of the transaction (2018.2.12)	The greater of 14,453 shares of Darae Parktech Co., Ltd. held by the largest shareholder and the number of shares corresponding to 6.0% of the total number of shares issued by Darae Parktech Co., Ltd. at the time of transfer
Right to acquire without considerations	If Darae Parktech Co., Ltd. does not acquire and retire the shares of the entity held by Park in Seoul within 3 years from the closing date of the transaction (2018.2.12) in accordance with the agreement between shareholders.	The greater of 17,915 shares of the entity shares held by the largest shareholder and the number of shares corresponding to 7.5% of the total number of shares issued by Darae Parktech Co., Ltd. at the time of transfer

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

As at December 31, 2022, the Company holds call-option and right to acquire without consideration on the shares of Darae Parktech Co., Ltd., that other shareholders held. As at December 31, 2022, the Group recognized derivative assets amounting to ₩ 615 million for the right to acquire without considerations. The call option was not recognized as the amount was insignificant.

Call-option

	Occurrence condition	Remarks
Call-option	The Group exercises the call-option against 4,800 share of TS GLOBAL CO. held by Park Sejin for 2 years from 5 years after the closing date of the transaction.	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.
Put-option	Park Sejin exercises the put-option against the Group with 4,800 share of TS GLOBAL CO. for 2 years from 5 years after the closing date of the transaction.	Exercise price is adjusted by the difference between the net asset value and profit for the previous fiscal year and the amount specified in the contract on the exercise date.

Call option and put option were granted to the company and the other shareholder respectively on 4,800 shares of TS Global Co., Ltd. through the shareholders contract signed by the shareholders of TS Global Co., Ltd. on October 6, 2022, and the transaction concluding agreement signed on November 15, 2022.

As at December 31, 2022, 32,381 ordinary shares (acquisition cost of ₩ 9.1 billion) of Modu Rental Co., Ltd. among investment in associates held by the Group are provided as collateral to Mirae Asset Daewoo Co., Ltd. and Shinhan Capital Co., Ltd. amounting to ₩ 42 billion (2021: ₩ 42 billion).

As at December 31, 2022, there are 14 litigation (2021: 15 litigation) in which the Group is a defendant. The total litigation amount is ₩ 1,764 million (2021: ₩ 2,677 million). The Group recognizes a provision that is likely to be incurred in the future. As at December 31, 2022, provision for litigation amounted to ₩ 101 million (2021: ₩ 101 million), and impairment on trade receivables and rental assets and others of ₩ 1,141 million (2021: ₩ 1,141 million) was reflected in the consolidated financial statements for the year ended December 31, 2022.

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

20. Derivative Financial Instruments

Details of derivative instruments entered into with financial institutions as at December 31, 2022 and 2021, are as follows.

As at December 31, 2022, the Group has entered into an interest rate swap with a financial institution to hedge the interest rate risk.

Details of unsettled derivative instruments held by the Group as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Type	Period	2022	2021	Financial institutions
Interest rate swap	2019.02.15~2022.02.15	₩ -	₩ 1,666,667	Hana bank
	2021.01.29~2024.01.29	10,416,667	18,750,000	
	2020.04.28~2023.04.28	3,333,320	13,333,280	Nonghyup bank

Details of derivative financial instrument contracts as at December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

Type	Financial institutions	2022		2021	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap	Hana bank	₩ 176,501	₩ -	₩ 113,643	₩ 2,248
Interest rate swap	Nonghyup bank	18,475	-	15,615	-
Right to acquire without considerations ¹	Darae Parktech Co., Ltd.	615,980	-	-	-
Call-option ¹	Modu Rental	2,547,337	-	4,542,405	-
Drag-along ¹	Holdings Co., Ltd.	-	6,971,882	-	5,210,076
		₩ 3,358,293	₩ 6,971,882	₩ 4,671,663	₩ 5,212,324

For the year ended December 31, 2022, the Group recognized a loss on valuation of ₩ 3,073 million (2021: ₩ 1,938 million) and a gain on valuation of ₩ 759 million in relation to derivatives.

¹ Refer to Note 19.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

21. Share Capital and Reserves

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

<i>(in number of shares and in thousands of Korean won)</i>	2022			2021		
	Issued number of share	Share capital	Reserves	Issued number of share	Share capital	Reserves
Beginning balance	46,822,295	₩ 46,822,295	₩ 100,589,604	46,822,295	₩ 46,822,295	₩ 100,597,688
Revaluation surplus	-	-	-	-	-	(8,084)
Ending balance	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 100,589,604</u>	<u>46,822,295</u>	<u>₩ 46,822,295</u>	<u>₩ 100,589,604</u>

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

Capital adjustment, other components of equity and other comprehensive income as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Capital adjustment		
Treasury shares	₩ (6,992,178)	₩ (6,992,178)
Other capital adjustment	(30,210,994)	(26,841,048)
	<u>₩ (37,203,172)</u>	<u>₩ (33,833,226)</u>
Other components of equity		
Share option	₩ 174,614	₩ 17,883
Others	(779,728)	(779,727)
	<u>₩ (605,114)</u>	<u>₩ (761,844)</u>
Other comprehensive income		
Change in financial assets at fair value through other comprehensive Income	₩ (602,377)	₩ 677,016
Equity method changes in equity	450,630	(106,378)
Foreign currency translation difference for foreign operations	7,229,422	365,642
Remeasurements of the net defined benefit liability (asset)	41,497	(177,217)
	<u>₩ 7,119,172</u>	<u>₩ 759,063</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

23. Share-based Payments

Share-based payment arrangements granted by the Group as at December 31, 2022, are as follows:

	1st Grant¹	2nd Grant¹
Grant date	March 30, 2021	March 29, 2022
Grant method	Issuance of shares, distributing treasury shares or payment of cash	
Vesting condition and exercisable period	<ul style="list-style-type: none"> - 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 - In the 5th year, the remaining unexercised options are collectively exercisable - The exercise period is from March 30, 2023 to March 29, 2028 	<ul style="list-style-type: none"> - 1st-2nd: The options are exercisable if the employees have been completed service for one year after the grant date. The options have a contractual option term of two years at the rate of 50% per annum - In the 2nd year, the remaining unexercised options are collectively exercisable - The exercise period is from March 29, 2024 to March 28, 2026
Number of shares to be issued	86,580 shares	287,910 shares
Exercise price	₩ 4,650	₩ 6,180

¹ The Group measured the cost of the share options granted during the years ended December 31, 2022 and 2021, by fair value approach using the option pricing model approach.

Changes in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31, 2022 and 2021, are as follows:

	2022		2021	
	Number of options (in shares)	Average exercise price per share option (in Korean won)	Number of options (in shares)	Average exercise price per share option (in Korean won)
Beginning balance	86,580	₩ 4,650	-	₩ -
Granted	287,910	6,180	187,250	4,650
Exercised	-	-	-	-
Canceled	-	-	(100,670)	(4,650)
Expired	-	-	-	-
Ending balance	<u>374,490</u>	<u>₩ 5,826</u>	<u>86,580</u>	<u>₩ 4,650</u>
Exercisable at the end of the reporting period	-	₩ -	-	₩ -

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Expiry dates and exercise prices of share options outstanding as at December 31, 2022 and 2021, are as follows:

Grant date	Exercisable period	Expiry date	Exercise price per share (in Korean won)	Number of shares (in shares)	
				2022	2021
2021-03-30	2023-03-30	2024-03-29	₩ 4,650	17,316	17,316
2021-03-30	2024-03-30	2025-03-29	4,650	17,316	17,316
2021-03-30	2025-03-30	2026-03-29	4,650	17,316	17,316
2021-03-30	2026-03-30	2027-03-29	4,650	17,316	17,316
2021-03-30	2027-03-30	2028-03-29	4,650	17,316	17,316
2022-03-29	2024-03-29	2025-03-28	6,180	143,955	-
2022-03-29	2025-03-29	2026-03-28	6,180	143,955	-
				<u>374,490</u>	<u>86,580</u>

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

	2.9	4.2
--	-----	-----

The Group measured the cost of the share options granted during the years ended December 31, 2022 and 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:

(in Korean won)	2022 (2nd Grant)	2021 (1st Grant)
Weighted average fair value of share options granted during the year	₩ 1,134	₩ 736
Weighted average share price at grant date	₩ 6,180	₩ 4,435
Price volatility	30.6%	31.1%
Dividend yield	4.37%	4.74%
Risk-free interest rate	2.95%	1.78%

Share-based payments recognized as expenses for the year ended December 31, 2022, amount to ₩ 156 million (2021: ₩ 18 million). All expenses are related to equity-settled share-based payments.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

24. Retained Earnings

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

<i>(in thousands of Korean won)</i>	2022	2021
Legal reserves ¹	₩ 6,421,514	₩ 5,212,783
Reserve for business rationalization ²	1,173,040	1,173,040
Retained earnings before appropriation	<u>237,239,465</u>	<u>241,539,173</u>
	<u>₩ 244,834,019</u>	<u>₩ 247,924,996</u>

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

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

25. Earnings (Losses) per Share

Basic earnings (losses) per share for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit attributable to the ordinary equity holders of the Parent Company	₩ 22,306,232	₩ 12,316,460
Profit (loss) from discontinued operation attributable to the ordinary equity holders of the Parent Company	<u>(13,309,899)</u>	<u>64,475,115</u>
	<u>8,996,333</u>	<u>76,791,575</u>
Weighted average number of ordinary shares outstanding ¹ <i>(in shares)</i>	<u>44,767,816</u>	<u>44,994,826</u>
Basic earnings per share from continuing operations <i>(in Korean won)</i>	₩ 498	₩ 273
Basic earnings (losses) per share from discontinued operations <i>(in Korean won)</i>	<u>(297)</u>	<u>1,433</u>

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

<i>(in shares and thousands of Korean won)</i>	Date	Number of ordinary shares outstanding	Number of days	Weighted average
2022				
Beginning balance	Carried over from prior year	<u>44,767,816</u>	365	₩ 16,340,252,840
Total		<u>44,767,816</u>		₩ 16,340,252,840
÷				<u>365</u>
Weighted average number of shares				<u>₩ 44,767,816</u>
2021				
Beginning balance	Carried over from prior year	45,537,436	365	₩ 16,621,164,140
Acquisition of treasury shares	Acquisition during the year	(769,620)	257	(198,052,585)
Total		<u>44,767,816</u>		₩ 16,423,111,555
÷				<u>365</u>
Weighted average number of shares				<u>₩ 44,994,826</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Diluted earnings (losses) per share for the years ended December 31, 2022 and 2021, are as follows:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. As at December 31, 2022, the number of potential ordinary shares without dilutive effect is 287,910 shares.

<i>(in thousands of Korean won)</i>	2022	2021
Profit attributable to the ordinary equity holders of the Parent Company	₩ 22,306,232	₩ 12,316,460
Profit (loss) from discontinued operation attributable to the ordinary equity holders of the Parent Company	(13,309,899)	64,475,115
	<u>8,996,333</u>	<u>76,791,575</u>
<i>(in shares)</i>		
Weighted average number of ordinary shares in issue	44,767,816	44,994,826
Adjustment for:		
Share options ¹	16,874	-
Weighted average number of ordinary shares for diluted earnings per share	<u>44,784,690</u>	<u>44,994,826</u>
<i>(in Korean won)</i>		
Diluted earnings per share:		
Diluted earnings per share from continuing operations	₩ 498	₩ 273
Diluted earnings (losses) per share from discontinued operations	(297)	1,433

¹ At the end of the previous year, the Group did not consider share options when calculating diluted earnings per share because there was no dilutive effect.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

26. Operating Revenue

Operating revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Rental revenue	₩	405,423,446	₩	364,777,853
Revenue from sale of goods		682,321,659		514,266,888
Others		120,622,473		102,902,916
	₩	<u>1,208,367,578</u>	₩	<u>981,947,657</u>

The Group has recognized the following amounts relating to revenue in the statements of comprehensive income for the years ended December 31, 2022 and 2021:

<i>(in thousands of Korean won)</i>	2022		
	Lease components	Revenue from contracts with customers	Total
Over time			
Rental revenue	₩ 366,877,928	₩ 38,545,518	₩ 405,423,446
Others	-	33,821,178	33,821,178
At a point in time			
Revenue from sale of goods	-	682,321,659	682,321,659
Others	-	86,801,295	86,801,295
	₩ 366,877,928	₩ 841,489,650	₩ 1,208,367,578

<i>(in thousands of Korean won)</i>	2021		
	Lease components	Revenue from contracts with customers	Total
Over time			
Rental revenue	₩ 334,128,330	₩ 30,649,523	₩ 364,777,853
Others	-	35,857,679	35,857,679
At a point in time			
Revenue from sale of goods	-	514,266,888	514,266,888
Others	-	67,045,237	67,045,237
	₩ 334,128,330	₩ 647,819,327	₩ 981,947,657

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

27. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>	2022	2021
Salaries	₩ 58,478,203	₩ 50,511,417
Retirement benefits	4,068,780	3,988,163
Other employee benefits	8,750,868	7,989,294
Service fees	1,450,408	629,197
Communications	599,742	542,640
Entertainment expense	2,809,713	2,474,109
Rent expense	2,990,592	1,520,531
Depreciation	9,900,038	11,314,347
Commissions and fees	12,197,882	13,928,030
Maintenance fee for vehicles	2,541,919	2,030,759
Advertisement	1,737,900	1,992,016
Amortization	3,361,336	3,353,435
Impairment loss	3,362,066	7,914,231
Taxes and dues	1,774,270	2,193,781
Service costs	2,665,064	3,694,812
Freight expenses	1,688,242	1,510,197
Others	4,447,277	3,303,387
	<u>₩ 122,824,300</u>	<u>₩ 118,890,346</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

28. Finance Income and Costs

Finance income and costs for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Finance income		
Interest income	₩ 1,940,555	₩ 1,439,830
Dividend income	761,391	283,923
Gain on foreign currency transaction	1,067,628	1,277,252
Gain on foreign currency translation	2,494,324	571,306
Financial guarantee income	334,932	37,946
Gain on valuation of derivatives	683,945	346,696
Gain on valuation of financial assets at fair value through profit or loss	446,665	1,368,046
Others	-	762
	<u>₩ 7,729,440</u>	<u>₩ 5,325,761</u>
Finance costs		
Interest expenses	₩ 37,693,621	₩ 30,880,574
Loss on foreign currency transaction	716,006	143,146
Loss on foreign currency translation	99,646	364,600
Loss on disposal of financial assets at fair value through profit or loss	5,886	3,465
Loss on valuation of financial assets at fair value through profit or loss	3,160,518	1,402,702
Loss on valuation of derivatives	3,756,874	2,285,289
	<u>₩ 45,432,551</u>	<u>₩ 35,079,776</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

29. Other Income and Expenses

Other income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021
Other income			
Gain on disposal of property, plant and equipment	₩ 209,353	₩	1,220,226
Gain on disposal of intangible assets	-		1,450
Gain on disposal of investments in associates	487,518		2,386,611
Others	4,260,043		6,119,563
	<u>₩ 4,956,914</u>	<u>₩</u>	<u>9,727,850</u>
Other expenses			
Loss on disposal of property, plant and equipment	₩ 143,401	₩	163,693
Impairment loss on property, plant and equipment	407,779		-
Loss on disposal of intangible assets	88,200		5,186
Impairment loss on intangible assets	4,798,116		8,173,176
Loss on disposal of investments in associates	-		3,776
Impairment loss on equity method	6,979,741		-
Others	1,326,315		3,703,165
	<u>₩ 13,743,552</u>	<u>₩</u>	<u>12,048,996</u>

30. Share of Profit (Loss) of Associates

Share of profit (loss) of associates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021
Share of profit of associates	₩ 3,710,850	₩	9,733,050
Share of loss of associates	(5,025,824)		(3,439,370)
	<u>₩ (1,314,974)</u>	<u>₩</u>	<u>6,293,680</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

31. Income Tax Expense

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

<i>(in thousands of Korean won)</i>	2022	2021
Current tax expense	₩ 14,522,434	₩ 15,649,689
Origination and reversal of temporary differences	(9,444,854)	13,430,988
Income tax expense directly reflected in capital	152,163	(20,470)
Additional income taxes	439,205	609,354
Income taxes refunds	-	215,580
Others	(3,381,319)	77,002
Income tax expense	<u>₩ 2,287,629</u>	<u>₩ 29,962,143</u>
From continuing operations	₩ 5,563,231	₩ 9,988,298
From discontinued operations	(3,275,602)	19,973,845

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit before income tax expense	₩ 11,057,163	₩ 106,699,276
From continuing operations	27,642,664	22,290,238
From discontinued operations	(16,585,501)	84,409,038
Tax at tax rates applicable to profits	2,191,433	30,234,516
Tax effects of:		
Permanent differences	(1,845,018)	(245,271)
Tax credits	79,715	70,334
Effect of unrecognized deferred income tax assets and others	1,861,499	(97,435)
Income tax expense	<u>₩ 2,287,629</u>	<u>₩ 29,962,144</u>
From continuing operations	₩ 5,563,231	₩ 9,988,299
From discontinued operations	(3,275,602)	19,973,845
Effective tax rate		
From continuing operations	20%	45%
From discontinued operations	20%	24%

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

<i>(in thousands of Korean won)</i>	2022	2021
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 13,830,180	₩ 13,581,428
Deferred tax asset to be recovered within 12 months	15,810,920	8,616,524
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(14,637,523)	(20,109,959)
Deferred tax liability to be recovered within 12 months	(6,359,842)	(2,889,113)
Deferred tax assets (liabilities), net	<u>₩ 8,643,735</u>	<u>₩ (801,120)</u>

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (1,665,888)	₩ 386,495	₩ (1,279,393)	₩ 867,504	₩ (190,851)	₩ 676,653
Remeasurements of net defined benefit liability	284,784	(66,070)	218,714	61,228	(6,123)	55,105
Share of other comprehensive of associates	725,270	(168,262)	557,008	819,798	176,504	996,302
	<u>₩ (655,834)</u>	<u>₩ 152,163</u>	<u>₩ (503,671)</u>	<u>₩ 1,748,530</u>	<u>₩ (20,470)</u>	<u>₩ 1,728,060</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balances, are as follows:

(in thousands of Korean won)

	2022			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax liabilities				
Right-of-use assets	₩ (1,060,830)	₩ 456,196	₩ -	₩ (604,634)
Provision for land revaluation	(6,684,801)	(119,092)	-	(6,803,893)
Rental assets	(76,729)	76,729	-	-
Investments in subsidiaries	(2,293,190)	1,759,554	(168,262)	(701,898)
Depreciation	-	(1,933,898)	320,425	(1,613,473)
Others	(7,727,616)	6,308,736	-	(1,418,880)
	<u>(17,843,166)</u>	<u>6,548,225</u>	<u>152,163</u>	<u>(11,142,778)</u>
Deferred tax assets				
Investments in subsidiaries	(2,102,585)	7,065,809	-	4,963,224
Provision for impairment	2,986,267	2,089,780	-	5,076,047
Impairment loss on financial assets at fair value through other comprehensive income	29,836	(17,725)	-	12,111
Lease liabilities	1,187,346	(386,329)	-	801,017
Depreciation	36,453	(4,097)	-	32,356
Tax losses carryforward	2,789,351	1,235,021	-	4,024,372
Loss on valuation of derivatives	188,026	397,349	-	585,375
Loss on obsolescence of inventories	-	1,849,584	-	1,849,584
Financial guarantee	(7,590)	3,154,887	-	3,147,297
Financial instruments at fair value through profit or loss	912,446	585,967	-	1,498,413
Others	10,627,000	(5,331,389)	-	5,295,611
	<u>16,646,550</u>	<u>10,638,857</u>	<u>-</u>	<u>27,285,407</u>
	(1,196,616)	17,187,082	152,163	16,142,629
Effect of exclusion of deferred tax recognition	(395,497)	7,894,391	-	7,498,894
Recognition of deferred tax assets (liabilities)	₩ (801,119)	₩ 9,292,691	₩ 152,163	₩ 8,643,735

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of Korean won)	2021				
	Beginning balance	Profit or loss	Other comprehensive income (loss)	Others ¹	Ending balance
Deferred tax liabilities					
Right-of-use assets	₩ (25,127,030)	₩ (77,559)	₩ -	₩ 24,143,759	₩ (1,060,830)
Provision for land revaluation	(6,464,104)	(220,697)	-	-	(6,684,801)
Rental assets	(123,997)	47,268	-	-	(76,729)
Investments in subsidiaries	(1,732,262)	(737,432)	176,504	-	(2,293,190)
Investment properties	(1,509,958)	-	-	1,509,958	-
Others	(3,873,258)	(4,160,659)	(196,974)	503,275	(7,727,616)
	<u>(38,830,609)</u>	<u>(5,149,079)</u>	<u>(20,470)</u>	<u>26,156,992</u>	<u>(17,843,166)</u>
Deferred tax assets					
Investments in subsidiaries	37,653,172	(39,504,026)	-	(251,731)	(2,102,585)
Provision for impairment	1,974,144	1,158,234	-	(146,111)	2,986,267
Impairment loss on financial assets at fair value through other comprehensive income	16,812	13,243	-	(219)	29,836
Lease liabilities	26,953,797	82,739	-	(25,849,190)	1,187,346
Depreciation	26,760	9,693	-	-	36,453
Tax losses carryforward	51,057,896	(44,175,209)	-	(4,093,336)	2,789,351
Loss on valuation of derivatives (investments in subsidiaries)	10,028,535	(9,840,509)	-	-	188,026
Financial guarantee	(21,990)	14,400	-	-	(7,590)
Financial instruments at fair value through profit or loss	1,238,684	(326,238)	-	-	912,446
Others	11,192,714	849,813	-	(1,415,527)	10,627,000
	<u>140,120,524</u>	<u>(91,717,860)</u>	<u>-</u>	<u>(31,756,114)</u>	<u>16,646,550</u>
	101,289,915	(96,866,939)	(20,470)	(5,599,122)	(1,196,616)
Effect of exclusion of deferred tax recognition	<u>81,987,245</u>	<u>(82,382,742)</u>	<u>-</u>	<u>-</u>	<u>(395,497)</u>
Recognition of deferred tax assets (liabilities)	<u>₩ 19,302,670</u>	<u>₩ (14,484,197)</u>	<u>₩ (20,470)</u>	<u>₩ (5,599,122)</u>	<u>₩ (801,119)</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

<i>(in thousands of Korean won)</i>	2022	2021
Deductible temporary differences		
Investments in associates	₩ 27,060,676	₩ (11,480,703)
Tax losses carryforward	10,411,159	9,926,518
Financial guarantee	(549,090)	(122,777)
Others	391,841	269,500
	<u>₩ 37,314,586</u>	<u>₩ (1,407,462)</u>

The maturity of unused losses for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022	2021
2027	₩ 6,085,373	₩ 3,299,270
2028	432,852	663,996
2029	551,962	551,962
2030	-	-
After 2030	5,301,944	5,411,291
	<u>₩ 12,372,131</u>	<u>₩ 9,926,519</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

32. Breakdown of Expenses by Nature

Details of expenses by nature (operating expenses in consolidated statements of comprehensive income) for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Good issued and use of stored goods, and others	₩ 674,420,611	₩ 510,663,284
Salaries	89,867,299	77,081,029
Post-employment benefits	6,082,094	6,158,838
Other employee benefits	11,753,082	10,758,393
Rent expenses	3,958,053	5,658,518
Depreciation	155,213,078	148,042,943
Amortization	3,649,829	3,956,369
Commissions and fees	53,136,423	42,558,543
Vehicle maintenance expenses	34,078,311	25,700,662
Advertisement expenses	1,737,900	1,996,511
Impairment loss	3,362,066	7,772,301
Freight expenses	54,519,890	47,239,915
Impairment loss on rental assets	743,443	5,672,989
Other expenses	40,398,112	40,615,644
	<u>₩ 1,132,920,191</u>	<u>₩ 933,875,939</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

33. Cash Generated from Operations

Cash generated from operation for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Profit for the year	₩ 8,769,535	₩ 76,737,133
Adjustments for:		
Depreciation	157,140,514	158,690,396
Gain on disposal of property, plant and equipment	(324,964)	(1,240,018)
Loss on disposal of property, plant and equipment	143,401	355,611
Amortization	3,695,985	4,416,274
Impairment loss on intangible assets	4,798,116	8,202,171
Gain on disposal of intangible assets	-	(2,450)
Loss on disposal of intangible assets	88,200	9,319
Impairment loss	3,387,573	8,188,286
Other impairment loss	72,054	-
Gain on valuation of financial assets at fair value through profit or loss	(448,250)	(1,396,122)
Loss on valuation of financial assets at fair value through profit or loss	3,160,518	1,402,702
Gain on disposal of financial assets at fair value through profit or loss	-	(762)
Loss on disposal of financial assets at fair value through profit or loss	5,886	3,465
Share of profit or associates	(3,710,850)	(9,733,050)
Share of loss or associates	5,025,824	3,439,370
Impairment loss on equity method	6,979,741	-
Interest income	(1,945,714)	(1,890,678)
Interest expenses	39,703,943	33,794,246
Impairment loss on rental assets	743,443	5,672,989
Loss on valuation of inventories	508,791	169,387
Loss on disposal of investment properties	73,469	-
Income tax expenses	2,287,629	29,962,143
Impairment loss on non-current assets held for sale	14,646,162	-
Gain on disposal of non-current assets held for sale	-	(73,733,435)
Others	(924,075)	(10,714,999)
	<u>235,107,396</u>	<u>155,594,845</u>
Change in operating assets and liabilities:		
Increase in trade receivables	(9,266,042)	(23,049,847)
Decrease (increase) in other current financial assets	(2,405,658)	1,251,696
Decrease (increase) in other non-current financial assets	(2,783,543)	8,523,154
Decrease (increase) in other current assets	17,134,783	(18,147,538)

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(in thousands of Korean won)</i>	2022	2021
Decrease in other non-current assets	19,169,996	8,179,265
Decrease in inventories	12,640,322	19,070,929
Increase in rental assets	(235,085,911)	(213,551,119)
Increase (decrease) in other non-current financial liabilities	154,220	(519,522)
Increase in trade payables	15,277,817	9,718,215
Increase (decrease) in other current financial liabilities	6,215,967	(7,458,258)
Increase in other current liabilities	2,306,719	1,024,699
Increase (decrease) in other non-current liabilities	453,742	(990,043)
Decrease in financial assets at fair value through profit or loss	-	(170,809)
Others	(1,985,809)	(15,084)
	<u>(178,173,397)</u>	<u>(216,134,262)</u>
Cash generated from operations	<u>₩ 65,703,534</u>	<u>₩ 16,197,716</u>

Significant non-cash for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Transfer of long-term borrowings to current portion of borrowings	₩ 231,028,286	₩ 153,480,837
Transfer of debentures to current portion of debentures	230,556,882	141,922,058
Transfer of lease liabilities to current portion of lease liabilities	12,670,616	16,497,208
Non-trade payables related to acquisition of property, plant and equipment	179,404	3,733,161
Non-trade payables related to acquisition of intangible assets	-	315,032
Increase in right-of-use assets and lease liabilities	16,223,344	19,174,102
Reclassification of non-current assets held for sale	4,447,872	-
Non-trade payables related to acquisition of investment in subsidiaries	1,711,242	-

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

*(in thousands of
Korean won)*

	2022			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 490,064,973	₩ 122,471,360	₩ 1,555,735	₩ 614,092,068
Debentures	339,593,114	(44,006,685)	418,189	296,004,618
Lease liabilities	42,137,154	(12,392,273)	15,270,707	45,015,588
Rental deposits	3,152,271	78,506	(334,843)	2,895,934
	<u>₩ 874,947,512</u>	<u>₩ 66,150,908</u>	<u>₩ 16,909,788</u>	<u>₩ 958,008,208</u>

*(in thousands of
Korean won)*

	2021			
	Beginning balance	Cash flows	Non-cash effects	Ending balance
Borrowings	₩ 621,208,434	₩ (87,614,283)	₩ (43,529,178)	₩ 490,064,973
Debentures	358,347,486	(9,309,789)	(9,444,583)	339,593,114
Lease liabilities	152,333,489	(24,443,641)	(85,752,694)	42,137,154
Rental deposits	8,565,885	2,361,237	(7,774,851)	3,152,271
	<u>₩ 1,140,455,294</u>	<u>₩ (119,006,476)</u>	<u>₩ (146,501,306)</u>	<u>₩ 874,947,512</u>

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

34. Financial Risk Management

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

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

(a) Credit risk

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To maintain adequate sources of liquidity, the Group manages liquidity risk by analyzing and adjusting expected cash outflows periodically.

(c) Market risk

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

a) Foreign exchange risk

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

b) Interest rate risk

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

c) Price risk

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

(d) Management of capital risk

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

35. Risk Management of Financial Instruments

(a) Credit risk

a) Exposure to credit and counterparty risk

The carrying amount of financial assets means maximum exposure in respect of credit and counterparty risk. The maximum exposure as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Cash and cash equivalents ¹	₩ 131,827,011	₩ 85,190,872
Trade receivables	94,962,108	93,251,537
Other current financial assets	21,288,200	30,183,540
Financial assets at fair value through profit or loss (current)	3,848,587	3,213,923
Financial assets at fair value through profit or loss (non-current)	549,723	4,606,981
Long-term financial instruments	1,358,500	1,160,727
Other non-current financial assets	30,440,650	27,538,827
Derivative financial assets (current)	18,475	-
Derivative financial assets (non-current)	176,501	129,259
Financial guarantee contracts ²	14,589,127	18,620,085

¹ Cash on hand is excluded.

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

b) Impairment loss

The loss allowance as at December 31, 2022 and 2021 was determined as follows for trade receivables:

<i>(in thousands of Korean won)</i>	Current	More than 3 months past due	More than 6 months past due	More than 1 year past due	Total
December 31, 2022					
Expected loss rate	0.64%	12.73%	65.62%	95.67%	
Gross carrying amount – trade receivables	₩ 92,136,173	₩ 2,297,710	₩ 2,806,625	₩ 10,188,394	₩ 107,428,902
Loss allowance provision	585,418	292,398	1,841,685	9,747,293	12,466,794
December 31, 2021					
Expected loss rate	1.55%	7.15%	56.35%	99.91%	
Gross carrying amount – trade receivables	₩ 91,066,413	₩ 2,732,003	₩ 2,404,727	₩ 14,383,696	₩ 110,586,839
Loss allowance provision	1,413,886	195,401	1,355,030	14,370,986	17,335,303

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Beginning balance	₩ 17,335,303	₩ 16,370,309
Impairment loss	3,308,675	8,128,763
Write-off	(1,547,076)	(979,192)
Exchange difference	97,267	2,812
Changes in the scope of consolidation ¹	(6,727,375)	(6,187,389)
Ending balance	<u>₩ 12,466,794</u>	<u>₩ 17,335,303</u>

¹ It includes replacements to non-current assets held for sale.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(b) Liquidity risk

Aggregate maturities of the Group's financial liabilities, including estimated interest, as at December 31, 2022 and 2021, are as follows:

	2022			
	Within 1 year	1~2 years	Over 2 years	Total
Trade payables	₩ 55,310,291	₩ -	₩ -	₩ 55,310,291
Long and short-term borrowings	453,298,784	117,941,794	67,791,687	639,032,265
Debentures	239,605,333	37,327,682	31,379,671	308,312,686
Other financial liabilities	43,540,095	3,208,940	1,051,887	47,800,922
Financial guarantee contracts ¹	14,589,127	-	-	14,589,127

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

See Note 11 for payment schedule of lease liabilities.

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

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

See Note 11 for payment schedule of lease liabilities.

(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, 2022 and 2021 as follows:

	2022		2021	
	Increase	Decrease	Increase	Decrease
USD/won	₩ 135,268	₩ (135,268)	₩ 250,116	₩ (250,116)
CNY/won	(37,493)	37,493	-	-
VND/won	(351,003)	351,003	1,776	(1,776)
JPY/won	3,556	(3,556)	3,968	(3,968)

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

<i>(in thousands of Korean won)</i>	2022		2021	
	Increase	Decrease	Increase	Decrease
COP/won	-	-	1	(1)
SAR/won	245	(245)	231	(231)
HUF/won	83	(83)	-	-
PLN/won	48,622	(48,622)	-	-

(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, 2022 and 2021 as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	₩ (3,837,103)	₩ 3,837,103	₩ (2,139,794)	₩ 2,139,794
Interest income	321,792	(321,792)	696,178	(696,178)

(e) Capital risk

Debt to equity percentage as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Total borrowings	₩ 955,112,274	₩ 871,795,241
Less: cash and cash equivalents	131,861,397	85,232,020
Net liabilities(a)	823,250,877	786,563,221
Equity	361,885,842	362,510,088
Total capital(b)	₩ 1,185,136,719	₩ 1,149,073,309
Equity ratio(a/b)	69.46%	68.45%

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(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, 2022 and 2021, are as follows:

(in thousands of Korean won)	2022											
	Carrying amount											
	Fair value through profit or loss		Fair value through other comprehensive income		Amortized cost		Financial guarantee liabilities		Total		Fair value	
Financial assets												
measured at fair value												
Financial assets at fair value through profit or loss (current)	₩	3,848,587	₩	-	₩	-	₩	-	₩	3,848,587	₩	3,848,587
Financial assets at fair value through profit or loss (non- current)		22,812,260		-		-		-		22,812,260		22,812,260
Financial assets at fair value through other comprehensive income		-		12,685,376		-		-		12,685,376		12,685,376
Other financial assets (derivative financial assets)		3,358,293		-		-		-		3,358,293		3,358,293
	₩	30,019,140	₩	12,685,376	₩	-	₩	-	₩	42,704,516	₩	42,704,516
Financial assets not measured at fair value												
Cash and cash equivalents	₩	-	₩	-	₩	131,861,398	₩	-	₩	131,861,398		1
Trade receivables		-		-		94,962,108		-		94,962,108		1
Other current financial assets (except for derivatives and financial guarantee liabilities)		-		-		21,288,200		-		21,288,200		1
Other non-current financial assets (except for financial guarantee liabilities)		-		-		30,440,650		-		30,440,650		1
Long-term financial instruments		-		-		1,358,500		-		1,358,500		1
	₩	-	₩	-	₩	279,910,856	₩	-	₩	279,910,856		
Financial liabilities												
measured at fair value												
Other financial liabilities (derivative financial liabilities)	₩	6,971,882	₩	-	₩	-	₩	-	₩	6,971,882	₩	6,971,882
Financial liabilities not measured at fair value												
Trade payables	₩	-	₩	-	₩	55,310,291	₩	-	₩	55,310,291		1
Borrowings		-		-		614,092,068		-		614,092,068	₩	607,094,592
Debentures		-		-		296,004,618		-		296,004,618		294,873,422

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won)

	2022					
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value
Other current financial liabilities (except for financial guarantee liabilities)	-	-	44,990,998	-	44,990,998	1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	4,090,965	-	4,090,965	1
Financial guarantee liabilities	-	-	-	190,289	190,289	1
	₩ -	₩ -	₩ 1,014,488,940	₩ 190,289	₩ 1,014,679,229	

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

(in thousands of
Korean won)

	2021					
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	Fair value
Financial assets measured at fair value						
Financial assets at fair value through profit or loss (current)	₩ 3,213,923	₩ -	₩ -	₩ -	₩ 3,213,923	₩ 3,213,923
Financial assets at fair value through profit or loss (non-current)	25,539,625	-	-	-	25,539,625	25,539,625
Financial assets at fair value through other comprehensive income	-	14,577,407	-	-	14,577,407	14,577,407
Other financial assets (derivative financial assets)	4,671,664	-	-	-	4,671,664	4,671,664
	₩ 33,425,212	₩ 14,577,407	₩ -	₩ -	₩ 48,002,619	₩ 48,002,619
Financial assets not measured at fair value						
Cash and cash equivalents	₩ -	₩ -	₩ 85,232,020	₩ -	₩ 85,232,020	1
Trade receivables	-	-	93,251,537	-	93,251,537	1
Other current financial assets	-	-	30,183,540	-	30,183,540	1
Other non-current	-	-	27,538,827	-	27,538,827	1

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of
Korean won)

	2021					Fair value
	Carrying amount					
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Financial guarantee liabilities	Total	
financial assets (except for derivatives)						
Long-term financial instruments	-	-	1,160,727	-	1,160,727	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 237,366,650</u>	<u>₩ -</u>	<u>₩ 237,366,650</u>	
Financial liabilities measured at fair value						
Other financial liabilities (derivative financial liabilities)	₩ 5,212,324	₩ -	₩ -	₩ -	₩ 5,212,324	₩ 5,212,324
Financial liabilities not measured at fair value						
Trade payables	₩ -	₩ -	₩ 43,057,839	₩ -	₩ 43,057,839	1
Borrowings	-	-	490,064,973	-	490,064,973	₩ 491,038,351
Debentures	-	-	339,593,114	-	339,593,114	339,762,037
Other current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	34,939,613	-	34,939,613	1
Other non-current financial liabilities (except for derivatives and financial guarantee liabilities)	-	-	3,595,767	-	3,595,767	1
Financial guarantee liabilities	-	-	-	248,263	248,263	1
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 911,251,306</u>	<u>₩ 248,263</u>	<u>₩ 911,499,569</u>	

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

b) Fair value hierarchy

Fair value measurement classified by fair value hierarchy as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>		2022			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	₩	-	₩ 26,660,847
Financial assets at fair value through other comprehensive income		3,244,488	-	9,440,888	12,685,376
Derivative financial assets		-	194,976	3,163,317	3,358,293
Derivative financial liabilities		-	-	6,971,882	6,971,882
<i>(in thousands of Korean won)</i>		2021			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	₩ 3,002,672	₩	₩ 25,750,876
Financial assets at fair value through other comprehensive income		4,970,369	-	9,607,038	14,577,407
Derivative financial assets		-	129,259	4,542,405	4,671,664
Derivative financial liabilities		-	2,248	5,210,076	5,212,324

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

The valuation techniques and the unobservable inputs used in measuring Level 2 fair values as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>		2022	2021	Valuation techniques	Inputs	Range of key inputs
Derivative financial assets	₩	194,976	₩ 129,259	DCF model ²	Discount rate ¹	4.05%~4.08%
Derivative financial liabilities		-	2,248			

¹ The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

² The fair value of the interest rate swap is calculated as the present value of future cash flows estimated by observable yield curves.

The valuation techniques and the unobservable inputs used in measuring Level 3 fair values as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Fair value		Valuation techniques	Inputs	Range of key inputs
	2022	2021			
Financial assets at fair value through profit or loss	₩ 26,660,847	₩ 25,750,876	Net asset value method, DCF model and others	Weight average cost of capital	12.88%
Financial assets at fair value through other comprehensive income	9,440,888	9,607,038		Net asset value	-
Derivative financial assets	3,163,317	4,542,405	Binominal model	Weight average cost of capital	12.88%~13.00%
Derivative financial liabilities	6,971,882	5,210,076			12.88%

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022			
	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	₩ 9,607,037	₩ 25,750,876	₩ 4,542,405	₩ 5,210,076
Total profit or loss				
Amount recognized in profit or loss	-	(2,713,853)	(1,379,088)	1,761,806
Amount recognized in other comprehensive income	60,031	-	-	-
Purchases	523,763	4,716,367	-	-
Sales	-	(488,705)	-	-
Others	(749,943)	(603,838)	-	-
Ending balance	<u>₩ 9,440,888</u>	<u>₩ 26,660,847</u>	<u>₩ 3,163,317</u>	<u>₩ 6,971,882</u>

(in thousands of Korean won)

	2021			
	Financial assets			Financial liabilities
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Derivatives	Derivatives
Beginning balance	₩ 10,005,115	₩ 20,747,414	₩ 5,975,280	₩ 4,357,661
Total profit or loss				
Amount recognized in profit or loss	-	(6,580)	(1,432,875)	852,415
Amount recognized in other comprehensive income	39,109	-	-	-
Purchases	-	8,534,863	-	-
Sales	(69,709)	(1,634,561)	-	-
Others	(367,477)	(1,890,260)	-	-
Ending balance	<u>₩ 9,607,038</u>	<u>₩ 25,750,876</u>	<u>₩ 4,542,405</u>	<u>₩ 5,210,076</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Sensitivity analysis for recurring fair value measurements categorized as level 3

The results of the sensitivity analysis for the effect on comprehensive income before income tax from changes in inputs for each financial instrument for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
	Favorable changes (changes by 1%)	Unfavorable changes (changes by 1%)	Favorable changes (changes by 1%)	Unfavorable changes (changes by 1%)
Financial assets at fair value through profit or loss ¹	₩ 266,608	₩ (266,608)	₩ 287,535	₩ (287,535)
Financial assets at fair value through other comprehensive income ¹	94,409	(94,409)	96,070	(96,070)
Derivative financial assets ²	118,278	(117,779)	201,636	(177,810)
Derivative financial liabilities ²	3,283	93,119	(98,480)	98,480

¹ Changes in their fair value are calculated by increasing or decreasing the growth rate, which are significant unobservable inputs, by 1%.

² Changes in their fair value are calculated by increasing or decreasing the underlying asset price, which are significant unobservable inputs, by 1%.

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022			
	Level 1	Level 2	Level 3	Total
Borrowings	₩ -	₩ -	₩ 607,094,592	₩ 607,094,592
Debentures	-	-	294,873,421	294,873,421
	₩ -	₩ -	₩ 901,968,013	₩ 901,968,013

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

The valuation techniques and the significant unobservable inputs used in measuring Level 3 fair values as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	Fair value		Valuation techniques	Inputs	Range of key inputs
	2022	2021			
Borrowings	₩ 607,094,592	₩ 491,038,351	DCF model	Discount rate considering credit risk	6.96%
Debentures	294,873,421	339,762,037			

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(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, 2022 and 2021, are as follows:

(in thousands of Korean won)

	2022		
	Finance income	Finance costs	Other comprehensive loss
Assets at amortized cost	₩ 6,263,897	₩ -	₩ -
Financial assets at fair value through profit or loss	446,666	3,166,403	-
Financial assets at fair value through other comprehensive income	-	-	(1,279,393)
Liabilities at amortized cost	-	38,509,274	-
Financial guarantee liabilities	334,932	-	-
Derivatives	683,945	3,756,874	-
	<u>₩ 7,729,440</u>	<u>₩ 45,432,551</u>	<u>₩ (1,279,393)</u>

(in thousands of Korean won)

	2021		
	Finance income	Finance costs	Other comprehensive income
Assets at amortized cost	₩ 3,316,173	₩ -	₩ -
Financial assets at fair value through profit or loss	1,396,884	1,406,166	-
Financial assets at fair value through other comprehensive income	282,007	-	676,653
Liabilities at amortized cost	-	32,750,086	-
Financial guarantee liabilities	37,946	-	-
Derivatives	346,696	2,285,289	-
	<u>₩ 5,379,706</u>	<u>₩ 36,441,541</u>	<u>₩ 676,653</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

36. Related Party Transactions

Details of associates and other related parties as at December 31, 2022 and 2021, are as follows:

Type	2022
Associates	Auto Gallery Holdings, Inc. Cha Partners Public Mobility No. 1 Private Equity Partnership Cha Partners Public Mobility No. 2 Private Equity Partnership Cha Partners Public Mobility No. 3 Private Equity Partnership Darae Parktech Co., Ltd. Guro Hyeonju Motors Co., Ltd. AJ Fleet Link Co., Ltd. Modu Rental Co., Ltd. BNP INC. Junsymall.com co.,Ltd A2 Partners Rhinos No.1 Limited Partnership
Others	Songdo Trans Co., Ltd. ¹ AJU CO., LTD.

¹ A wholly owned subsidiary of Cha Partners Public Mobility No. 2 Private Equity Partnership, an associate of the Group.

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

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

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(in thousands of Korean won)

	2022				
	Operating revenue	Non-operating revenue	Operating expenses	Other expenses	Disposal of non-current assets
Associates					
Auto Gallery Holdings, Inc.	₩ -	₩ 220,207	₩ 426,343	₩ -	₩ -
Darae Parktech Co., Ltd.	17,891	-	-	-	-
Modu Rental Co., Ltd.	2,362	-	-	-	-
Junsymall.com co.,Ltd	11,710,007	-	15,450	-	31,471
AJ Fleet Link Co., Ltd.	215,785	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	976	-	26,987	-	-
Others					
Songdo Trans Co., Ltd.	-	23,397	-	-	-
AJU CO., LTD.	117,993	-	-	295,200	-
	<u>₩ 12,065,014</u>	<u>₩ 243,604</u>	<u>₩ 468,780</u>	<u>₩ 295,200</u>	<u>₩ 31,471</u>

(in thousands of Korean won)

	2021			
	Operating revenue	Non-operating revenue	Operating expenses	Disposal of non-current assets
Associates				
Auto Gallery Holdings, Inc.	₩ -	₩ 172,003	₩ 213,282	₩ -
Darae Parktech Co., Ltd.	19,100	-	-	-
Modu Rental Co., Ltd.	3,662	-	-	-
AJ Junsymall Co., Ltd.	12,282,047	263,864	5,850	11,802
AJ Fleet Link Co., Ltd.	149,723	-	-	-
Guro Hyeonju Motors Co., Ltd.	2,778	-	54,866	-
Other				
Songdo Trans Co., Ltd.	-	63,288	-	-
	<u>₩ 12,457,310</u>	<u>₩ 499,155</u>	<u>₩ 273,998</u>	<u>₩ 11,802</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

<i>(in thousands of Korean won)</i>	2022					
	Receivables			Payables		
	Trade receivables	Non-trade receivables	Loans	Accrued income and others	Trade payables and others	Borrowings
Associates						
Auto Gallery Holdings, Inc.	₩ -	₩ -	₩ 5,069,200	₩ 44,913	₩ -	₩ -
Darae Parktech Co., Ltd.	3,762	-	-	-	-	-
Modu Rental Co., Ltd.	205	-	-	-	-	-
Junsymall.com co.,Ltd	1,031,722	108,532	-	440,000	2,150	-
AJ Fleet Link Co., Ltd.	15,678	-	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	583	-	-	-	1,180	-
Others						
Songdo Trans Co., Ltd.	-	-	-	-	-	-
AJU CO., LTD.	9,527	-	-	-	265	40,000,000
	<u>₩ 1,061,477</u>	<u>₩ 108,532</u>	<u>₩ 5,069,200</u>	<u>₩ 484,913</u>	<u>₩ 3,595</u>	<u>₩ 40,000,000</u>

<i>(in thousands of Korean won)</i>	2021				
	Receivables			Payables	
	Trade receivables	Non-trade receivables	Loans	Accrued income and others	Trade payables
Associates					
Auto Gallery Holdings, Inc.	₩ -	₩ 677,714	₩ 4,742,000	₩ 15,103	₩ -
Darae Parktech Co., Ltd.	1,848	-	-	-	-
Modu Rental Co., Ltd.	218	-	-	-	-
AJ Junsymall Co., Ltd.	1,099,496	112,425	-	440,000	112,517
AJ Fleet Link Co., Ltd.	9,791	-	-	-	-
Guro Hyeonju Motors Co., Ltd.	-	-	-	-	6,629
Others					
Songdo Trans Co., Ltd.	-	-	2,000,000	35,671	-
AJU CO., LTD.	-	-	-	-	-
	<u>₩ 1,111,353</u>	<u>₩ 790,139</u>	<u>₩ 6,742,000</u>	<u>₩ 490,774</u>	<u>₩ 119,146</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(in thousands of Korean won)

	2022					
	Borrowing transactions		Loan transactions		Dividends transactions	
	Borrowings		Collections		Dividends received	
Associates						
Cha Partners Public Mobility No. 1 Private Equity Partnership	₩	-	₩	-	₩	474,000
Cha Partners Public Mobility No. 2 Private Equity Partnership		-		-		474,000
Cha Partners Public Mobility No. 3 Private Equity Partnership		-		-		594,000
Others						
Songdo Trans Co., Ltd.		-		2,000,000		-
AJU CO., LTD. ¹		40,000,000		-		-
	₩	40,000,000	₩	2,000,000	₩	1,542,000

¹ For the year ended December 31, 2022, the Group borrowed ₩ 40,000,000 thousand from AJU CO., LTD., and pledged all shares issued by AJ Rental Inc. as collateral for the loan with establishing AJU CO., LTD. as the first priority beneficiary(Note 19).

(in thousands of Korean won)

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

The Group received ₩ 2,560 million of ordinary shares without consideration from the largest shareholder during the year ended December 31, 2021 and has a plan to provide them when stock options are exercised.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

Executive compensation of the Group for each of the following categories for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022		2021	
Short-term employee benefits	₩	1,953,298	₩	917,293
Post-employment benefits		506,247		231,438
Share-based payments		91,329		9,983
	₩	<u>2,550,874</u>	₩	<u>1,158,714</u>

37. Information for Non-controlling Interests

(a) Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2022 and 2021, is as follows:

<i>(in thousands of Korean won)</i>	2022				
	Non-controlling interest rate	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year
AJ Rental, Inc. ¹	39.97%	₩ 1,021,875	₩ (179,218)	₩ (912,424)	₩ (69,767)
AJ ICT Co., Ltd.	0.17%	9,328	(68)	-	9,260
AJ Automated Parking Systems Co., Ltd.	-	(22,003)	(250)	22,253	-
TS GLOBAL CO.	30.00%	-	(47,263)	436,808	389,545
		<u>₩ 1,009,200</u>	<u>₩ (226,799)</u>	<u>₩ (453,363)</u>	<u>₩ 329,038</u>

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

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

(b) Transactions with non-controlling interests

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Changes in the scope of consolidation	₩ (455,852)	₩ (1,917,929)
Net effect on equity	<u>₩ (455,852)</u>	<u>₩ (1,917,929)</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

38. Business Combination

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

Details of major business combinations for the years ended December 31, 2022 and 2021, are as follows:

Company	2022		
	Major business	Acquisition date	Equity ratio
TS GLOBAL CO.	Manufacturing and sales of logistics containers	2022.11.15	70.00%

The revenue and net profit for 2022 are ₩ 11,292 million and ₩ 697 million, respectively, and revenue and net loss included in the consolidated statement of comprehensive income after the acquisition date are ₩ 1,377 million and ₩ 157 million, respectively.

Company	2021		
	Major business	Acquisition date	Equity ratio
AJ ICT Co., Ltd.	Service	2021.04.23	99.83%

The revenue and net profit for 2021 are ₩ 41,973 million and ₩ 779 million, respectively, and revenue and net loss included in the consolidated statement of comprehensive income after the acquisition date are ₩ 37,918 million and ₩ 18 million, respectively.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

(in thousands of Korean won)

	2022	
	TS GLOBAL CO.	
Purchase consideration		
Cash	₩	1,711,242
Non-trade payables		1,711,242
Total consideration	₩	<u>3,422,484</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	₩	902,481
Trade receivables		1,242,792
Inventories		262,666
Other current financial assets		186,524
Other current assets		1,503
Property, plant and equipment		369,084
Intangible assets		835
Right-of-use assets		78,145
Other non-current financial assets		55,000
Trade payables		(892,895)
Other current financial liabilities		(592,818)
Other current liabilities		(65,784)
Defined benefit obligations		(13,362)
Lease liabilities		(78,145)
Net identifiable assets acquired		1,456,026
Non-controlling interest		(436,809)
Intangible assets (customer contracts)		509,238
Goodwill (bargain purchase gain)		1,894,029
	₩	<u>3,422,484</u>

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

(in thousands of Korean won)

	<u>2021</u>	
	AJ ICT Co., Ltd.	
Purchase consideration		
Cash	₩	2,202,562
Total consideration	₩	<u>2,202,562</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	₩	6,975
Trade receivables		2,351,514
Inventories		1,494,369
Other current financial assets		488,726
Other current assets		1,663,228
Financial assets at fair value through profit or loss		539,186
Property, plant and equipment		2,106,566
Investment properties		997,850
Right-of-use assets		47,274
Other non-current financial assets		25,055
Trade payables		(1,608,544)
Other current financial liabilities		(211,306)
Other current liabilities		(1,129,130)
Current tax liabilities		(44,101)
Borrowings		(952,713)
Defined benefit obligations		(66,097)
Lease liabilities		(45,886)
Deferred tax liabilities		<u>(305,177)</u>
Net identifiable assets acquired		5,357,789
Non-controlling interest		(10,664)
Goodwill (bargain purchase gain)		<u>(3,144,563)</u>
	₩	<u>2,202,562</u>

AJ Networks Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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

The Group's Board of Directors decided to transfer the entire shares of AJ Automated Parking Systems Co., Ltd., a subsidiary, on February 3, 2023. According to this decision, the shares of AJ Automated Parking Systems Co., Ltd. owned by the Group, were classified as non-current assets held for sale. In addition, gains and losses related to non-current assets held for sale are presented as discontinued operations as they meet the requirements for discontinued operations. In relation to the disposal of AJ Automated Parking Systems Co., Ltd., impairment loss on non-current assets held for sale of ₩ 14,646 million was recognized during the year ended December 31, 2022.

The Group's Board of Directors decided to sell some of real estate of AJ Rental, Inc., a subsidiary, on November 23, 2022. According to this decision, some of real estate of AJ Rental, Inc. owned by the Group, were classified as non-current assets held for sale.

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

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

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

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

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

Details of non-current assets and liabilities of disposal group classified as held for sale as at December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Current assets		
Cash and cash equivalents	₩ 109,907	₩ -
Trade receivables	6,218,494	-
Inventories	940,141	-
Other current assets	345,072	-
Non-current assets		
Property, plant and equipment	12,300,744	-
Intangible assets	5,485,899	-
Other non-current assets	2,629,256	-
Total assets	<u>₩ 28,029,513</u>	<u>₩ -</u>
Current liabilities		
Borrowings and debentures	₩ 15,302,962	₩ -
Other current liabilities	6,132,196	-
Non-current liabilities		
Borrowings and debentures	434,978	-
Other non-current liabilities	1,711,817	-
Total liabilities	<u>₩ 23,581,953</u>	<u>₩ -</u>

There is no cumulative income or expense recognized in other comprehensive income relates to the disposal group classified as held for sale for the years ended December 31, 2022 and 2021.

AJ Networks Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2022 and 2021

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

<i>(in thousands of Korean won)</i>	2022	2021
Profit of discontinued operation		
Operating revenue	₩ 38,572,376	₩ 123,522,441
Operating expense	<u>(38,655,409)</u>	<u>(118,962,040)</u>
Operating profit (loss)	(83,033)	4,560,401
Other income	500,883	84,042,729
Other expenses	(14,798,837)	(421,070)
Share of profit of associates	-	1,252,266
Finance income	(248,029)	555,487
Finance costs	<u>(1,956,485)</u>	<u>(5,580,775)</u>
Profit (loss) before income tax of discontinued operation	(16,585,501)	84,409,038
Income tax benefit (expense)	<u>3,275,603</u>	<u>(19,973,845)</u>
Profit (loss) for the year from discontinued operation	<u>₩ (13,309,898)</u>	<u>₩ 64,435,193</u>

Cash flows from discontinued operations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in thousands of Korean won)</i>	2022	2021
Net cash inflow (outflow) from operating activities	₩ (5,222,436)	₩ 637,489
Net cash inflow from investing activities	168,689	116,816,137
Net cash inflow (outflow) from financing activities	<u>4,813,160</u>	<u>(63,014,718)</u>
Net increase (decrease) in cash and cash equivalents	<u>₩ (240,587)</u>	<u>₩ 54,438,908</u>

40. Events After the Reporting Period

On February 3, 2023, the Group's Board of Directors decided to increase its capital of ₩ 23,500 million to improve the financial structure for the disposal of AJ Automated Parking Systems Co., Ltd., a subsidiary of the Group.

On November 3, 2020, the Group decided to split-off the pallet business division to strengthen the competitiveness of its core business, and disclosed the split-off date (March 1, 2023) and the split ratio on October 18, 2022, but the Group disclosed a correction notice as 'withdrawal' of the split-off on March 14, 2023.