

Youngone Corporation and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

Youngone Corporation and Subsidiaries
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December 31, 2023 and 2022

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Independent Auditor's Report
(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Youngone Corporation

Opinion

We have audited the accompanying consolidated financial statements of Youngone Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated income statements, 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 material accounting policy information.

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, 2023 and 2022, 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.

Impairment assessment of goodwill and brand value with indefinite useful lives

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

The Group has goodwill and brand value with indefinite useful lives amounting to ₩ 20,267 million and ₩ 118,070 million, respectively, as at December 31, 2023. The Group determines the recognition of impairment loss on goodwill and brand value with indefinite useful lives in accordance with Korean IFRS 1036 *Impairment of Assets*. We focused on this area due to the significance of size of goodwill and brand value with indefinite useful lives and because the assessment of the 'value in use' of the Group's Cash Generating Units (CGU's) involves management's judgements about the future results of the business and the discount rates applied to future cash flow forecast (Note 17).

In particular, we focused our audit effort on the impairment assessment of brand value with indefinite useful lives (₩ 62,491 million as at December 31, 2023) arising from the acquisition of SCOTT in which size of intangible assets with indefinite useful lives including goodwill is significant, and goodwill (₩ 17,187 million as at December 31, 2023) and brand value with indefinite useful lives (₩ 45,815 million as at December 31, 2023) held by SCOTT (Note 17).

How our audit addressed the key audit matter

We have performed following audit procedures to address the key audit matter. We:

- Evaluated the competency and objectivity of an external assessment expert engaged by management.
- Used internal experts to evaluate the adequacy of valuation model used by management to estimate the recoverable amount
- Evaluated the reasonableness of key assumptions used to estimate recoverable amount
- Confirmed the consistency of the sales growth rate, operating profit margin and investment forecasts of target company by comparing these with the past performance and market conditions.
- Compared the discount rates used by management with those calculated independently using observable information.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the 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 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 Seung-hwan, Hong, Certified Public Accountant.

Seoul, Korea
March 28, 2024

This report is effective as of March 28, 2024, 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.

Youngone Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes			2023			2022
Assets							
Current assets							
Cash and cash equivalents	4,7,8	₩		896,394,078,489	₩		735,944,764,488
Short-term financial assets	4,7			478,471,122,573			348,617,900,192
Trade receivables	4,7,11,19			490,791,336,546			509,788,782,973
Derivative assets	4,5,7			8,039,634,600			31,098,251,240
Inventories	14,19			1,329,162,228,700			983,904,470,376
Other receivables	4,7,12			59,922,902,526			48,707,280,826
Other current assets	13			72,074,319,608			154,726,617,775
Current tax assets				12,074,485,682			8,657,651,421
				<u>3,346,930,108,724</u>			<u>2,821,445,719,291</u>
Non-current assets							
Long-term financial assets	4,7,19			609,606,880			611,570,768
Financial assets at fair value through profit or loss	4,5,7,9			4,864,448,520			4,192,744,980
Financial assets at fair value through other comprehensive income	5,7,10			418,809,025,841			396,450,468,592
Investments in associate and joint ventures	6,20			51,012,249,852			46,948,290,294
Property, plant and equipment	15,19			810,535,582,490			712,901,101,241
Right-of-use assets	16			127,740,946,229			105,644,719,301
Intangible assets	17			194,637,975,570			178,823,035,915
Investment property	18			290,737,441,845			215,993,332,232
Other receivables	4,7,12			23,111,097,493			9,209,734,682
Other non-current assets	13,25			4,066,076,868			7,363,338,631
Deferred tax assets	26			24,069,080,344			14,039,724,884
				<u>1,950,193,531,932</u>			<u>1,692,178,061,520</u>
Total assets		₩		<u>5,297,123,640,656</u>	₩		<u>4,513,623,780,811</u>
Liabilities							
Current liabilities							
Trade payables	4,7,21	₩		455,556,425,886	₩		340,193,168,804
Short-term borrowings	4,7,24			399,176,532,327			224,549,801,840
Current portion of long-term borrowings	4,7,24			70,491,752,580			28,815,168,430
Current portion of debentures	4,7,24			-			9,995,754,179
Derivative liabilities	4,5,7			1,010,074,888			3,443,949,811
Current tax liabilities				57,163,368,034			90,786,115,504
Provisions for other liabilities and charges	42			27,162,328,081			26,032,109,179
Other payables	4,7,21			87,565,879,517			78,791,277,692
Other current liabilities	22			5,489,487,393			6,618,554,765
Current lease liabilities	16			19,675,252,498			13,460,984,568
				<u>1,123,291,101,204</u>			<u>822,686,884,772</u>
Non-current liabilities							
Long-term borrowings	4,7,24			77,487,641,820			133,243,897,850
Net defined benefit liabilities	25			71,462,646,242			42,838,710,656
Deferred tax liabilities	26			315,125,285,332			298,119,898,372
Other payables	4,7,21			8,225,000			-
Other non-current liabilities	22			3,105,027,160			2,463,048,254
Non-current lease liabilities	16			118,673,193,392			99,967,200,428
				<u>585,862,018,946</u>			<u>576,632,755,560</u>
Total liabilities				<u>1,709,153,120,150</u>			<u>1,399,319,640,332</u>
Equity attributable to owners of the Parent Company							
Share capital	1,27			22,155,734,000			22,155,734,000
Share premium	27			453,267,231,054			453,267,231,054
Retained earnings	29			2,712,525,857,272			2,263,681,683,068
Other components of equity	28			58,715,464,524			75,419,677,953
				<u>3,246,664,286,850</u>			<u>2,814,524,326,075</u>
Non-controlling interest	40			341,306,233,656			299,779,814,404
Total equity				<u>3,587,970,520,506</u>			<u>3,114,304,140,479</u>
Total liabilities and equity		₩		<u>5,297,123,640,656</u>	₩		<u>4,513,623,780,811</u>

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

Youngone Corporation and Subsidiaries
Consolidated Income Statements
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023		2022	
Revenue	6,41	₩	3,604,377,025,404	₩	3,910,960,903,824
Cost of sales	33,41		2,449,425,474,646		2,594,344,183,173
Gross profit			1,154,951,550,758		1,316,616,720,651
Selling and administrative expenses	31,33		517,805,181,924		493,589,463,605
Operating profit	6		637,146,368,834		823,027,257,046
Other income	32		206,599,840,180		269,339,564,139
Other expenses	32		170,797,215,560		204,769,519,330
Finance income	7,35		37,467,672,307		13,518,385,924
Finance costs	7,35		31,086,770,543		20,183,299,100
Share of profit of associates and joint ventures	20		2,302,649,226		823,463,952
Profit before income tax			681,632,544,444		881,755,852,631
Income tax expense	36		148,561,863,188		138,600,813,503
Profit for the year		₩	533,070,681,256	₩	743,155,039,128
Profit is attributable to:					
Owners of the Parent Company		₩	515,959,247,534	₩	674,518,794,578
Non-controlling interests			17,111,433,722		68,636,244,550
Earnings per share attributable to the equity holders of the Parent Company					
Basic earnings per share	37	₩	11,762	₩	15,377

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

Youngone Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

(in Korean won)

	Note	2023	2022
Profit for the year		₩ 533,070,681,256	₩ 743,155,039,128
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		(6,050,740,151)	10,934,416,325
Gain on valuation of financial assets at fair value through other comprehensive income	10	17,193,730,524	62,536,106,985
Share of other comprehensive income of associates and joint ventures	20	(20,368,222)	2,721,664
Items that may be subsequently reclassified to profit or loss			
Gain (loss) on exchange differences		5,083,271,545	(96,374,316,611)
Share of other comprehensive income of associates and joint ventures	20	726,780,604	(1,367,264,654)
Gain (loss) on valuation of derivatives		(9,221,902,200)	5,071,539,550
Other comprehensive income (loss) for the year, net of tax		<u>7,710,772,100</u>	<u>(19,196,796,741)</u>
Total comprehensive income for the year		<u>₩ 540,781,453,356</u>	<u>₩ 723,958,242,387</u>
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company		₩ 499,255,034,104	₩ 639,443,331,433
Non-controlling interest		41,526,419,252	84,514,910,954

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

Youngone Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

(in Korean won)

	Note	Attributable to owners of the Parent Company					Non-controlling Interest	Total Equity
		Share Capital	Share Premium	Retained Earnings	Other Components of Equity	Total		
Balance at January 1, 2022		₩ 22,155,734,000	₩ 453,267,231,054	₩ 1,633,028,949,490	₩ 110,495,141,098	₩ 2,218,947,055,642	₩ 215,264,903,450	₩ 2,434,211,959,092
Total comprehensive income								
Profit for the year		-	-	674,518,794,578	-	674,518,794,578	68,636,244,550	743,155,039,128
Gain on valuation of derivatives		-	-	-	2,522,753,725	2,522,753,725	2,548,785,825	5,071,539,550
Gain on valuation of financial assets at fair value through other comprehensive income	10	-	-	-	62,536,106,985	62,536,106,985	-	62,536,106,985
Exchange differences		-	-	-	(102,084,016,656)	(102,084,016,656)	5,709,700,045	(96,374,316,611)
Share of other comprehensive income of associates and joint ventures		-	-	-	(1,373,528,543)	(1,373,528,543)	8,985,553	(1,364,542,990)
Remeasurements of net defined benefit liabilities		-	-	-	3,323,221,344	3,323,221,344	7,611,194,981	10,934,416,325
Total transactions with owners of the Parent Company, recognized directly in equity								
Dividend paid		-	-	(43,866,061,000)	-	(43,866,061,000)	-	(43,866,061,000)
Balance at December 31, 2022		<u>₩ 22,155,734,000</u>	<u>₩ 453,267,231,054</u>	<u>₩ 2,263,681,683,068</u>	<u>₩ 75,419,677,953</u>	<u>₩ 2,814,524,326,075</u>	<u>₩ 299,779,814,404</u>	<u>₩ 3,114,304,140,479</u>
Balance at January 1, 2023		₩ 22,155,734,000	₩ 453,267,231,054	₩ 2,263,681,683,068	₩ 75,419,677,953	₩ 2,814,524,326,075	₩ 299,779,814,404	₩ 3,114,304,140,479
Total comprehensive income								
Profit for the year		-	-	515,959,247,534	-	515,959,247,534	17,111,433,722	533,070,681,256
Loss on valuation of derivatives		-	-	-	(4,590,784,623)	(4,590,784,623)	(4,631,117,577)	(9,221,902,200)
Gain on valuation of financial assets at fair value through other comprehensive income	10	-	-	-	17,193,730,524	17,193,730,524	-	17,193,730,524
Exchange differences		-	-	-	(24,412,343,378)	(24,412,343,378)	29,495,614,923	5,083,271,545
Share of other comprehensive income of associates and joint ventures		-	-	-	713,966,207	713,966,207	(7,553,825)	706,412,382
Remeasurements of net defined benefit liabilities		-	-	-	(5,608,782,160)	(5,608,782,160)	(441,957,991)	(6,050,740,151)
Total transactions with owners of the Parent Company, recognized directly in equity								
Dividend paid		-	-	(67,115,073,330)	-	(67,115,073,330)	-	(67,115,073,330)
Balance at December 31, 2023		<u>₩ 22,155,734,000</u>	<u>₩ 453,267,231,054</u>	<u>₩ 2,712,525,857,272</u>	<u>₩ 58,715,464,523</u>	<u>₩ 3,246,664,286,849</u>	<u>₩ 341,306,233,656</u>	<u>₩ 3,587,970,520,505</u>

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

Youngone Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Note	2023	2022
Cash flows from operating activities			
Cash generated from operations	38 W	703,161,174,194	W 587,500,411,812
Interest received		32,648,103,896	9,781,738,599
Interest paid		(31,082,524,722)	(20,251,388,631)
Dividends received		5,043,499,811	3,946,215,075
Income tax paid		(184,658,980,436)	(122,176,749,787)
Net cash inflow from operating activities		<u>525,111,272,743</u>	<u>458,800,227,068</u>
Cash flows from investing activities			
Increase in short-term financial assets, net		(168,132,790,000)	(182,062,000,286)
Decrease in short-term loans, net		1,256,320,000	3,586,528,060
Increase in long-term loans		(12,000,000,000)	-
Payments for property, plant and equipment		(171,597,170,562)	(145,626,076,400)
Proceeds from sale of property, plant and equipment		3,086,032,674	34,482,033,150
Payments for intangible assets		(9,819,419,476)	(8,680,885,801)
Proceeds from sale of intangible assets		159,262,847	520,000,074
Payments for investment property		(77,457,680,088)	(13,032,200,881)
Proceeds from sale of investment property		-	239,312,850
Increase in leasehold deposits		(1,476,596,329)	(4,361,547,181)
Decrease in leasehold deposits		100,000,000	1,927,576,675
Payments for financial assets at fair value through profit or loss		(7,270,500)	(574,621,250)
Payments for financial assets at fair value through other comprehensive income		-	(30,280,835,947)
Decrease in long-term financial assets		2,000,000	257,810,000
Changes in consolidation scope		213,752,700	-
Payments for investments in associates and joint ventures		(949,527,300)	(45,912,633,750)
Increase in derivative instruments		(866,500,000)	-
Net cash outflow from investing activities		<u>(437,489,586,034)</u>	<u>(389,517,540,687)</u>
Cash flows from financing activities			
Proceeds from (repayments of) short-term borrowings, net		145,842,492,995	130,377,289,533
Repayments of current portion of long-term borrowings		(30,716,408,400)	(1,763,073,200)
Repayments of current portion of debentures		(10,000,000,000)	(40,000,000,000)
Increase in other deposits		2,902,397,542	703,590,232
Decrease in other deposits		(581,542,000)	(2,487,580,000)
Repayments of current lease liabilities		(19,097,994,426)	(13,267,788,670)
Proceeds from long-term borrowings		-	60,842,250,000
Dividends paid		(67,115,073,330)	(43,866,061,000)
Net cash inflow from financing activities		<u>21,233,872,381</u>	<u>90,538,626,895</u>
Effects of exchange rate changes on cash and cash equivalents		<u>51,593,754,911</u>	<u>(65,653,738,082)</u>
Net increase in cash and cash equivalents		160,449,314,001	94,167,575,194
Cash and cash equivalents at the beginning of the year		735,944,764,488	641,777,189,294
Cash and cash equivalents at the end of the year		<u>W 896,394,078,489</u>	<u>W 735,944,764,488</u>

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

Youngone Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. General Information

Youngone Corporation (the Company) is a controlling company. The Company and its 69 subsidiaries (collectively referred to as the “Group”), including YOUNGONE (CEPZ) LTD.(“YCL”), are subject to consolidation and five of them, including International Retail Corporation and others, are subject to the equity method of accounting in the preparation of the consolidated financial statements.

1.1 The Company

The Company was established on July 1, 2009, through the spin-off from Youngone Holdings Co., Ltd.’s distribution and garments manufacturing business. On July 30, 2009, the Company was listed on the Korea Exchange. As at December 31, 2023, the Company is headquartered in Jung-gu, Seoul, and the Company has its subsidiaries in Bangladesh, Vietnam and Switzerland, and distribution centers and sales offices in Seoul, Gyeonggi Province and other regions.

The Company’s share capital as at December 31, 2023, is ₩ 22,155,734 thousand (2022: ₩ 22,155,734 thousand), and the Company’s shareholders and their respective percentage of ownership as at December 31, 2023, are as follows:

	Number of shares	Percentage of ownership (%)	Remark
Youngone Holdings Co., Ltd.	22,386,320	50.52	Majority shareholder
Treasury shares	445,407	1.01	Treasury shares
Others	21,479,741	48.47	Others
	44,311,468	100.00	

1.2 Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2023, are as follows:

Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
YCL ²	Manufacturing outdoor and sports wear	1,013,058	1,026,737	2,039,795	100.00%	December	Bangladesh
TSL ³	Manufacturing outdoor and sports wear	1,165,504	-	1,165,504	100.00%	December	Bangladesh
KSL ⁴	Manufacturing outdoor and sports wear	41,607	63,457	105,064	100.00%	December	Bangladesh
YHT ⁵	Manufacturing outdoor and sports wear	618,505	-	618,505	100.00%	December	Bangladesh
YPL ⁶	Manufacturing non-woven	514,684	-	514,684	100.00%	December	Bangladesh

Youngone Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
YGA ⁷	Manufacturing and padding clothing parts	199,595	-	199,595	100.00%	December	Bangladesh
SEL ⁸	Subsidiary material/adhesives	-	346,802	346,802	100.00%	December	Bangladesh
SDF ⁹	Fabric processing/dye	619,760	-	619,760	100.00%	December	Bangladesh
YSF ¹⁰	Manufacturing non-woven and padding	199,892	253,830	453,722	100.00%	December	Bangladesh
STL ¹¹	Fabric weaving	1,706,255	-	1,706,255	100.00%	December	Bangladesh
YSS ¹²	Manufacturing sports shoes	3,737,833	253,830	3,991,663	100.00%	December	Bangladesh
AAL ¹³	Aircraft leases/education	-	2,500,000	2,500,000	100.00%	December	Bangladesh
KSI ¹⁴	Manufacturing outdoor sports wear and shoes	-	100,000	100,000	100.00%	December	Bangladesh
SWL ¹⁵	Fabric processing	-	3	3	100.00%	December	Bangladesh
SLS ¹⁶	Manufacturing backpack	771,000	-	771,000	100.00%	December	Bangladesh
APD ¹⁷	Manufacturing clothing and developing center	-	100,000	100,000	100.00%	December	Bangladesh
CPD ¹⁸	Manufacturing clothing and developing center	-	100,000	100,000	100.00%	December	Bangladesh
DPD ¹⁹	Manufacturing clothing and developing center	-	100,000	100,000	100.00%	December	Bangladesh
EPD ²⁰	Manufacturing clothing and developing center	-	100,000	100,000	100.00%	December	Bangladesh
GPD ²¹	Manufacturing clothing and developing center	-	100,000	100,000	100.00%	December	Bangladesh

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Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
KPP ²²	Manufacturing knitwear	-	1,000,000	1,000,000	100.00%	December	Bangladesh
TWL ²³	IT related business	-	100,000	100,000	100.00%	December	Bangladesh
TVL ²⁴	IT related business	-	100,000	100,000	100.00%	December	Bangladesh
ICL ²⁵	Developing industrial complex	-	100,000	100,000	100.00%	December	Bangladesh
SAL ²⁶	Manufacturing outdoor and sports wear	-	100,000	100,000	100.00%	December	Bangladesh
BHL ²⁷	Operating industrial complex	-	100,000	100,000	100.00%	December	Bangladesh
KPL ²⁸	Manufacturing packaging	-	900,000	900,000	100.00%	December	Bangladesh
YSP ^{29,54}	Manufacturing outdoor wear and backpack	-	-	-	100.00%	December	China
GMC ^{30,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	China
YNL ^{31,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Vietnam
YBL ^{32,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Vietnam
YHL ^{33,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Vietnam
BSL ^{34,54}	Manufacturing outdoor wear and backpack	-	-	-	100.00%	December	Vietnam
YLS ³⁵	Manufacturing outdoor and sports wear	760,000	-	760,000	100.00%	December	El Salvador
ESL ³⁶	Sourcing subsidiary materials	390,000	-	390,000	100.00%	December	Hong Kong
DTL ³⁷	Sourcing subsidiary materials	510,000	-	510,000	100.00%	December	Thailand
YOA ³⁸	Service/trading	-	1,000	1,000	100.00%	December	USA

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Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
MSH ³⁹	OR Holding Company	40,817,178	-	40,817,178	100.00%	December	USA
OR ⁴⁰	Distribution of outdoor brands	-	800	800	100.00%	December	USA
OR CANADA ⁴¹	Distribution of outdoor brands	-	1,000	1,000	100.00%	December	USA
YTL ^{42,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Turkey
AAI ⁴³	Aircraft lease Manufacturing	26,400,000	39,600,000	66,000,000	100.00%	December	UK(IOM)
SQA ^{44,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Uzbekistan
BKS ^{45,54}	Manufacturing outdoor and sports wear	-	-	-	100.00%	December	Uzbekistan
BPL ^{46,54}	Sourcing subsidiary materials	-	-	-	100.00%	December	Taiwan
ESP ⁴⁷	Manufacturing outdoor and sports wear	5,352,755	-	5,352,755	100.00%	December	Ethiopia
DTI ⁴⁸	Merino wool business	102	-	102	100.00%	December	New Zealand
YIA ⁴⁹	Trading/service	15,300,000	-	15,300,000	100.00%	December	Singapore
ETL ⁵⁰	Manufacturing woven and knitwear	-	72,000,000	72,000,000	100.00%	December	India
YES ⁵¹	YMS Holding Company	200,000	-	200,000	100.00%	December	Portugal
YMS ⁵²	Properties leases	-	150,000	150,000	100.00%	December	Portugal
ASI ⁵³	Clothing wholesale	40	-	40	100.00%	December	Guatemala
SCOTT CORPORATION SA	SCOTT Holding Company	6,251,250	-	6,251,250	50.01%	September	Switzerland
SCOTT SPORTS SA	Distribution of bicycle/sports brands	-	12,001	12,001	50.01%	September	Switzerland
SCOTT USA INC.	Distribution of bicycle/sports brands	-	1	1	50.01%	September	USA
SSG (EUROPE)	Distribution of	-	250	250	50.01%	September	Belgium

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Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
DISTRIBUTION CENTER NV	bicycle						
SCOTT ITALIA S.R.L.	Distribution of bicycle/sports brands	-	100,000	100,000	50.01%	September	Italy
SCOTT SPORTS AB	Distribution of bicycle/sports brands	-	5,000	5,000	50.01%	September	Sweden
SCOTT SPORTS AFRICA (PTY) LTD	Distribution of bicycle/sports brands	-	100	100	50.01%	September	Republic of South Africa
SCOTT SPORTS INDIA (PTY) LTD	Distribution of bicycle/sports brands	-	10,000	10,000	50.01%	September	India
DFG INC.	Manufacturing sports products	-	4,438	4,438	50.01%	September	USA
BERGAMONT FAHRRAD VERTRIEB GMBH ⁵⁴	Distribution of bicycle/sports brands	-	-	-	50.01%	September	Germany
DOLOMITE S.R.L.	Design and developing sports shoes/wear	-	10,000	10,000	50.01%	September	Italy
SHEPPARD CYCLES AUSTRALIA PTY LTD. ⁵⁵	Distribution of bicycle/sports brands	-	95,000	95,000	47.51%	September	Australia
SHEPPARD CYCLES NEW ZEALAND LIMITED ⁵⁵	Distribution of bicycle/sports brands	-	95,000	95,000	47.51%	September	New Zealand
SPORT NETWORK SOLUTION SA	Distribution of bicycle/sports brands	-	10,000,000	10,000,000	50.01%	September	Switzerland
SCOTT SPORTS DENMARK A/S	Distribution of bicycle/sports brands	-	5,000	5,000	50.01%	September	Denmark
SHEPPARD CYCLES RETAIL	Bicycle service	-	-	-	47.51%	September	Australia

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Subsidiaries	Main business	Number of investment shares			Percentage of ownership (%) ¹	Closing month	Location
		Parents	Subsidiaries	Total			
SERVICES PTY LTD. ^{54,55}							
BSSH PTY LTD ⁵⁵	Distribution of bicycle/sports brands	-	2,280,000	2,280,000	47.51%	September	Australia

¹ Based on effective consolidated shareholding ratio.

² YOUNGONE CEPZ LTD.

³ TITAS SPORTSWEAR INDUSTRIES LTD.

⁴ KARNAPHULI SPORTSWEAR INDUSTRIES LTD.

⁵ YOUNGONE HI-TECH SPORTSWEAR INDUSTRIES LTD.

⁶ YOUNGONE PADDING CEPZ LTD.

⁷ YOUNGONE GARMENT ACCESSORIES INDUSTRIES LTD.

⁸ SHINHAN EMULSION CO., LTD.

⁹ SAVAR DYEING & FINISHING INDUSTRIES LTD.

¹⁰ YOUNGONE SYNTHETIC FIBRE PRODUCTS INDUSTRIES LTD.

¹¹ SUNGNAM TEXTILES MILLS LTD.

¹² YOUNGONE SPORTS SHOES INDUSTRIES LTD.

¹³ ARIRANG AVIATION LTD.

¹⁴ KARNAPHULI SHOES INDUSTRIES LTD.

¹⁵ SURMA GARMENTS WASHING & FINISHING CO., LTD.

¹⁶ SUNGNAM LEATHER AND SPORTS PRODUCT INDUSTRIES LTD.

¹⁷ ALPHA PRODUCT DEVELOPMENT COMPANY BD LIMITED

¹⁸ CHANG-JO PRODUCT DEVELOPMENT CO.BD LIMITED

¹⁹ DAE-GU PRODUCT DEVELOPMENT CO.BD LIMITED

²⁰ EVERTOP PRODUCT DEVELOPMENT CO.BD LIMITED

²¹ GAYA PRODUCT DEVELOPMENT COMPANY BD LIMITED

²² KARNAPHULI POLYESTER PRODUCTS COMPANY LIMITED

²³ TEKWIN BD LIMITED

²⁴ TEKVISION BD LIMITED

²⁵ INCHEON CONTAINERS BD LIMITED

²⁶ SUNGNAM APPARELS BD LIMITED

²⁷ BUSAN HARBOUR BD LIMITED

²⁸ KARNAPHULI PACKAGING IND LTD.

²⁹ QINGDAO YOUNGONE SPORTS PRODUCTS CO., LTD.

³⁰ QINGDAO YOUNGONE SPORTSWEAR CO., LTD.

³¹ YOUNGONE NAM DINH CO., LTD.

³² YOUNGONE BAC GIANG CO., LTD.

³³ YOUNGONE HUNGYEN CO., LTD.

³⁴ BROADPEAK SOC TRANG CO., LTD.

³⁵ YOUNGONE EL SALVADOR S.A DE C.V.

³⁶ EVER SUMMIT HK LTD.

³⁷ DONGNAMA TRADING CO., LTD.

³⁸ YOUNGONE AMERICA INC.

³⁹ MOUNTAIN SUMMIT HOLDINGS, LTD.

⁴⁰ OUTDOOR RESEARCH, LLC.

⁴¹ OUTDOOR RESEARCH-CANADA, INC.

⁴² YOUNGONE ISTANBUL APPAREL SANAYI VE TICARET LTD. SIRKETI

⁴³ ARIRANG AVIATION IOM LTD.

⁴⁴ SAMARKAND APPAREL LLC.

⁴⁵ BUKA SPORTSWEAR LLC.

⁴⁶ BROAD PEAK INTL LTD.

⁴⁷ EVERTOP SPORTSWEAR PLC.

⁴⁸ DESIGNER TEXTILES INTERNATIONAL LTD.

Youngone Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

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⁴⁹ YOUNGONE INTERNATIONAL ASIA PTE. LTD.

⁵⁰ EVERTOP TEXTILE & APPAREL COMPLEX PRIVATE LIMITED

⁵¹ YOUNGONE CORPORATION EUROPE SGPS, S.A.

⁵² YOK MIRAGAIA, S.A.

⁵³ AMATITLAN SUNGNAM INDUSTRIES, S. A.

⁵⁴ This subsidiary either does not issue the share certificates or is not a share corporation. Thus, there is no share.

⁵⁵ The Group has more than 50% of ownership interest of SCOTT CORPORATION SA. Thus, it is classified as a subsidiary in the scope of consolidation.

1.3 Summary of Financial information of Subsidiaries

Summarized financial information for consolidated subsidiaries as at and for the years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

Subsidiaries	Assets	Liabilities	Equity	Sales	2023	
					Profit (loss) for the year	Total comprehensive income (loss)
YCL	₩ 379,368,223	₩ 40,809,795	₩ 338,558,428	₩ 326,348,539	₩ 67,460,302	₩ 52,828,286
TSL	254,474,097	23,957,913	230,516,184	187,092,431	40,362,562	30,271,508
KSL	147,069,154	28,299,904	118,769,250	141,554,101	20,691,900	15,841,643
YHT	288,495,614	31,701,219	256,794,395	152,012,196	28,859,356	11,498,342
YPL	27,501,026	1,301,964	26,199,062	7,199,920	2,410,406	1,239,319
YGA	29,306,222	1,174,034	28,132,188	7,475,108	3,287,227	2,005,488
SEL	15,882,845	383,325	15,499,520	6,258,867	3,113,021	2,453,976
SDF	38,127,355	7,650,318	30,477,037	45,109,822	8,405,037	7,181,523
YSF	24,461,887	1,357,427	23,104,460	12,144,841	2,513,476	1,460,422
STL	14,488,474	1,065,776	13,422,698	8,258,092	2,522,126	1,928,847
YSS	48,979,797	5,811,778	43,168,019	32,103,727	(2,293,301)	(4,365,760)
AAL	1,727,410	204,291	1,523,119	380,884	(163,528)	(236,369)
KSI	385,951,523	242,204,032	143,747,491	356,923,673	50,984,623	45,264,678
SWL	1,269,167	143,878	1,125,289	268,385	(75,278)	(128,302)
SLS	87,186	10,162	77,024	-	(6,900)	(10,560)
YSP	23,171,992	10,307,688	12,864,304	-	(851,950)	(881,775)
GMC	11,146,995	1,493,600	9,653,395	195,685	(278,832)	(306,653)
YNL	386,940,383	39,656,234	347,284,149	393,152,398	62,671,348	57,999,798
YBL	32,912,279	5,459,402	27,452,877	57,914,055	7,636,789	7,225,480
YHL	44,965,883	4,776,379	40,189,504	59,765,504	6,078,808	5,579,068
YLS	47,585,253	2,071,057	45,514,196	48,181,972	4,835,576	5,474,508
ESL	15,041,539	6,389,177	8,652,362	52,607,172	(4,567,773)	(4,321,149)
DTL	3,801,192	562,578	3,238,614	4,027,296	(363,068)	(321,439)
YTL	408,611	-	408,611	-	-	7,003
AAI	106,294,435	28,167,606	78,126,829	6,131,747	(4,291,043)	(2,826,696)
MSH ¹	151,730,953	66,644,999	85,085,954	156,536,958	3,492,896	4,087,077
SQA	10,169,891	4,352,375	5,817,516	244,414	(627,729)	(1,209,480)
SCOTT ²	1,608,799,546	1,008,032,520	600,767,026	1,242,422,301	35,514,938	77,747,488

Youngone Corporation and Subsidiaries
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2023						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
BPL	1,648,985	713,784	935,201	3,159,146	118,954	132,927
ESP	3,609,631	1,172,925	2,436,706	3,214,728	(411,414)	(502,137)
APD	20,757,439	21,106,533	(349,094)	-	(335,806)	(325,600)
CPD	107,188	587	106,601	-	(8,426)	(13,472)
DPD	5,243,253	4,985,883	257,370	1,838,670	58,381	46,438
EPD	5,922,040	8,973,890	(3,051,850)	1,184,792	(1,122,787)	(1,002,051)
GPD	13,668,318	14,279,587	(611,269)	15,861	(478,739)	(458,969)
KPP	121,312,036	142,177,686	(20,865,650)	29,462,121	(2,638,844)	(1,723,364)
BKS	5,917,845	11,999	5,905,846	-	-	(590,585)
DTI	6,493,942	588,189	5,905,753	4,577,683	419,894	509,685
BSL	102,725,282	9,185,463	93,539,819	145,304,131	35,533,229	33,940,838
TWL	110,614	587	110,027	-	(4,100)	(9,228)
TVL	7,526,117	9,521,777	(1,995,660)	-	(1,547,590)	(1,482,778)
ICL	109,951	588	109,363	-	(4,743)	(9,851)
SAL	47,030,847	58,067,843	(11,036,996)	592,417	(3,574,168)	(3,129,070)
BHL	114,351	6,069	108,282	-	(5,629)	(10,704)
KPL	13,175,846	12,124,976	1,050,870	3,029,656	62,496	15,287
YIA	19,299,781	2,744,057	16,555,724	8,719,827	1,595,827	1,612,593
ETL	10,792,914	124,407	10,668,507	-	(113,841)	(155,466)
YES	2,782,925	23,877	2,759,048	-	(93,193)	56,648
YMS	2,457,112	195,138	2,261,974	-	120,871	209,209
ASI	331	-	331	-	-	-

(in thousands of Korean won)

2022						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
YCL	₩ 321,417,509	₩ 35,687,367	₩ 285,730,142	₩ 359,604,601	₩ 73,460,711	₩ 85,254,755
TSL	226,038,692	25,794,016	200,244,676	210,014,122	42,876,902	55,039,929
KSL	132,715,260	29,787,653	102,927,607	143,456,328	22,761,048	26,529,920
YHT	262,081,015	52,026,958	210,054,057	190,901,069	49,973,215	53,579,958
SSL	29,581,289	251,115	29,330,174	-	(169,289)	2,067,312
YPL	26,118,323	1,158,579	24,959,744	9,132,534	4,067,799	6,177,753
YGA	26,969,883	843,184	26,126,699	8,560,782	4,810,414	6,567,723
SEL	13,578,093	532,549	13,045,544	8,305,497	3,397,668	3,891,124
SDF	29,277,561	5,982,046	23,295,515	50,931,437	10,505,390	10,843,243
YSF	23,464,302	1,820,264	21,644,038	13,323,015	2,804,726	4,056,640
STL	12,668,292	1,174,441	11,493,851	10,259,446	2,945,674	3,436,310
YSS	55,544,349	8,010,569	47,533,780	56,340,125	7,318,235	11,284,887
AAL	2,052,127	292,638	1,759,489	442,674	(474,657)	148,616
KSI	347,452,910	248,970,097	98,482,813	409,022,508	66,232,238	68,612,123
SWL	1,380,646	127,055	1,253,591	525,145	178,215	176,921

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Subsidiaries	Assets	Liabilities	Equity	Sales	2022	
					Profit (loss) for the year	Total comprehensive income (loss)
SLS	99,827	12,243	87,584	-	(4,461)	381
YSP	23,654,381	9,908,302	13,746,079	-	(820,361)	(1,819,621)
GMC	11,570,817	1,610,769	9,960,048	5,198,796	(470,234)	(950,915)
YNL	383,462,471	29,458,120	354,004,351	414,764,607	69,047,163	71,064,694
YBL	24,808,309	4,580,911	20,227,398	50,795,261	6,642,360	6,358,095
YHL	39,760,458	5,150,022	34,610,436	65,695,306	10,528,732	9,647,672
YLS	41,937,171	1,897,483	40,039,688	46,933,962	2,361,198	327,900
ESL	19,028,332	6,054,820	12,973,512	69,642,562	(1,124,373)	(1,678,379)
DTL	13,500,636	641,903	12,858,733	9,356,406	936,660	796,162
YTL	401,607	-	401,607	-	-	511
AAI	81,496,030	542,505	80,953,525	8,226,861	6,956,739	2,536,929
MSH ¹	128,425,421	73,534,745	54,890,676	136,654,007	(3,983,663)	(112,419)
SQA	10,469,537	3,442,540	7,026,997	897,353	(877,661)	3,827,921
SCOTT ²	1,217,163,203	694,143,665	523,019,538	1,397,535,666	140,192,712	167,438,802
BPL	1,261,813	459,539	802,274	1,993,018	156,791	78,142
ESP	4,285,269	977,768	3,307,501	3,985,969	1,109,157	2,754,342
APD	11,631,665	11,655,160	(23,495)	-	(143,817)	(128,558)
CPD	122,627	2,554	120,073	-	(402)	14,372
DPD	5,393,893	5,182,961	210,932	1,317,384	290,968	310,802
EPD	6,680,324	8,730,123	(2,049,799)	337,262	(2,042,315)	(2,016,843)
GPD	9,186,793	9,339,094	(152,301)	-	(125,198)	(105,562)
KPP	120,283,340	139,425,627	(19,142,287)	25,517,306	344,908	981,828
BKS	6,509,629	13,199	6,496,430	-	-	435,685
DTI	5,857,790	461,722	5,396,068	5,207,814	1,448,332	1,120,886
BSL	81,861,863	22,262,882	59,598,981	109,344,098	25,543,973	22,983,328
TWL	122,656	3,402	119,254	-	(2,979)	(3,349)
TVL	8,498,327	9,011,209	(512,882)	-	(710,500)	(710,767)
ICL	122,657	3,442	119,215	-	(3,026)	(3,396)
SAL	49,354,704	57,262,630	(7,907,926)	-	(4,013,394)	(3,879,392)
BHL	122,657	3,671	118,986	-	(3,284)	(3,654)
KPL	12,607,946	11,572,363	1,035,583	-	(79,353)	(82,953)
YIA	10,859,481	6,208,450	4,651,031	20,734,513	(1,649,428)	(1,989,708)
ETL	4,643,054	119,081	4,523,973	-	(262,590)	(489,303)
YES	2,702,400	-	2,702,400	-	-	(226,713)

¹ Consolidated financial information includes MSH and its subsidiaries of OR and YOA.

² Consolidated financial information of SCOTT CORPORATION SA and its subsidiaries.

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1.4 Changes in scope of consolidation

(a) Subsidiaries newly included in the consolidation for the year ended December 31, 2023.

Subsidiary	Reason
YOK MIRAGIA, S.A. ¹	Incorporation as a subsidiary due to new establishment of a subsidiary
BSSH PTY LTD.	Incorporation as a subsidiary by acquiring shares of the subsidiary
AMATITLAN SUNGNAM INDUSTRIES, S. A.	Incorporation as a subsidiary due to new establishment of a subsidiary

¹ The entity name changed from YOK REAL ESTATE EUROPE, SA. after the establishment.

(b) Subsidiaries excluded from the consolidation for the year ended December 31, 2023:

Subsidiary	Reason
SAVAR SPORTSWEAR CO., LTD.	Merged as subsidiary

2. Material 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 (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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

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

Youngone Corporation and Subsidiaries

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

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

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023.

(a) 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 policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the consolidated financial statements.

(b) 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 do not have a significant impact on the consolidated 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 do not have a significant impact on the consolidated financial statements.

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(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 do not have a significant impact on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

(f) Korean IFRS 1012 Income Taxes – International Tax Reform – Pillar Two Model Rules

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Group has no current tax expense related to Pillar Two. The impact of the Pillar Two income taxes is described in Note 36.

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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, 2023 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, Non-current Liabilities with Covenants

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. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(c) Amendments to Korean IFRS 1116 Leases – Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

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(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

(e) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

2.3 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been

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changed where necessary to ensure consistency with the policies adopted by the Group. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

(d) Business combination of entities under a common control

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

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2.4 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 6). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.5 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 translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

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2.6 Financial Assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

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

A. Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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

B. Equity instruments

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

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

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 4.1.2 provides more detail of how the Group determines there has been a significant increase in credit risk.)

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(d) Recognition and Derecognition

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

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

(e) Offsetting of financial instruments

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

2.7 Derivative Instruments

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

2.8 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 11 for further information about the Group's accounting for trade receivables and Note 4.1.2 for a description of the Group's accounting policy for impairment.

2.9 Inventories

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

2.10 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.

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2.11 Property, Plant and Equipment

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

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful life
Buildings	20 - 40 years
Structures	30 years
Facilities	30 years
Machinery	4 - 10 years
Vehicles	4 - 15 years
Tools and equipment	3 - 7 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.12 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.

2.13 Government Grants

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

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2.14 Intangible Assets

Intangible assets are carried at cost less accumulated impairment losses.

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

Software development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Customer contracts acquired in a business combination are recognized at fair value at the acquisition date. Membership rights and brand value that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Software, development costs and industrial property rights	5 years
Customer relationships	15 – 20 years
Brand value ¹	10 – 15 years

¹ Particular brand value that have a definite useful life.

2.15 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 25~40 years.

2.16 Impairment of Non-financial Assets

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

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2.17 Financial Liabilities

(a) Classification and measurement

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

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

Preferred shares that require mandatory redemption at a particular 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.

(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.

2.18 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 90 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other payables'.

- 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*

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Customers

2.20 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.

2.21 Current and Deferred Tax

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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2.22 Net defined benefit liabilities

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.

2.23 Revenue Recognition

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Sales of goods – Export

The export transactions represent selling outdoor and sports clothing to global brand companies such as THE NORTH FACE through Original Equipment Manufacturing (OEM). All of export transactions consist of FOB and others under INCOTERMS 2000, and the revenue is recognized when the goods are delivered to the specified location, and the risks and controls of the goods are transferred to the customer. Since the transaction is based on the price stated in the order and the related payment is redeemed within one year, there are no other significant factors that affect the transaction price, such as a price discount or significant financing component.

(b) Sales of goods - Domestic

Revenue are recognized when control of the products has transferred, being when the products are delivered to the customers.

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(c) Rental income

Rental income from investment properties is recognized as revenue during the period in which the rental service is provided.

(d) 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.

(e) Dividend income

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

(f) Customer loyalty program

The Group operates a customer loyalty program in which customers are granted rewards to receive discounts on future purchases when purchasing products. The fair value of consideration to give or given for the initial sale is allocated to the reward points and remaining of initial sale, and the consideration allocated to the reward points is measured based on the fair value of reward in exchange of reward points, which is the fair value of reward points considered the proportion of reward points that are not expected to be redeemed. Revenue from the award credits is recognized when the points are redeemed.

2.24 Lease

(a) Lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(b) Lessee

The Group leases various offices. Lease contracts are typically made for fixed periods of 2 to 6 years, but may have extension options as described in below.

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

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

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used as security for borrowing purposes.

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

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

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

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

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:

- The lease period is reflected in the interest rate of the public bond considering the Group's credit rating.

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.

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

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

- the amount of the initial measurement of lease liability

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 that revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment.

(c) Extension options

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

2.25 Approval of Issuance of the Financial Statements

The consolidated financial statements 2023 were approved for issue by the Board of Directors on March 8, 2024 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.

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3.1 Impairment loss on goodwill and intangible assets with indefinite useful lives

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations.

3.2 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 26).

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.

3.3 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.

3.4 Impairment of financial assets

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

3.5 Net defined benefit liability (Asset)

The present value of net defined benefit liability (asset) depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 25).

3.6 Leases

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).

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

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assessment, and that is within the control of the lessee.

3.7 Net realizable value of inventories

The net realizable value of inventory is determined by the estimated selling price in the market where the Group's inventory is mainly sold.

4. Financial Risk Management

4.1 Financial Risk Factors

Following explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in functional currency	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investment in equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letter of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as 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.

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4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Also, subsidiaries regularly valuates, manages and reports on the foreign exchange risks for the receivables and payables in foreign currencies.

The Group's financial instruments denominated in major foreign currencies except for functional currency as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Cash and cash equivalents				
USD	₩	349,284,681	₩	379,992,720
CNY		-		6,480
EUR		10,312,345		13,614,011
HKD		-		6,978
JPY		21,850,524		23,316,945
CHF		32,269		28,973
GBP		4,958		4,911
SGD		2,022		1,951
	₩	<u>381,486,799</u>	₩	<u>416,972,969</u>
Short-term financial instruments				
USD	₩	301,461,720	₩	164,749,000
	₩	<u>301,461,720</u>	₩	<u>164,749,000</u>
Trade and other receivables				
USD	₩	200,007,963	₩	448,545,600
EUR		117,524,310		90,813,070
	₩	<u>317,532,273</u>	₩	<u>539,358,670</u>
Trade and other payables				
USD	₩	168,662,582	₩	316,510,240
EUR		161,296,238		80,941,648
	₩	<u>329,958,820</u>	₩	<u>397,451,888</u>
Short-term borrowings				
EUR		238,903,472		138,727
	₩	<u>238,903,472</u>	₩	<u>138,727</u>

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As at December 31, 2023 and 2022, if the foreign exchange rate fluctuated by 5% with all other variables held constant, the effects on profit before tax would be as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Increase	Decrease	Increase	Decrease
USD	₩ 34,104,589	₩ (34,104,589)	₩ 33,838,854	₩ (33,838,854)
CNY	-	-	324	(324)
EUR	(13,618,153)	13,618,153	1,167,335	(1,167,335)
HKD	-	-	349	(349)
JPY	1,092,526	(1,092,526)	1,165,847	(1,165,847)
CHF	1,613	(1,613)	1,449	(1,449)
GBP	248	(248)	246	(246)
SGD	101	(101)	98	(98)
	₩ 21,580,924	₩ (21,580,924)	₩ 36,174,502	₩ (36,174,502)

(b) Price risk

The Group acquires equity securities (including both listed and unlisted) to manage a liquidity risk and for trading. The Group invests in more than one investment vehicle either directly or indirectly, and the fair value of equity securities (excluding investments in associate and joint ventures and unlisted securities) as at December 31, 2023 is ₩ 418,784,199 thousand (2022: ₩ 396,425,642 thousand) (Note 10).

As at December 31, 2023 and 2022, if the price of equity securities fluctuated by 20%, the effects on post-tax other comprehensive income would be as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Increase	Decrease	Increase	Decrease
Effects on post-tax other comprehensive income				
Financial assets at fair value through other comprehensive income	₩ 64,409,010	₩ (64,409,010)	₩ 60,098,127	₩ (60,098,127)

(c) Cash flow and fair value interest rate risk

The Group is exposed to changes in value risk on statement of financial position (financial assets, liabilities) through changes in price and interest rate risk through changes in interest income (expense) generated from investments and borrowings. The risk mainly arises from investments of floating rate receivables and borrowings of floating rate payables.

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As at December 31, 2023 and 2022, if the interest rate fluctuated by 0.1% with all other variables held constant, the effects on profit before income tax would be as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Increase	Decrease	Increase	Decrease
Borrowings	₩ (216,878)	₩ 216,878	₩ (142,148)	₩ 142,148

4.1.2 Credit Risk

Credit risk is the risk of possible loss to portfolio due to counterparty's default, breach of covenant and loss of credibility. The Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to industry and borrowers.

(a) Trade receivables and other receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses include forward-looking information.

Details of the loss allowance on trade receivables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023				
	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Trade receivables	₩ 416,338,680	₩ 61,440,884	₩ 14,202,172	₩ 11,387,531	₩ 503,369,267
Allowance for credit losses	603,509	2,172,665	54,625	9,747,132	12,577,931

<i>(in thousands of Korean won)</i>	2022				
	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Trade receivables	₩ 396,345,878	₩ 110,291,279	₩ 4,989,406	₩ 2,451,568	₩ 514,078,131
Allowance for credit losses	694,148	930,837	212,795	2,451,568	4,289,348

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Movements in the loss allowance provision for trade receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	4,289,348	₩	4,598,734
Allowance for trade receivables during the year		7,954,475		893,196
Write-off		(31,644)		(1,325,550)
Exchange differences		365,752		122,968
Ending balance	₩	<u>12,577,931</u>	₩	<u>4,289,348</u>

Loss allowance provision and unused amounts reversed have been included in the statement of profit or loss within 'selling and administrative expenses' (Note 31).

(b) Other financial assets at amortized cost

Credit risk can arise from transaction with financial institution such as cash and cash equivalents, deposits with banks, derivative financial instruments. The Group has transactions with counterparties that are above certain credit rating in order to mitigate risks of default.

Other financial assets at amortized cost include loans and other non-trade receivables and others.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023					
	Loans		Receivables		Total	
Beginning balance	₩	11,783,124	₩	722,664	₩	12,505,788
Increase in loss allowance		223,931		575,683		799,614
Decrease in loss allowance		-		(550,721)		(550,721)
Foreign currency translation		1,321,313		(5,226)		1,316,087
Ending balance	₩	<u>13,328,368</u>	₩	<u>742,400</u>	₩	<u>14,070,768</u>

<i>(in thousands of Korean won)</i>	2022					
	Loans		Receivables		Total	
Beginning balance	₩	10,940,362	₩	182,998	₩	11,123,360
Increase in loss allowance		209,568		553,736		763,304
Foreign currency translation		633,194		(14,070)		619,124
Ending balance	₩	<u>11,783,124</u>	₩	<u>722,664</u>	₩	<u>12,505,788</u>

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(c) *Maximum exposures to credit risk*

The Group's maximum exposures of financial assets to credit risk without consideration of collaterals' values as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		
	Book amount without deduction	Allowance for trade receivables	Book amount (Maximum exposure)
Cash and cash equivalents ¹	₩ 855,722,355	₩ -	₩ 855,722,355
Short-term financial assets	478,471,123	-	478,471,123
Financial assets at fair value through profit or loss	4,864,449	-	4,864,449
Derivative assets	8,039,635	-	8,039,635
Trade receivables	503,369,267	(12,577,931)	490,791,336
Other receivables ²	97,104,768	(14,070,768)	83,034,000
Long-term financial assets	609,607	-	609,607
	<u>₩ 1,948,181,204</u>	<u>₩ (26,648,699)</u>	<u>₩ 1,921,532,505</u>

(in thousands of Korean won)

	2022		
	Book amount without deduction	Allowance for trade receivables	Book amount (Maximum exposure)
Cash and cash equivalents ¹	₩ 711,926,265	₩ -	₩ 711,926,265
Short-term financial assets	348,617,900	-	348,617,900
Financial assets at fair value through profit or loss	-	-	-
Derivative assets	31,098,251	-	31,098,251
Trade receivables	514,078,131	(4,289,348)	509,788,783
Other receivables ²	70,422,803	(12,505,788)	57,917,015
Long-term financial assets	611,571	-	611,571
	<u>₩ 1,676,754,921</u>	<u>₩ (16,795,136)</u>	<u>₩ 1,659,959,785</u>

¹ Cash on hand is not included in cash and cash equivalents.

² Current and non-current amounts are included.

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4.1.3 Liquidity Risk

Liquidity risk is defined as the risk that the Group is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing.

The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively.

Details of the Group's liquidity risk analysis as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years	Total
Borrowings ¹	₩ 44,975,425	₩ 428,789,318	₩ 70,720,776	₩ 6,910,387	₩ 551,395,906
Trade payables	329,389,904	126,166,522	-	-	455,556,426
Other payables	66,248,375	21,317,504	8,225	-	87,574,104
Lease liabilities	5,855,485	17,566,454	23,285,060	151,872,787	198,579,786
Derivative financial instruments held for trading					
Outflow	₩ 107,545,781	₩ 25,349,000	₩ -	₩ -	₩ 132,894,781
(Inflow)	(109,998,035)	(25,480,206)	-	-	(135,478,241)
	<u>₩ (2,452,254)</u>	<u>₩ (131,206)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (2,583,460)</u>
Derivatives held for hedging					
Outflow	₩ 115,313,081	₩ 43,277,713	₩ -	₩ -	₩ 158,590,794
(Inflow)	(120,008,052)	(43,028,841)	-	-	(163,036,893)
	<u>₩ (4,694,971)</u>	<u>₩ 248,872</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (4,446,099)</u>

¹ Current portion of borrowings and debentures are included.

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<i>(in thousands of Korean won)</i>	2022					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years		
Borrowings ¹	₩ 8,379,780	₩ 244,985,190	₩ 127,064,610	₩ 6,179,288		₩ 386,608,868
Debentures	52,075	10,052,075	-	-		10,104,150
Trade payables	293,975,660	17,635,445	28,253,572	328,492		340,193,169
Other payables	67,258,337	10,130,814	1,177,453	224,674		78,791,278
Lease liabilities	4,257,932	12,993,705	16,958,316	141,691,600		175,901,553
Derivative financial instruments held for trading						
Outflow	₩ 165,087,125	₩ 32,704,500	₩ -	₩ -		₩ 197,791,625
(Inflow)	<u>(179,742,043)</u>	<u>(31,398,578)</u>	<u>-</u>	<u>-</u>		<u>(211,140,621)</u>
	<u>₩ (14,654,918)</u>	<u>₩ 1,305,922</u>	<u>₩ -</u>	<u>₩ -</u>		<u>₩ (13,348,996)</u>
Derivatives held for hedging						
Outflow	₩166,685,638	₩ 62,033,131	₩ -	₩ -		₩228,718,769
(Inflow)	<u>(179,896,766)</u>	<u>(63,127,308)</u>	<u>-</u>	<u>-</u>		<u>(243,024,074)</u>
	<u>₩ (13,211,128)</u>	<u>₩ (1,094,177)</u>	<u>₩ -</u>	<u>₩ -</u>		<u>₩ (14,305,305)</u>

¹ Current portion of borrowings and debentures are included.

4.2 Capital Risk Management

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group uses debt-to-equity ratio as indicator of capital management. This ratio is calculated from total liabilities divided by total equity which are posted in the financial statements.

Debt-to-equity ratios as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Total liabilities	₩ 1,709,153,120	₩ 1,399,319,640
Total equity	3,587,970,521	3,114,304,140
Debt-to-equity ratio	47.64%	44.93%

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5. Fair Value Estimation

5.1 Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income	₩ 418,784,200	₩ -	₩ 24,826	₩ 418,809,026
Financial assets at fair value through profit or loss	-	-	4,864,449	4,864,449
Derivative assets	-	8,039,635	-	8,039,635
Financial liabilities				
Derivative liabilities	-	1,010,075	-	1,010,075

(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income	₩ 396,425,642	₩ -	₩ 24,826	₩ 396,450,468
Financial assets at fair value through profit or loss	-	-	4,192,745	4,192,745
Derivative assets	-	31,098,251	-	31,098,251
Financial liabilities				
Derivative liabilities	-	3,443,950	-	3,443,950

As at December 31, 2023, there is no significant difference between the fair values and book amounts of financial instruments held by the Group.

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5.2 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group's policy is to recognize transfers between levels of the fair value at the end of the reporting period.

Details of transfers between levels of each fair value hierarchy of financial instruments are as follows:

There were no transfers between levels 1 and 2 for recurring fair value measurements for the years ended December 31, 2023 and 2022.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Financial assets			
	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
Beginning balance	₩	24,826	₩	4,192,745
Amount recognized in profit or loss		-		184,671
Acquired		-		7,271
Exchange differences		-		479,762
Ending balance	₩	24,826	₩	4,864,449

(in thousands of Korean won)

	2022			
	Financial assets			
	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
Beginning balance	₩	120,826	₩	2,849,244
Amount recognized in profit or loss		-		585,438
Amount recognized in other comprehensive income		(96,000)		-
Acquired		-		574,621
Exchange differences		-		183,442
Ending balance	₩	24,826	₩	4,192,745

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5.3 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2023, are as follows:

	2023				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs
<i>(in thousands of Korean won)</i>					
Derivative instruments					
Derivative assets (liabilities)	₩ 7,029,560	2	Market approach	Foreign currency forwards exchange rate, discount rate and others	N/A

6. Operating Segment Information

(a) The Group's reportable segments are organized into OEM, SCOTT segment and others.

(b) Profit or loss by each segment for the years ended December 31, 2023 and 2022, are as follows:

	2023				
	OEM	SCOTT segment	Others	Consolidation adjustment	Total
<i>(in thousands of Korean won)</i>					
Sales	₩ 4,016,704,307	₩ 1,242,422,301	₩ 184,477,229	₩ (1,839,226,812)	₩ 3,604,377,025
Operating income ¹	559,785,677	58,726,737	18,682,773	(48,818)	637,146,369
Depreciation and amortization ²	45,595,507	18,584,852	12,592,386	-	76,772,745
Depreciation of right-of-use asset ²	4,997,685	13,293,382	3,205,651	-	21,496,718

	2022				
	OEM	SCOTT segment	Others	Consolidation adjustment	Total
<i>(in thousands of Korean won)</i>					
Sales	₩ 4,411,123,933	₩ 1,397,535,666	₩ 166,946,933	₩ (2,064,645,628)	₩ 3,910,960,904
Operating income ¹	635,915,338	176,533,112	9,414,577	1,164,230	823,027,257
Depreciation and amortization ²	45,737,610	17,843,004	12,983,137	-	76,563,751
Depreciation of right-of-use asset ²	4,710,664	8,492,226	3,283,320	-	16,486,210

¹ Management of the Group evaluates the performance of business segments based on operating income of each segment.

² Certain depreciation and amortization expenses, depreciation of right-of-use asset, that are not distributed to the reporting business are included in 'others.'

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(c) Assets and liabilities by business segment as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023					
	OEM	SCOTT segment	Others	Adjustment^{3,4}	Consolidation adjustment	Total
Assets ¹	₩ 3,822,197,888	₩ 1,608,799,546	₩ 367,803,728	₩ 1,106,450,649	₩ (1,608,128,171)	₩ 5,297,123,640
Investment in associates and joint ventures	-	3,603,295	45,000,000	-	2,408,955	51,012,250
Purchase of non-current assets ²	152,654,599	20,517,351	86,709,447	-	(1,007,127)	258,874,270
Liabilities ¹	1,188,347,752	1,008,032,520	140,082,742	143,051,120	(770,361,015)	1,709,153,119

<i>(in thousands of Korean won)</i>	2022					
	OEM	SCOTT segment	Others	Adjustment^{3,4}	Consolidation adjustment	Total
Assets ¹	₩ 3,231,863,536	₩ 1,217,163,203	₩ 285,408,571	₩ 1,008,820,548	₩ (1,229,632,077)	₩ 4,513,623,781
Investment in associates and joint ventures	-	3,002,467	45,000,000	-	(1,054,177)	46,948,290
Purchase of non-current assets ²	144,105,944	21,484,075	1,847,532	13,032,201	(13,130,589)	167,339,163
Liabilities ¹	877,280,426	694,143,665	93,049,281	191,239,737	(456,393,469)	1,399,319,640

¹ The segment's assets and liabilities reported to the Board of directors are calculated with the same method used for the assets and liabilities on the financial statements and distributed based on the segment sales.

² The financial instruments are excluded from the acquisition cost of non-current assets.

³ Assets that are not distributed to the reporting segment such as financial assets at fair value through other comprehensive income.

⁴ Liabilities that are not distributed to the reporting segment such as deferred income tax, income tax expense, short-term and long-term borrowings.

(d) Sales and non-current assets as at and for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Sales		Non-current assets¹	
	2023	2022	2023	2022
Korea	₩ 1,938,194,719	₩ 2,130,649,097	₩ 376,453,470	₩ 304,857,172
Bangladesh	1,319,254,102	1,497,991,235	391,313,243	384,970,586
Vietnam	656,136,087	640,599,273	97,254,375	93,914,150
China	195,685	5,198,796	17,365,099	17,818,506
Switzerland	1,242,422,301	1,397,535,666	311,370,510	265,198,671
Others	287,400,943	303,632,465	159,155,134	80,883,183
Consolidation adjustment	<u>(1,839,226,812)</u>	<u>(2,064,645,628)</u>	<u>70,740,115</u>	<u>65,719,921</u>
	<u>₩ 3,064,377,025</u>	<u>₩ 3,910,960,904</u>	<u>₩ 1,423,651,946</u>	<u>₩ 1,213,362,189</u>

¹ Financial instrument and others were excluded from non-current asset.

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(e) Details of external customers, who contribute more than 10% of the Group's OEM revenue, for the years ended December 31, 2023 and 2022, are as follows:

<i>(in billions of Korean won)</i>		2023		2022	Segments
Customer 1	₩	452.3	₩	445.6	OEM
Customer 2		328		387.5	OEM
Customer 3		252.9		329.8	OEM
Customer 4		189.3		95.7	OEM

7. Financial Instruments by Category

7.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023												
	Financial assets at amortized cost		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Financial liabilities at amortized cost		Financial liabilities at fair value through profit or loss		Other financial assets and liabilities		Total
Financial assets													
Cash and cash equivalents	₩	896,394,078	₩	-	₩	-	₩	-	₩	-	₩	-	₩ 896,394,078
Long-term and short-term financial instruments		479,080,729		-		-		-		-		-	479,080,729
Financial assets at fair value through profit or loss		-		-		4,864,449		-		-		-	4,864,449
Derivative assets		-		-		8,039,635		-		-		-	8,039,635
Financial assets at fair value through other comprehensive income		-		418,809,026		-		-		-		-	418,809,026
Trade receivables		490,791,337		-		-		-		-		-	490,791,337
Other receivables		83,034,000		-		-		-		-		-	83,034,000
	₩	<u>1,949,300,144</u>	₩	<u>418,809,026</u>	₩	<u>12,904,084</u>	₩	<u>-</u>	₩	<u>-</u>	₩	<u>-</u>	₩ <u>2,381,013,254</u>
Financial liabilities													
Trade payables	₩	-	₩	-	₩	-	₩	455,556,426	₩	-	₩	-	₩ 455,556,426
Short-term borrowings ¹		-		-		-		469,668,285		-		-	469,668,285
Derivative liabilities		-		-		-		-		1,010,075		-	1,010,075

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	2023						
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial assets and liabilities	Total
Financial assets							
Other payables	-	-	-	87,574,105	-	-	87,574,105
Long-term borrowings	-	-	-	77,487,642	-	-	77,487,642
Finance lease liabilities	-	-	-	-	-	138,348,446	138,348,446
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,090,286,458</u>	<u>₩ 1,010,075</u>	<u>₩ 138,348,446</u>	<u>₩ 1,229,644,979</u>

¹ Current portion of long-term borrowings are included.

(in thousands of
Korean won)

	2022						
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial assets and liabilities	Total
Financial assets							
Cash and cash equivalents	₩ 735,944,764	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 735,944,764
Long-term and short-term financial instruments	349,229,471	-	-	-	-	-	349,229,471
Financial assets at fair value through profit or loss	-	-	4,192,745	-	-	-	4,192,745
Derivative assets	-	-	31,098,251	-	-	-	31,098,251
Financial assets at fair value through other comprehensive income	-	396,450,469	-	-	-	-	396,450,469
Trade receivables	509,788,783	-	-	-	-	-	509,788,783
Other receivables	57,917,016	-	-	-	-	-	57,917,016
	<u>₩ 1,652,880,034</u>	<u>₩ 396,450,469</u>	<u>₩ 35,290,996</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,084,621,499</u>
Financial liabilities							
Trade payables	₩ -	₩ -	₩ -	₩ 340,193,169	₩ -	₩ -	₩ 340,193,169
Short-term borrowings ¹	-	-	-	253,364,970	-	-	253,364,970
Derivative liabilities	-	-	-	-	3,443,950	-	3,443,950
Other payables	-	-	-	78,791,278	-	-	78,791,278

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	2022						Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Other financial assets and liabilities	
Financial assets							
Debentures	-	-	-	9,995,754	-	-	9,995,754
Long-term borrowings	-	-	-	162,059,066	-	-	162,059,066
Finance lease liabilities	-	-	-	-	-	113,428,185	113,428,185
	₩ -	₩ -	₩ -	₩ 844,404,237	₩ 3,443,950	₩ 113,428,185	₩ 961,276,372

¹ Current portion of long-term borrowings are included.

7.2 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, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023	2022
Financial assets at fair value through profit or loss		
Gain on valuation	₩ 184,671	₩ 585,438
Financial assets at fair value through other comprehensive income		
Gain on valuation (other comprehensive income)	22,358,557	78,118,337
Dividend income	5,043,500	3,946,215
Derivative assets and liabilities		
Gain (loss) on valuation	77,948	(2,073,826)
Gain (loss) on valuation (other comprehensive income)	(11,462,670)	6,008,510
Gain on transaction	1,207,326	2,571,965
Financial asset at amortized cost		
Interest income	32,424,172	9,263,909
Foreign exchange gain	19,697,131	29,901,936
Bad debt expenses (reversal)	(8,203,369)	-
Financial liabilities at amortized cost		
Interest expense	(19,589,399)	(10,226,697)
Foreign exchange gain	16,243,983	20,242,924
Gain on redemption of debentures	-	308,261
Other financial liabilities		
Interest expense	(11,497,371)	(9,956,602)
Foreign exchange loss	(20,387)	(88,035)

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8. Cash and Cash Equivalents

(a) Cash and cash equivalents as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Cash on hand	₩	40,671,723	₩	24,018,500
Short-term financial institution deposits		<u>855,722,355</u>		<u>711,926,264</u>
	₩	<u>896,394,078</u>	₩	<u>735,944,764</u>

(b) Restricted financial instruments as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	2023		2022		Reason of restriction
		₩	7,500	₩	9,500	Guarantee deposit
Long-term financial instruments and others	Shinhan Bank and others		600,000		600,000	Pledged
			2,748		2,748	Pledged
			<u>1,029,077</u>		<u>1,186,160</u>	Lease contracts
		₩	<u>1,639,325</u>	₩	<u>1,798,408</u>	

9. Financial Assets at Fair Value through Profit or Loss

(a) Financial assets at fair value through profit or loss as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023		2022	
Unlisted securities	₩	4,864,449	₩	4,192,745
	₩	<u>4,864,449</u>	₩	<u>4,192,745</u>

(b) The changes in financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	4,192,745	₩	2,849,244
Acquisitions		7,271		574,621
Valuation		184,671		585,438
Exchange difference		<u>479,762</u>		<u>183,442</u>
Ending balance	₩	<u>4,864,449</u>	₩	<u>4,192,745</u>

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10. Financial Assets at Fair Value through Other Comprehensive Income

(a) Financial assets at fair value through profit or loss as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Listed securities	₩	418,784,199	₩	396,425,642
Unlisted securities		24,827		24,827
	₩	<u>418,809,026</u>	₩	<u>396,450,469</u>

Upon disposal of these equity securities, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

(b) Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	396,450,469	₩	288,051,295
Acquisitions		-		30,280,836
Valuation		22,358,557		78,118,338
Ending balance	₩	<u>418,809,026</u>	₩	<u>396,450,469</u>

(c) The details of listed securities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023			2022		
	Number of Shares	Percentage of ownership(%)	Acquisition cost	Fair Value	Book amount	Book amount
GOLDWIN INC. ¹	4,109,400	8.66	₩ 26,385,268	₩ 380,111,655	₩ 380,111,655	₩ 374,073,299
HUVIS CORPORATION	485,708	1.41	5,267,403	2,001,117	2,001,117	2,372,684
ILSHIN SPINNING CO., LTD. ²	194,530	0.81	2,017,250	1,727,427	1,727,427	2,003,659
HANJINKAL	480,000	0.72	30,015,000	34,944,000	34,944,000	17,976,000
			<u>₩ 63,684,921</u>	<u>₩ 418,784,199</u>	<u>₩ 418,784,199</u>	<u>₩ 396,425,642</u>

¹ GOLDWIN INC.'s shares are listed in Japan.

² The number of shares of ILSHIN SPINNING CO., LTD. increased due to the share split.

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11. Trade Receivables

(a) Trade receivables and its loss allowance provision as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Trade receivables	₩ 503,369,267	₩ 514,078,131
Less: Loss allowance provision	<u>(12,577,930)</u>	<u>(4,289,348)</u>
Trade receivables, net	<u>₩ 490,791,337</u>	<u>₩ 509,788,783</u>

(b) See Note 4.1.2 for the impairment of trade receivables and the Group's exposure to credit risk.

12. Other Receivables

(a) Other receivables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Current		
Short-term loans	₩ 27,354,192	₩ 29,884,886
Provision for impairment	(100,000)	(100,000)
Accrued income	11,818,997	4,915,992
Non-trade receivables	18,285,631	13,610,003
Provision for impairment	(742,400)	(722,664)
Deposits received for margin accounts	<u>3,306,482</u>	<u>1,119,064</u>
	<u>59,922,902</u>	<u>48,707,281</u>
Non-current		
Long-term loans	26,106,290	11,683,124
Provision for impairment	(13,228,368)	(11,683,124)
Rent deposits	3,634,437	3,679,222
Other deposits	<u>6,598,739</u>	<u>5,530,513</u>
	<u>23,111,098</u>	<u>9,209,735</u>
	<u>₩ 83,034,000</u>	<u>₩ 57,917,016</u>

(b) See Note 4.1.2 for the impairment of other receivables and the Group's exposure to credit risk.

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13. Other Assets

Other assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current				
Advances	₩	51,512,621	₩	127,756,927
Provision for impairment		(500,000)		(500,000)
Prepaid expenses		3,358,335		2,824,170
Prepaid VAT		13,975,018		19,427,651
Others		3,728,346		5,217,870
		<u>72,074,320</u>		<u>154,726,618</u>
Non-current				
Prepaid expenses		3,947,973		4,359,586
Others		118,104		3,003,753
		<u>4,066,077</u>		<u>7,363,339</u>
	₩	<u>76,140,397</u>	₩	<u>162,089,957</u>

14. Inventories

(a) Inventories as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		
	Before valuation	Valuation allowance	Book amount
Merchandise and Finished goods	₩ 1,040,927,331	₩ (44,064,708)	₩ 996,862,623
Raw materials	187,686,140	(24,018,493)	163,667,647
Work in progress	84,278,372	-	84,278,372
Supplies	30,556,219	-	30,556,219
Goods in transit	53,797,368	-	53,797,368
	<u>₩ 1,397,245,430</u>	<u>₩ (68,083,201)</u>	<u>₩ 1,329,162,229</u>

<i>(in thousands of Korean won)</i>	2022		
	Before valuation	Valuation allowance	Book amount
Merchandise and Finished goods	₩ 659,454,306	₩ (30,655,501)	₩ 628,798,805
Raw materials	221,709,851	(20,194,990)	201,514,861
Work in progress	73,220,788	-	73,220,788
Supplies	24,191,132	-	24,191,132
Goods in transit	56,178,884	-	56,178,884
	<u>₩ 1,034,754,961</u>	<u>₩ (50,850,491)</u>	<u>₩ 983,904,470</u>

(b) As at December 31, 2023, inventories are pledged as collateral in relation to borrowings (Note 24).

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(c) The cost of inventories recognized as 'cost of sales' amounted to ₩ 1,908,818,187 thousand (2022: ₩ 2,032,666,042 thousand) (Note 33).

15. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023								
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Opening net book amount	₩ 45,039,239	₩ 333,943,176	₩ 640,860	₩ 163,960,901	₩ 26,748,846	₩ 21,535,512	₩ 8,473,005	₩ 112,559,562	₩ 712,901,101
Acquisitions	5,063,294	13,024,939	-	31,564,871	78,417,016	7,607,360	1,524,798	34,394,893	171,597,171
Disposals	-	(1,533,712)	-	(1,033,715)	(129,954)	(49,643)	(444)	(729,507)	(3,476,975)
Depreciation	-	(12,745,846)	(39,639)	(41,609,608)	(3,343,896)	(5,994,984)	(2,393,416)	-	(66,127,389)
Impairment loss	-	-	-	-	-	-	-	-	-
Transfer	554,597	14,537,968	-	8,740,281	195,256	811,017	3,178,822	(28,325,354)	(307,413)
Changes in consolidation scope	-	-	-	725,596	-	-	-	-	725,596
Exchange differences	493,235	3,192,900	-	(2,976,695)	(513,374)	(67,313)	(71,259)	(4,834,003)	(4,776,509)
Closing net book amount	51,150,365	350,419,425	601,221	159,371,631	101,373,894	23,841,949	10,711,506	113,065,591	810,535,582
Acquisition cost	51,150,365	477,178,593	1,214,858	537,311,873	144,332,909	87,191,449	35,286,549	113,065,591	1,446,732,187
Accumulated depreciation	-	(126,759,168)	(613,637)	(377,940,242)	(42,959,015)	(63,349,500)	(24,575,043)	-	(636,196,605)
Ending net book amount	₩ 51,150,365	₩ 350,419,425	₩ 601,221	₩ 159,371,631	₩ 101,373,894	₩ 23,841,949	₩ 10,711,506	₩ 113,065,591	₩ 810,535,582

(in thousands of Korean won)

	2022								
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Opening net book amount	₩ 45,064,388	₩ 337,473,648	₩ 681,885	₩ 156,494,938	₩ 45,795,820	₩ 21,405,324	₩ 8,646,006	₩ 78,496,422	₩ 694,058,431
Acquisitions	-	3,724,425	-	50,938,548	2,314,651	5,825,957	213,848	82,608,648	145,626,077
Disposals	-	(923,471)	-	(1,131,384)	(20,997,461)	(139,537)	(28,544)	(5,446,874)	(28,667,271)
Depreciation	-	(12,392,690)	(41,025)	(41,505,721)	(3,836,018)	(6,192,665)	(2,179,744)	-	(66,147,863)
Impairment loss	-	-	-	-	-	-	-	-	-
Transfer	-	16,612,979	-	10,202,749	369,526	1,763,127	1,463,034	(30,411,415)	-
Exchange differences	(25,149)	(10,551,715)	-	(11,038,229)	3,102,328	(1,126,694)	358,405	(12,687,219)	(31,968,273)
Closing net book amount	45,039,239	333,943,176	640,860	163,960,901	26,748,846	21,535,512	8,473,005	112,559,562	712,901,101
Acquisition cost	45,039,239	446,649,973	1,214,858	514,050,365	67,889,980	84,300,758	29,908,524	112,559,562	1,301,613,259
Accumulated depreciation	-	(112,706,797)	(573,998)	(350,089,464)	(41,141,134)	(62,765,246)	(21,435,519)	-	(588,712,158)
Ending net book amount	₩ 45,039,239	₩ 333,943,176	₩ 640,860	₩ 163,960,901	₩ 26,748,846	₩ 21,535,512	₩ 8,473,005	₩ 112,559,562	₩ 712,901,101

Depreciation expense of ₩ 17,423,186 thousand (2022: ₩ 18,280,010 thousand) was charged to 'selling and administrative expenses' and ₩ 48,704,203 thousand (2022: ₩ 47,867,853 thousand) was charged to 'cost of sales'.

(b) As at December 31, 2023, the details of construction-in-progress assets are construction of headquarters building, expansion of overseas manufacturing plant of subsidiaries and others.

(c) During 2023, the Company has capitalized borrowing costs amounting to ₩ 79,483 thousand

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(2022: ₩ 104,431 thousand) on property, plant and equipment that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.66% (2022: 2.47%).

16. Leases

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2023	2022
Right-of-use assets		
Land	₩ 43,317,816	₩ 42,263,566
Buildings	78,524,779	57,814,354
Machinery	140,928	459,148
Vehicles	2,807,822	2,134,813
Tools and equipment	2,007,768	1,948,102
Facilities	941,833	1,024,736
	<u>₩ 127,740,946</u>	<u>₩ 105,644,719</u>

<i>(in thousands of Korean won)</i>	2023	2022
Lease liabilities		
Current	₩ 19,675,252	₩ 13,460,985
Non-current	118,673,193	99,967,201
	<u>₩ 138,348,445</u>	<u>₩ 113,428,186</u>

Additions to the right-of-use assets during the 2023 financial year were ₩ 38,707,647 thousand (2022: ₩ 9,232,906 thousand).

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(b) Amounts recognized in the consolidated statement of profit or loss

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

<i>(in thousands of Korean won)</i>	2023	2022
Depreciation of right-of-use assets		
Land	₩ 2,350,610	₩ 2,207,379
Buildings	15,342,159	11,393,893
Machinery	350,810	326,220
Vehicles	1,582,061	1,416,948
Tools and equipment	1,329,047	811,230
Facilities	542,031	330,540
	<u>₩ 21,496,718</u>	<u>₩ 16,486,210</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 11,497,371	₩ 9,956,602
Expense relating to short-term leases (included in cost of goods sold and selling and administrative expenses)	2,201,166	2,362,257
Expense relating to leases of low-value assets that are not short-term leases (included in selling and administrative expenses)	28,974	866
Expense relating to variable lease payments not included in lease liabilities (included in selling and administrative expenses)	3,420,043	799,062

The total cash outflow for leases in 2023 was ₩ 36,245,549 thousand (2022: ₩ 26,386,576 thousand).

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17. Intangible Assets

(a) Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023								
	Industrial property	Software	Membership rights		Customer Relationships	Other intangible assets		Construction in progress	Total
			Brand value	Goodwill		assets	Goodwill		
Opening net book amount	₩ 1,640,330	₩ 5,307,545	₩ 393,684	₩ 110,566,465	₩ 29,413,841	₩ 12,641	₩ 23,691,194	₩ 7,797,335	₩ 178,823,035
Acquisitions	-	1,000,087	-	-	-	380	-	8,818,953	9,819,420
Amortization	(994,397)	(2,298,660)	-	(759,040)	(2,644,995)	(628)	-	-	(6,697,720)
Impairment	-	-	-	-	-	-	(4,997,742)	-	(4,997,742)
Disposals/Transfer	-	(4,995)	-	-	-	-	-	(13,021)	(18,016)
Exchange differences	133,127	168,234	-	11,451,942	3,074,490	(151)	1,573,498	1,307,858	17,708,998
Closing net book amount	779,060	4,172,211	393,684	121,259,367	29,843,336	12,242	20,266,950	17,911,125	194,637,975
Acquisition cost	8,766,833	28,891,516	393,684	127,026,166	54,439,451	13,539	20,266,950	17,911,125	257,709,264
Accumulated amortization	(7,987,773)	(24,719,305)	-	(5,766,799)	(24,596,115)	(1,297)	-	-	(63,071,289)
Net book amount	₩ 779,060	₩ 4,172,211	₩ 393,684	₩ 121,259,367	₩ 29,843,336	₩ 12,242	₩ 20,266,950	₩ 17,911,125	₩ 194,637,975

(in thousands of Korean won)

	2022								
	Industrial property	Software	Membership rights		Customer Relationships	Other intangible assets		Construction in progress	Total
			Brand value	Goodwill		assets	Goodwill		
Opening net book amount	₩ 2,440,910	₩ 6,758,569	₩ 913,684	₩ 105,133,405	₩ 30,150,868	₩ -	₩ 22,827,995	₩ -	₩ 168,225,431
Acquisitions	7,068	977,099	-	-	-	13,565	-	7,683,153	8,680,885
Amortization	(934,002)	(2,747,785)	-	(762,556)	(2,470,074)	(678)	-	-	(6,915,095)
Disposals/Transfer	-	(28,950)	(520,000)	-	-	-	-	-	(548,950)
Exchange differences	126,354	348,612	-	6,195,616	1,733,047	(245)	863,199	114,182	9,380,765
Closing net book amount	1,640,330	5,307,545	393,684	110,566,465	29,413,841	12,642	23,691,194	7,797,335	178,823,036
Acquisition cost	7,913,950	26,637,981	393,684	115,035,157	49,172,052	13,307	23,691,194	7,797,335	230,654,660
Accumulated amortization	(6,273,620)	(21,330,436)	-	(4,468,692)	(19,758,211)	(665)	-	-	(51,831,624)
Net book amount	₩ 1,640,330	₩ 5,307,545	₩ 393,684	₩ 110,566,465	₩ 29,413,841	₩ 12,642	₩ 23,691,194	₩ 7,797,335	₩ 178,823,036

Amortization of ₩ 6,547,695 thousand (2022: ₩ 6,654,270 thousand) is included in 'selling and administrative expenses' and ₩ 150,026 thousand (2022: ₩ 260,825 thousand) is included in the 'cost of sales' in the statement of profit or loss.

Intangible assets with indefinite useful lives of ₩ 118,069,841 thousand (2022: ₩ 106,981,902 thousand) are included in brand value.

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(b) The details of impairment tests for goodwill and intangible assets with indefinite useful lives are as follows:

Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment (cash-generating unit):

<i>(in thousands of Korean won)</i>	2023		2022	
SCOTT ¹	₩	17,187,413	₩	15,442,042
SHEPPARD AUSTRALIA		-		5,222,397
MSH		3,079,537		3,026,755
	₩	<u>20,266,950</u>	₩	<u>23,691,194</u>

¹ Cash-generating unit including subsidiaries of BERGAMONT and DOLOMITE.

Details of intangible assets with indefinite useful lives as at December 31, 2023 and 2022, consist of as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
SCOTT brand held by the Parent Company	₩	62,491,216	₩	56,190,196
DOLOMITE brands and others held by SCOTT		45,815,288		41,195,710
Outdoor Research brand held by MSH		9,763,337		9,595,996
	₩	<u>118,069,841</u>	₩	<u>106,981,902</u>

The Group annually performs impairment test on the intangible assets with indefinite useful lives such as goodwill and others. As a result of the impairment test, the entire goodwill of SHEPPARD AUSTRALIA was recognized as impairment loss and the amount is recognized in other expenses in the consolidated income statement.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business budgets approved by management covering a five-year period. The assumption of certain growth rate was made (only when, not exceeding long-term average inflation rate) to calculate perpetual cash flows for the periods, exceeding the five-year period.

The Group's revenue included in the value-in-use estimation is estimated considering economic uncertainties such as inflation. Especially, the expected cash flows of the CGU of SCOTT and SHEPPARD AUSTRALIA are estimated based on various scenarios.

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The key assumptions on CGU(s) which significant goodwill was allocated to, perpetual growth rate and discount rate used in assessment of value-in-use, are as follows:

	2023		2022	
	Perpetual growth rate ¹	Discount rate before tax ²	Perpetual growth rate ¹	Discount rate before tax ²
SCOTT	1.80%	10.31%	1.50%	9.70%
SHEPPARD				
AUSTRALIA	2.60%	12.75%	2.50%	12.56%
MSH	3.00%	18.81%	2.00%	17.22%

¹ The projected growth rate beyond five years

² Discount rate applied to the pre-tax cash flow projections

Sales growth rate was determined on the basis of past performance and expectations of market. The growth rate is consistent with estimates included in the industry report. The discount rate reflects pre-tax rate and the special risk related to the division.

18. Investment Property

(a) Changes in investment property for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Opening net book amount	₩	215,993,332	₩	204,916,812
Acquisition		77,457,680		13,032,201
Disposal		-		(179,823)
Depreciation		(3,947,636)		(3,500,792)
Exchange differences		1,234,065		1,724,934
Ending net book amount	₩	<u>290,737,441</u>	₩	<u>215,993,332</u>
Acquisition cost	₩	323,934,324	₩	244,962,328
Accumulated depreciation		<u>(33,196,883)</u>		<u>(28,968,996)</u>
Ending net book amount	₩	<u>290,737,441</u>	₩	<u>215,993,332</u>

(b) Fair value of investment property as at December 31, 2023, is ₩ 417,491,930 thousand (2022: ₩ 363,804,347 thousand).

(c) Rent income from investment property during the year ended December 31, 2023, is ₩ 13,342,349 thousand (2022: ₩ 15,743,194 thousand).

(d) During 2023, the Company has capitalized borrowing costs amounting to ₩ 448,534 thousand (2022: ₩ 274,718 thousand) on investment property that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 3.66% (2022: 2.47%).

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19. Collateralized Assets

(a) There are no collateralized assets related to the Group's borrowings as at December 31, 2023.

(b) Collateralized assets related to the Group's borrowings as at December 31, 2022, are as follows:

(in thousands of Korean won, USD)

Collateralized assets¹	Location	Financial institution	Collateralized amount	
Geumgwang-dong Company building (Land and buildings)	293 Gwangmyung-ro, Jungwon-gu, Sunnam	Shinhan Bank	KRW	5,750,000
Wolgok-dong Company building (Land and buildings)	37 Opaesan-ro, Seongbuk-gu, Seoul	Woori Bank	USD	2,400,000
			KRW	8,460,000

¹ Collateralized assets include investment property.

(c) As at December 31, 2023, trade receivables, inventories, property, plant and equipment and others are pledged as collateral in relation to borrowings and others of SCOTT CORPORATION SA, a consolidated subsidiary.

20. Investments in Associates and Joint Ventures

(a) The Group's investments in associates and joint ventures as at December 31, 2023 and 2022, are as follows:

Investee	Percentage of ownership		Location	Date of financial statements
	2023	2022		
SCOTT NORTH ASIA LTD	40.00%	40.00%	Korea, Japan	December 31
INTERNATIONAL RETAIL CORPORATION SA	30.00%	30.00%	Switzerland	September 30
SCOTT Network Solutions India PVT LTD.	49.00%	49.00%	India	September 30
BIKE SPORT TRAVEL AG	45.00%	45.00%	Switzerland	September 30
YOH CVC Fund 1 Limited Partnership ¹	52.94%	52.94%	Singapore	December 31

¹ Although the Group holds more than 50% of ownership for YOH CVC FUND 1 LP, the Group cannot determine operation of fund and composition of investment committee by itself, and Youngone Holdings Co., Ltd., the Parent Company, has controls over YOH CVC FUND 1 LP, therefore, it is classified as an associate.

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(b) Changes in investments in associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023					
	Beginning balance	Acquisition	Share of profit of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Exchange differences	Ending balance
SCOTT NORTH ASIA LTD	₩ 2,283,710	₩ -	₩ (136,784)	₩ (15,111)	₩ -	₩ 2,131,815
INTERNATIONAL RETAIL CORPORATION SA.	-	-	-	-	-	-
SCOTT Network Solutions India PVT LTD.	-	-	-	-	-	-
BIKE SPORT TRAVEL AG	926,687	949,527	(920,445)	-	105,371	1,061,140
YOH CVC Fund 1 Limited Partnership	43,737,893	-	3,359,878	721,523	-	47,819,294
	<u>₩ 46,948,290</u>	<u>₩ 949,527</u>	<u>₩ 2,302,649</u>	<u>₩ 706,412</u>	<u>₩ 105,371</u>	<u>₩ 51,012,249</u>
	2022					
<i>(in thousands of Korean won)</i>						
	Beginning balance	Acquisition	Share of profit of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Exchange differences	Ending balance
SCOTT NORTH ASIA LTD	₩ 1,562,682	₩ -	₩ 703,053	₩ 17,975	₩ -	₩ 2,283,710
INTERNATIONAL RETAIL CORPORATION SA.	-	-	-	-	-	-
SCOTT Network Solutions India PVT LTD.	-	-	-	-	-	-
BIKE SPORT TRAVEL AG	-	912,634	-	-	14,053	926,687
YOH CVC Fund 1 Limited Partnership	-	45,000,000	120,411	(1,382,518)	-	43,737,893
	<u>₩ 1,562,682</u>	<u>₩ 45,912,634</u>	<u>₩ 823,464</u>	<u>₩ (1,364,543)</u>	<u>₩ 14,053</u>	<u>₩ 46,948,290</u>

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(c) The summary of financial information on principal of investments in associates and joint ventures as at and for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023				
	Assets	Liabilities	Revenues	Profit (loss) for the year	Other comprehensive loss
SCOTT NORTH ASIA LTD	₩ 22,658,990	₩ 17,329,452	₩ 12,526,006	₩ (338,181)	₩ (37,777)
INTERNATIONAL RETAIL CORPORATION SA	135,598,411	164,185,062	166,144,012	(5,659,357)	(3,037,153)
SCOTT Network Solutions India PVT LTD.	70,234	109,931	-	-	(4,003)
BIKE SPORT TRAVEL AG	2,818,930	2,675,830	9,364	164	-
YOH CVC Fund 1 Limited Partnership	90,442,070	116,736	3,138,724	229,812	-
	2022				
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Revenues	Profit for the year	Other comprehensive income (loss)
SCOTT NORTH ASIA LTD	₩ 12,446,059	₩ 6,736,783	₩ 17,138,320	₩ 1,757,633	₩ 44,937
INTERNATIONAL RETAIL CORPORATION SA	105,620,381	125,510,521	140,073,732	5,931,443	(1,333,135)
SCOTT Network Solutions India PVT LTD.	63,152	98,847	-	-	(1,960)
BIKE SPORT TRAVEL AG	2,534,696	2,406,025	8,707	153	-
YOH CVC Fund 1 Limited Partnership	82,683,735	67,715	886,697	227,442	-

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(d) The Group has ceased to apply equity method. Accumulated share of losses of associate and jointly controlled entities unrecognized due to the cease of equity method are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Unrecognized share of loss	Unrecognized accumulated share of losses	Unrecognized share of loss	Unrecognized accumulated share of losses
INTERNATIONAL RETAIL CORPORATION SA	₩ (2,608,953)	₩ (8,575,995)	₩ 1,379,493	₩ (5,967,042)
SCOTT Network Solutions India PVT LTD.	(1,962)	(19,452)	(960)	(17,490)

21. Trade and Other Payables

Trade payables and other payables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current				
Trade payables	₩	455,556,426	₩	340,193,169
Non-trade payables		14,862,616		19,843,045
Accrued expense		57,232,464		46,564,483
Rent deposits		14,633,192		12,383,750
Financial guarantee liabilities		837,608		-
		543,122,306		418,984,447
Non-current liabilities				
Rent deposits		8,225		-
	₩	543,130,531	₩	418,984,447

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22. Other Liabilities

Details of other liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current				
Customer advances	₩	746,631	₩	2,084,029
Withholdings		4,098,259		2,581,376
Value added tax withheld		433,750		393,530
Others		210,847		1,559,619
		<u>5,489,487</u>		<u>6,618,554</u>
Non-current liabilities				
Long-term unearned revenue		2,579		2,535
Others		3,102,448		2,460,514
		<u>3,105,027</u>		<u>2,463,049</u>
	₩	<u>8,594,514</u>	₩	<u>9,081,603</u>

23. Contract Assets and Liabilities

(a) The Group has recognized the following contract assets and liabilities:

<i>(in thousands of Korean won)</i>	2023		2022	
Contract liabilities – unsatisfied performance obligations ¹	₩	746,631	₩	2,084,029

¹ The Group does not have contract assets, and the contract liabilities are included in other current liabilities (Note 22).

(b) Revenue recognized in relation to contract liabilities

Details of amounts recognized as revenue in relation to contract liabilities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Revenue recognized that was included in the contract liability balance at the beginning of the year				
Unsatisfied performance obligations	₩	2,132,340	₩	3,197,076
Customer loyalty program		-		14

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24. Borrowings

(a) Details of borrowings as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current				
Bank overdrafts	₩	67,297	₩	1,127,409
Bank borrowings		399,109,235		223,422,392
Current portion of debentures		-		9,995,754
Current portion of long-term borrowings		70,491,753		28,815,168
		<u>469,668,285</u>		<u>263,360,723</u>
Non-current				
Bank borrowings		77,487,642		133,243,898
		<u>77,487,642</u>		<u>133,243,898</u>
	₩	<u>547,155,927</u>	₩	<u>396,604,621</u>

(b) Details of bank borrowings as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Creditor	Annual interest rate				
		(%)				
		December 31, 2023	2023			2022
Current						
Overdrafts	Standard Chartered Bank and others	Libor + 1.35%	₩	67,297	₩	1,127,409
Collateralized borrowings ¹	Woori Bank and others	6.26%~7.93%		-		-
Borrowings from financial institutions ^{1,2,3,4}	Credit Suisse and others	Euribor 5.5%~8.65%, Euribor 3M+0.20% 1M+0.1%~ 0.17%, SOFR + 2.3%, SARON+1.25%, SOFR + 2.1%		399,109,235		223,422,392
Current portion of long-term borrowings ^{1,2,3,4}	Wells Fargo Bank and others	SARON+1.35%		70,491,753		28,815,168
				<u>469,668,285</u>		<u>253,364,969</u>
Non-current						
Borrowings from financial institutions ¹	Credit Lyonnais and others	1.00%~2.75%, SARON+0.5%		77,487,642		133,243,898
				<u>77,487,642</u>		<u>133,243,898</u>
			₩	<u>547,155,927</u>	₩	<u>386,608,867</u>

¹ Borrowings are collateralized with tangible assets and investment properties. (Note 15 and 18).

² Borrowings are collateralized with inventories (Note 14).

³ Borrowings are collateralized with trade receivables (Note 11).

⁴ Borrowings are collateralized with trademarks (Note 17).

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(c) Details of debentures as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Issue date	Maturity date	Annual interest rate (%)		
			December 31,		
			2023	2023	2022
3rd non-guaranteed debenture	2020-04-28	2023-04-28	-	₩	- ₩ 10,000,000
Less: Discount on debenture					<u>(4,246)</u>
				<u>₩</u>	<u>- ₩ 9,995,754</u>

25. Net Defined Benefit Liabilities (Assets)

(a) Details of net defined benefit liabilities (assets) recognized in the statements of financial position as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Present value defined benefit obligations	₩	161,105,197	₩	112,270,403
Fair value of plan assets		(89,642,551)		(72,205,450)
Net defined benefit liabilities on the consolidated statement of financial position		<u>71,462,646</u>		<u>42,838,711</u>
Net defined benefit assets on the consolidated statement of financial position	₩	<u>-</u>	₩	<u>(2,773,758)</u>

(b) Movements in the defined benefit obligations for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	112,270,403	₩	120,223,083
Current service cost		38,440,107		14,265,344
Interest expense		4,923,341		755,667
Remeasurements:				
Actuarial loss from change in demographic assumptions		40,715		2,246,253
Actuarial loss (gain) from change in financial assumptions		5,337,091		(20,981,112)
Actuarial loss from experience adjustments		4,476,309		7,422,619
Contributions:				
Employees		2,086,634		1,706,287
Payments from plans:				
Benefit payments		(6,131,334)		(6,177,584)
Effect of asset from and to associate		274,744		(69,286)
Exchange differences		(612,813)		(7,120,868)
Ending balance	₩	<u>161,105,197</u>	₩	<u>112,270,403</u>

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(c) Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	72,205,450	₩	62,517,098
Interest income		2,297,917		621,609
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		2,100,176		489,226
Contributions:				
Employers		7,023,985		7,028,747
Employees		2,086,634		1,706,287
Payments from plans:				
Benefit payments		(1,579,616)		(2,155,170)
Effect of asset from and to associate		274,744		(69,286)
Exchange differences		5,233,261		2,066,939
Ending balance	₩	<u>89,642,551</u>	₩	<u>72,205,450</u>

(d) The significant actuarial assumptions as at December 31, 2023 and 2022, are as follows:

	<u>Local</u>		<u>Foreign</u>	
	2023	2022	2023	2022
Discount rate	4.93%	5.72%	2.00%~7.00%	2.40%~7.50%
Salary growth rate	6.53%	5.87%	2.50%~6.00%	2.50%~6.50%

(e) Plan assets as at December 31, 2023 and 2022, consist of the following:

<i>(in thousands of Korean won)</i>	2023		2022	
Property	₩	24,707,001	₩	20,189,426
Current assets		30,962,278		4,961,825
Securities		12,971,863		21,438,045
Loan assets		19,147,850		13,156,213
Others		1,853,559		12,459,941
	₩	<u>89,642,551</u>	₩	<u>72,205,450</u>

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

<i>(in thousands of Korean won)</i>	Effect on defined benefit obligation				
	Changes in assumption		Increase in assumption		Decrease in assumption
Discount rate	1%p	₩	(20,864,348)	₩	24,706,287
Salary growth rate	1%p	₩	19,217,460	₩	(16,937,511)

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. However, the Group is exposed to the most significant risk through increase of the defined benefit pension plan.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, however, several assumptions are related to each other and fluctuate. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(g) The Effects of Future Cash Flows on Defined Benefit Plans

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 year	Total
Pension benefits	₩ 8,649,068	₩ 9,975,385	₩ 16,730,666	₩ 31,770,139	₩ 67,125,258

(h) The expenses recognized in relation to defined contribution plan is ₩ 3,958,692 thousand (2022: ₩ 3,400,198 thousand).

(i) Expected contributions to post-employment benefit plans for the year ending December 31, 2024, are ₩ 6,033 million.

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26. Deferred Tax

(a) Deferred tax assets and deferred tax liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 16,054,627	₩ 2,149,770
Deferred tax asset to be recovered after more than 12 months	<u>27,710,300</u>	<u>9,108,932</u>
	<u>43,764,927</u>	<u>11,258,702</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	(2,157,466)	(819,591)
Deferred tax liability to be recovered after more than 12 months	<u>(332,663,666)</u>	<u>(294,519,285)</u>
	<u>(334,821,132)</u>	<u>(295,338,876)</u>
Deferred tax assets, net	₩ 24,069,080	₩ 14,039,725
Deferred tax liabilities, net	<u>₩ (315,125,285)</u>	<u>₩ (298,119,898)</u>

(b) The gross movement on the deferred tax for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ (284,080,173)	₩ (274,246,412)
Exchange differences	(2,658,741)	(1,117,415)
Tax credited to statement of profit or loss (Note 36)	(3,029,440)	8,669,904
Tax credited directly to equity	<u>(1,287,851)</u>	<u>(17,386,250)</u>
Ending balance	<u>₩ (291,056,205)</u>	<u>₩ (284,080,173)</u>

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(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

<i>(in thousands of Korean won)</i>	January 1, 2023	Statement of profit or loss	Equity	Foreign currency translation	December 31, 2023
Deferred tax assets					
Provision for sales promotion	₩ 76,677	₩ (78,983)	₩ -	₩ 2,306	₩ -
Agent sales	71,680	(28,749)	-	-	42,931
Gain on valuation of inventories	70,866	14,079,565	-	76,321	14,226,752
Bad debt expenses (reversal)	(1,223,440)	2,445,105	-	(17,004)	1,204,661
Interest related to loan for construction	153,140	338,942	-	(1,829)	490,253
Post-employment benefit obligation	9,217,366	4,712,382	1,630,464	(680,032)	14,880,180
Accrued expenses	360,940	218,522	-	821	580,283
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	2,939,030	(2,117,673)	149,642	-	970,999
Lease liabilities	(703,920)	7,723,858	-	(401,084)	6,618,854
Others	296,364	4,572,449	-	(118,799)	4,750,014
	<u>₩ 11,258,703</u>	<u>₩ 31,865,418</u>	<u>₩ 1,780,106</u>	<u>₩ (1,139,300)</u>	<u>₩ 43,764,927</u>
Deferred tax liabilities					
Accrued income	₩ (760,422)	₩ (1,362,024)	₩ -	₩ -	₩ (2,122,446)
Agent cost of goods sold	(59,169)	24,149	-	-	(35,020)
Advanced depreciation provision	(3,699,094)	(86,837)	-	(17,315)	(3,803,246)
Investments in subsidiaries and jointly controlled entity	(189,205,727)	(10,657,991)	-	-	(199,863,718)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(79,988,895)	2,095,313	(5,314,469)	-	(83,208,051)
Insurance for retirement	(4,368,570)	(1,696,449)	5,744	1,200	(6,058,075)
Depreciation	(12,377,752)	6,573,489	-	(51,712)	(5,855,975)
Intangible assets	(3,870,121)	(2,898,021)	-	(578,916)	(7,347,058)
Depreciation of right-of-use asset	1,563,605	(7,455,414)	-	351,040	(5,540,769)
Others	(2,572,731)	(19,431,073)	2,240,768	(1,223,738)	(20,986,774)
	<u>₩ (295,338,876)</u>	<u>₩ (34,894,858)</u>	<u>₩ (3,067,957)</u>	<u>₩ (1,519,441)</u>	<u>₩ (334,821,132)</u>
	<u>₩ (284,080,173)</u>	<u>₩ (3,029,440)</u>	<u>₩ (1,287,851)</u>	<u>₩ (2,658,741)</u>	<u>₩ (291,056,205)</u>

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<i>(in thousands of Korean won)</i>	January 1, 2022	Statement of profit or loss	Equity	Foreign currency translation	December 31, 2022
Deferred tax assets					
Provision for sales promotion	₩ 126,658	₩ (59,863)	₩ -	₩ 9,882	₩ 76,677
Agent sales	77,033	(5,353)	-	-	71,680
Gain (loss) on valuation of inventories	1,815,750	(1,617,295)	-	(127,589)	70,866
Bad debt expenses (reversal)	(423,835)	(763,908)	-	(35,697)	(1,223,440)
Impairment loss on financial assets at fair value through other comprehensive income	129,042	(1,292)	18,232	-	145,982
Interest related to loan for construction	146,329	(1,853)	-	8,664	153,140
Post-employment benefit obligation	10,661,018	13,877	(901,125)	(556,404)	9,217,366
Accrued expenses	327,850	22,166	-	10,924	360,940
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	2,793,048	-	2,793,048
Lease liabilities	1,504,598	(1,746,847)	-	(461,670)	(703,920)
Others	39,663	1,192,805	(936,971)	865	296,364
	<u>₩ 14,404,106</u>	<u>₩ (2,967,564)</u>	<u>₩ 973,185</u>	<u>₩ (1,151,025)</u>	<u>₩ 11,258,702</u>
Deferred tax liabilities					
Accrued income	₩ (77,492)	₩ (682,930)	₩ -	₩ -	₩ (760,422)
Agent cost of goods sold	(63,870)	4,701	-	-	(59,169)
Advanced depreciation provision	(3,647,638)	7,826	-	(59,282)	(3,699,094)
Investments in subsidiaries and jointly controlled entity	(202,693,248)	13,487,522	-	-	(189,205,727)
Loss on valuation of financial assets at fair value through other comprehensive income	(61,595,385)	-	(18,393,510)	-	(79,988,895)
Insurance for retirement	(4,089,250)	(317,044)	34,075	3,649	(4,368,570)
Depreciation	(9,737,584)	(2,720,160)	-	79,992	(12,377,752)
Intangible assets	(3,653,676)	(4,056)	-	(212,389)	(3,870,121)
Depreciation of right-of-use asset	(617,129)	1,816,126	-	364,607	1,563,605
Others	(2,475,246)	45,483	-	(142,968)	(2,572,732)
	<u>₩ (288,650,519)</u>	<u>₩ 11,637,468</u>	<u>₩ (18,359,435)</u>	<u>₩ 33,610</u>	<u>₩ (295,338,876)</u>
	<u>₩ (274,246,413)</u>	<u>₩ 8,669,904</u>	<u>₩ (17,386,250)</u>	<u>₩ (1,117,415)</u>	<u>₩ (284,080,173)</u>

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(d) Details of unrecognized deductible temporary differences as deferred tax assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022	Remarks
Tax loss carry forwards ¹	₩ 23,213,771	₩ 18,793,217	Uncertainty of future taxable profit
Commission expenses, amortization of bad debts	727,769		- No tax effect
Tax credit carry forwards ²	3,333,878		- Uncertainty of future taxable profit

¹ The maturity of tax loss carryforwards is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
2026	₩ 4,432,358	₩ 3,985,442
2027	3,117,766	2,803,401
2028	10,165,568	9,140,568
2029	5,498,079	2,863,807
	<u>₩ 23,213,771</u>	<u>₩ 18,793,218</u>

² The maturity of tax credit carry forwards is as follows:

<i>(in thousands of Korean won)</i>	2023
2028	₩ 136,577
2030	3,196,042
2031	650
2032	609
	<u>₩ 3,333,878</u>

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27. Share Capital and Share Premium

(a) Changes in share capital and share premium for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		No. of shares (unit: shares)	Ordinary shares	Share premium	Total
January 1, 2022	Beginning balance	₩ 44,311,468	₩ 22,155,734	₩ 453,267,231	₩ 475,422,965
December 31, 2022	Ending balance	<u>₩ 44,311,468</u>	<u>₩ 22,155,734</u>	<u>₩ 453,267,231</u>	<u>₩ 475,422,965</u>
January 1, 2023	Beginning balance	₩ 44,311,468	₩ 22,155,734	₩ 453,267,231	₩ 475,422,965
December 31, 2023	Ending balance	<u>₩ 44,311,468</u>	<u>₩ 22,155,734</u>	<u>₩ 453,267,231</u>	<u>₩ 475,422,965</u>

(b) The details of share capital and share premium as at December 31, 2023 and 2022, are as follows:

<i>(in Korean won, number of shares)</i>	2023	2022
Number of shares authorized to issue	100,000,000	100,000,000
Par value per share	₩ 500	₩ 500
Number of shares outstanding	44,311,468	44,311,468
Share capital	₩ 22,155,734,000	₩ 22,155,734,000
Share premium	₩ 453,267,231,054	₩ 453,267,231,054

28. Other Components of Equity

(a) The details of other components of equity as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Other comprehensive income		
Gain on valuation of financial assets at fair value through other comprehensive income	₩ 272,354,603	₩ 255,160,873
Share of other comprehensive income of associate and jointly controlled entities	(696,177)	(1,410,143)
Loss on foreign currency translation	(143,702,064)	(119,289,720)
Actuarial loss (gain)	(5,457,937)	150,845
Loss on valuation of derivatives	<u>(5,034,269)</u>	<u>(443,484)</u>
	<u>117,464,156</u>	<u>134,168,371</u>
Capital adjustments		
Other capital adjustments	(42,812,230)	(42,812,230)
Treasury shares ¹	<u>(15,936,462)</u>	<u>(15,936,462)</u>
	<u>(58,748,692)</u>	<u>(58,748,692)</u>
	<u>₩ 58,715,464</u>	<u>₩ 75,419,679</u>

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¹ Details of treasury shares whose voting power is limited by regulations as at December 31, 2023, are as follows:

Owner	Number of shares	Ownership	Reason for restriction
Treasury shares	445,407	1.01%	Commercial Law Article 369, Part II

(b) Changes in accumulated other comprehensive income for the year ended December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	Beginning balance	Increase (Decrease)	Ending balance
Gain on valuation of financial assets at fair value through other comprehensive income	₩ 255,160,873	₩ 17,193,730	₩ 272,354,603
Share in other comprehensive income of associate and joint ventures	(1,410,143)	713,966	(696,177)
Loss on foreign currency translation	(119,289,720)	(24,412,344)	(143,702,064)
Remeasurements of net defined benefit liabilities	150,845	(5,608,782)	(5,457,937)
Loss on valuation of derivatives	(443,484)	(4,590,785)	(5,034,269)
	<u>₩ 134,168,371</u>	<u>₩ (16,704,215)</u>	<u>₩ 117,464,156</u>

Changes in accumulated other comprehensive income represent net of tax effect amounts.

29. Retained Earnings

Retained earnings as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Legal reserves ¹	₩ 11,920,000	₩ 11,920,000
Discretionary reserves ²	787,000,000	651,000,000
Unappropriated retained earnings	<u>1,913,605,857</u>	<u>1,600,761,683</u>
	<u>₩ 2,712,525,857</u>	<u>₩ 2,263,681,683</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, 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 the payment of cash dividends, but may be transferred to share capital or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

² Discretionary reserves are the retained earnings that are allowed to be distributed on dividend with the approval of the shareholders.

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30. Dividends

A dividend in respect of the year ended December 31, 2023, of ₩ 1,530 (2022: ₩ 1,000) per share, amounting to a total dividend of ₩ 67,115,073 thousand (2022: ₩ 43,866,061 thousand), is to be proposed to shareholders at the annual general meeting on March 29, 2024. These consolidated financial statements do not reflect this dividend payable.

31. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	2022
Salaries	₩ 208,881,316	₩ 190,067,668
Post-employment benefits	11,118,073	10,405,644
Employee benefits	13,948,299	15,466,278
Travel expense	2,348,926	1,822,660
Communications	4,374,831	4,435,756
Utilities	20,711,091	17,845,413
Tax and duties	6,973,378	3,520,857
Rent expenses	5,239,029	2,530,761
Depreciation	21,370,822	21,780,802
Depreciation of right-of-use asset	18,891,240	14,224,023
Repair and maintenance	14,725,273	24,340,715
Vehicle maintenance	5,168,550	5,063,399
Entertainment	1,428,404	948,853
Supplies	1,760,551	1,604,965
Insurance	5,302,216	5,100,128
Publications	708,997	692,951
Training	464,423	277,040
Service fees	33,721,292	37,927,973
Samples	9,925,691	10,839,193
Advertising costs	47,379,111	40,421,933
Bad debt expense (reversal)	7,954,475	893,196
Transportation	4,881,140	3,165,431
Exports	27,572,973	34,478,396
Shipping	2,434,810	9,201,239
Amortization	6,547,694	6,654,270
Overseas marketing	4,056,479	4,126,207
Packaging	3,440,448	3,036,104
Overseas trips	10,583,484	7,896,077
Sales promotion	1,525,982	1,176,150
Others	14,366,184	13,645,382
	<u>₩ 517,805,182</u>	<u>₩ 493,589,464</u>

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32. Other Income and Expenses

(a) Details of other income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Gain on valuation of derivatives	₩ 245,219	₩ -
Gain on derivative transactions	1,207,326	2,601,965
Gain on valuation of financial asset at fair value through profit or loss	1,071,672	585,438
Gain on disposal of property, plant and equipment	343,102	6,425,159
Gain on disposal of investment properties	-	59,490
Gain on disposal of intangible assets	141,246	-
Gain on foreign currency translation	85,937,529	74,765,099
Gain on foreign currency transaction	102,072,637	169,102,132
Import commission	69,030	131,870
Rental income	1,538,734	1,459,298
Claim income	1,011,991	847,871
Miscellaneous income	12,961,355	13,361,242
	<u>₩ 206,599,841</u>	<u>₩ 269,339,564</u>

(b) Details of other expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Loss on valuation of derivatives	₩ 167,270	₩ 2,073,826
Loss on derivative transactions	-	30,000
Loss on valuation of financial assets at fair value through profit or loss	887,001	-
Loss on disposal of property, plant and equipment	734,046	610,396
Loss on disposal of intangible assets	-	28,950
Impairment loss on intangible assets	4,997,742	-
Other bad debt expenses	248,894	763,304
Loss on foreign currency translation	74,652,588	88,877,889
Loss on foreign currency transaction	77,436,851	104,932,519
Donations	4,347,613	4,957,148
Claim expenses	654,437	610,035
Miscellaneous expenses	6,670,773	1,885,452
	<u>₩ 170,797,215</u>	<u>₩ 204,769,519</u>

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33. Breakdown of Expenses by Nature

Expenses by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Changes in inventories of inventories	₩ (345,257,758)	₩ (339,916,581)
Raw materials and Merchandise purchased	2,254,075,945	2,372,582,624
Employee benefits expense (Note 34)	584,424,166	563,760,581
Welfare benefit expenses	28,087,034	26,129,412
Depreciation (Notes 15 and 18)	70,075,025	69,648,655
Depreciation of right-of-use asset (Note 16)	21,496,718	16,486,210
Amortization (Note 17)	6,697,720	6,915,096
Service fees	63,302,284	79,422,395
Shipping	17,111,880	39,463,789
Overseas marketing	4,056,479	4,126,207
Advertising costs	47,379,111	40,421,933
Exports	28,199,202	35,160,676
Sales promotion	1,525,982	1,176,150
Other expenses	186,056,869	172,556,500
	<u>₩ 2,967,230,657</u>	<u>₩ 3,087,933,647</u>

34. Employee Benefits

Employee benefits for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Short-term employee benefits	₩ 524,842,746	₩ 531,636,465
Post-employment benefits and retirement bonus	59,581,421	32,124,116
	<u>₩ 584,424,167</u>	<u>₩ 563,760,581</u>

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35. Finance Income and Costs

(a) Finance income for the years ended December 31, 2023 and 2022, consists of:

	2023	2022
Interest income from bank deposits	₩ 32,294,954	₩ 9,263,909
Dividend income	5,043,500	3,946,216
Others	129,219	308,261
	<u>₩ 37,467,673</u>	<u>₩ 13,518,386</u>

(b) Finance costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Interest expense on borrowings	₩ 19,589,399	₩ 10,226,697
Interest expense on lease liabilities	11,497,371	9,956,602
	<u>₩ 31,086,770</u>	<u>₩ 20,183,299</u>

36. Tax Expense

(a) Income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Current tax:		
Current tax on profits for the year	₩ 118,518,345	₩ 145,950,731
Adjustments in respect of prior years	5,144,140	1,319,987
Deferred tax:		
Additional payment of income taxes	21,869,938	-
Changes in deferred tax due to temporary differences (Note 26)	3,029,440	(8,669,904)
Income tax expense	<u>₩ 148,561,863</u>	<u>₩ 138,600,814</u>

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(b) Reconciliation between the profit before income tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Profit before income tax expense	₩	681,632,544	₩	881,755,853
Tax at domestic tax rates applicable to profits in the respective countries		133,146,623		164,428,007
Tax effects of:				
Non-taxable income		(16,957,245)		-
Expenses not deductible for tax purposes		1,255,005		1,003,947
Adjustments in respect of prior years		5,144,140		1,319,987
Additional payment of income taxes		21,869,938		-
Tax credit and tax exemption		(617,175)		(2,879,155)
Tax effect of investments in subsidiaries (including effect of changes in tax rate)		12,024,049		(25,423,750)
Temporary difference for which no deferred tax is recognized		1,493,765		71,659
Other		(8,797,237)		80,119
Income tax expense	₩	148,561,863	₩	138,600,814

(c) Income tax (charged)/credited directly to equity as at December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023			2022		
	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	₩ 22,358,558	₩ (5,164,827)	₩ 17,193,731	₩ 78,118,337	₩ (15,582,230)	₩ 62,536,107
Remeasurements of net defined benefit liabilities	(7,686,948)	1,636,208	(6,050,740)	11,801,466	(867,050)	10,934,416
Derivatives	(11,462,670)	2,240,768	(9,221,902)	6,008,510	(936,970)	5,071,540
	₩ 3,208,940	₩ (1,287,851)	₩ 1,921,089	₩ 95,928,313	₩ (17,386,250)	₩ 78,542,063

(d) Impact of Pillar Two income taxes

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate which is applicable from 2024. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation, the impact of the legislation is not yet reasonably estimable. The Group is currently engaged with tax specialists to assist them with applying the legislation. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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37. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares. The Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Basic earnings per share for the years ended December 31, 2023 and 2022, is as follows:

<i>(in Korean won)</i>	2023	2022
Profit attributable to equity holders of the Parent Company	₩ 515,959,247,534	₩ 674,518,794,578
Weighted average number of ordinary shares outstanding ¹ (in shares)	<u>43,866,061</u>	<u>43,866,061</u>
Basic earnings per share	<u>₩ 11,762</u>	<u>₩ 15,377</u>

¹ Weighted average number of ordinary shares outstanding

<i>(in number of shares)</i>	2023	2022
Number of ordinary shares outstanding	44,311,468	44,311,468
Weighted average number of treasury shares	<u>445,407</u>	<u>445,407</u>
Weighted average number of ordinary shares outstanding	<u>43,866,061</u>	<u>43,866,061</u>

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38. Cash Flow Information

(a) Cash generated from operations for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	₩	533,070,681	₩	743,155,039
Profit for the year				
Adjustments for				
Tax expense		148,561,863		138,600,814
Interest income		(32,424,172)		(9,572,171)
Dividend income		(5,043,500)		(3,946,215)
Interest expense		31,086,771		20,183,299
Depreciation		70,075,025		69,648,655
Depreciation of right-of-use asset		21,496,718		16,486,210
Amortization		6,697,720		6,915,096
Post-employment benefits		41,065,532		14,399,402
Gain on disposal of property, plant and equipment		(343,102)		(6,425,159)
Loss on disposal of property, plant and equipment		734,046		610,396
Gain on disposal of investment properties		-		(59,490)
Gain on disposal of intangible assets		(141,246)		-
Loss on disposal of intangible assets		-		28,950
Impairment loss on intangible assets		4,997,742		-
Bad debt expense		7,954,475		893,196
Other bad debt expense		248,894		763,304
Gain on foreign currency translation		(85,937,529)		(74,765,099)
Loss on foreign currency translation		74,652,588		88,877,889
Share of profit of associates and joint ventures		(2,302,650)		(823,464)
Gain on valuation of financial assets at fair value through profit or loss		(1,071,672)		(585,438)
Loss on valuation of financial assets at fair value through profit or loss		887,001		-
Gain on valuation of derivatives		(245,219)		-
Loss on valuation of derivatives		167,270		2,073,826
Gain on transaction of derivatives		(1,207,326)		-
		<u>279,909,229</u>		<u>263,304,001</u>
Changes in operating assets and liabilities				
Decrease (increase) in trade receivables		26,515,286		(120,199,466)
Increase in inventories		(293,496,146)		(359,610,709)
Decrease (increase) in other current receivables		4,686,947		(21,178,521)
Decrease (increase) in other current assets		82,788,552		(28,918,464)
Increase in other non-current assets		(8,919,336)		(823,653)
Increase in trade payables		79,859,868		94,336,064
Increase (decrease) in provisions for other liabilities and charges		(1,068,483)		2,480,716
Increase in other current payables		4,857,905		16,545,193
Increase (decrease) in other current liabilities		(223,744)		908,304
Decrease in net defined benefit obligations		(5,169,624)		(4,815,770)

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Increase in other non-current payables	350,039	2,317,678
	<u>(109,818,736)</u>	<u>(418,958,628)</u>
Cash generated from operations	₩ 703,161,174	₩ 587,500,412

(b) Significant non-cash transactions for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Gain on valuation of financial assets at fair value through other comprehensive income	₩ 22,358,557	₩ 78,214,337
Reclassification from construction-in-progress to plant	28,325,354	30,411,415
Reclassification of current portion of long-term borrowings	67,330,646	15,548,575
Reclassification of current portion of debentures	-	49,932,133
Newly acquired lease contracts and others	38,587,315	7,190,040
Reclassification of construction in progress to investment properties	-	702,583

(c) Changes in liabilities arising from financial activities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Debentures	Current portion of debentures	Lease liabilities	Total
At January 1, 2023	₩ 224,549,802	₩ 28,815,168	₩ 133,243,898	₩ -	₩ 9,995,754	₩ 113,428,185	₩ 510,032,807
Cash flows	145,842,493	(30,716,408)	-	-	(10,000,000)	(19,097,994)	86,028,091
Exchange differences	26,402,398	5,062,347	11,574,390	-	-	1,345,661	44,384,796
Other non-financial changes	-	67,330,646	(67,330,646)	-	4,246	39,594,525	39,598,771
Changes in consolidation scope	2,381,839	-	-	-	-	3,078,069	5,459,908
At December 31, 2023	<u>₩ 399,176,532</u>	<u>₩ 70,491,753</u>	<u>₩ 77,487,642</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 138,348,446</u>	<u>₩ 685,504,373</u>

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<i>(in thousands of Korean won)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Debentures	Current portion of debentures	Lease liabilities	Total
At January 1, 2022	₩ 101,602,387	₩ -	₩ 82,460,706	₩ 49,915,972	₩ -	₩ 124,609,975	₩ 358,589,040
Cash flows	130,377,290	(1,763,073)	60,842,250	-	(40,000,000)	(13,267,789)	136,188,678
Exchange differences	20,948,302	(13,348,511)	5,489,517	-	-	(4,091,499)	8,997,809
Other non-financial changes	(28,378,177)	43,926,752	(15,548,575)	(49,915,972)	49,995,754	6,177,498	6,257,280
At December 31, 2022	₩ 224,549,802	₩ 28,815,168	₩ 133,243,898	₩ -	₩ 9,995,754	₩ 113,428,185	₩ 510,032,807

39. Contingencies and Commitments

(a) The Group's major agreements with domestic financial institutions as at December 31, 2023, are as follows:

(Korean won in thousands, US dollars, Euro)

	Financial institution	Credit line	Outstanding Balance
Overdrafts		KRW 5,500,000	KRW -
Limit loan		KRW 10,000,000	KRW -
Borrowings from foreign currency	Woori Bank and others	USD 10,000,000	USD -
L/C		USD 25,000,000	USD 3,802,275
D/A,O/A		USD 15,000,000	USD -

(b) The subsidiary's major agreements with foreign financial institutions as at December 31, 2023, are as follows:

(in US dollars and Confoederatio Helvetica Franc)

	Financial institution	Credit line	Outstanding Balance
Borrowings		USD 88,000,000	USD 28,000,000
L/C		CHF 680,000	CHF 680,000
Comprehensive limit ¹	Standard Chartered Bank and others	USD 101,000,000	USD 52,192
Comprehensive limit		CHF 338,424,000	CHF 334,673,000
FX		CHF 5,657,000	CHF 5,657,000

¹ USD 85,000,000 out of USD 101,000,000 is only available for short-term borrowing and bank overdraft and USD 54,000,000 is available for L/C.

(c) As at December 31, 2023, the Group has entered into performance guarantee insurance and others according to product supply contract, amounting to ₩ 412 million.

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(d) As at December 31, 2023, the Group is involved in three lawsuits as a plaintiff with litigation amount of ₩ 9,899 million in relation to its business. The outcome of the pending litigations cannot be reasonably estimated; however, the Group expects that this case would not have any material impact on its consolidated financial statements.

(e) As at December 31, 2023, the Group requested arbitration for the second-largest shareholder of SCOTT CORPORATION SA, a consolidated subsidiary, to International Chamber of Commerce. The request is for confirmation of fact that the second-largest shareholder has seriously violated the shareholder's agreement with the Group and confirmation of the right of call option for the shares of SCOTT Corp held by the second-largest shareholder and others. Meanwhile, the second-largest shareholder of SCOTT Corporation SA filed an opposition to arbitration on the grounds that the Company had violated the contract between shareholders by voluntarily disclosing the fact that the Company had applied for arbitration with the International Chamber of Commerce in 2022 even though the Company is not obligated to do so.

(f) In relation to borrowings from financial institutions of SCOTT CORPORATION SA, the credit agreements provide for certain restrictive covenants, such as maintenance of debt-to-equity ratio, minimum equity and liquidity ratio.

(g) Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	2023
Property, plant and equipment	₩ 87,146,044
Investment property	30,000

40. Non-controlling Interests

(a) 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, 2023 and 2022, is as follows:

(in thousands of Korean won)

	Non-controlling interests percentage	2023						
		Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Other components of equity to non-controlling interests	Equity transactions with owners	Accumulated non-controlling interests at the end of the year	
MSH and its subsidiaries	20.00%	₩ 7,455,099	₩ 826,715	₩ -	₩ 119,868	₩ -	₩ 8,401,682	
SCOTT and its subsidiaries	49.99%	292,324,715	16,284,719	-	24,295,118	-	332,904,552	
		₩ 299,779,814	₩ 17,111,434	₩ -	₩ 24,414,986	₩ -	₩ 341,306,234	

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	2022						
	Non-controlling interests percentage	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Other components of equity to non-controlling interests	Equity transactions with owners	Accumulated non-controlling interests at the end of the year
MSH and its subsidiaries	20.00%	₩ 7,459,894	₩ (529,636)	₩ -	₩ 524,841	₩ -	₩ 7,455,099
SCOTT and its subsidiaries	49.99%	207,805,009	69,165,881	-	15,353,825	-	292,324,715
		₩ 215,264,903	₩ 68,636,245	₩ -	₩ 15,878,666	₩ -	₩ 299,779,814

(b) The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before inter-company eliminations is as follows:

Summarized statements of financial position as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	
	MSH and its subsidiaries	SCOTT and its subsidiaries
Current assets	₩ 115,592,554	₩ 1,275,074,865
Non-current assets	36,138,399	333,724,681
	₩ 151,730,953	₩ 1,608,799,546
Current liabilities	₩ 57,192,910	₩ 842,493,169
Non-current liabilities	9,452,089	165,539,351
	₩ 66,644,999	₩ 1,008,032,520
Equity	₩ 85,085,954	₩ 600,767,026

(in thousands of Korean won)

	2022	
	MSH and its subsidiaries	SCOTT and its subsidiaries
Current assets	₩ 89,040,816	₩ 937,629,024
Non-current assets	39,384,604	279,534,179
	₩ 128,425,420	₩ 1,217,163,203
Current liabilities	₩ 61,830,306	₩ 495,475,647
Non-current liabilities	11,704,438	198,668,018
	₩ 73,534,744	₩ 694,143,665
Equity	₩ 54,890,676	₩ 523,019,538

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Summarized statements of comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	MSH and its subsidiaries		SCOTT and its subsidiaries	
Sales	₩	156,536,958	₩	1,242,422,301
Profit for the year		3,492,896		35,514,938
Other comprehensive income		594,181		42,232,550
Total comprehensive income	₩	<u>4,087,077</u>	₩	<u>77,747,488</u>

(in thousands of Korean won)

	2022			
	MSH and its subsidiaries		SCOTT and its subsidiaries	
Sales	₩	136,654,007	₩	1,397,535,666
Profit (loss) for the year		(3,983,663)		140,192,712
Other comprehensive income		3,871,244		27,246,090
Total comprehensive income (loss)	₩	<u>(112,419)</u>	₩	<u>167,438,802</u>

Summarized cash flows for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	MSH and its subsidiaries		SCOTT and its subsidiaries	
Cash flows from operating activities	₩	11,539,824	₩	(57,336,617)
Cash flows from investing activities		(1,216,642)		(19,954,614)
Cash flows from financing activities		17,577,346		108,945,534
Effects of exchange rate changes on cash and cash equivalents		(266,976)		28,385,412
Net increase in cash and cash equivalents		27,633,552		60,039,715
Cash and cash equivalents at the beginning of the year		4,322,788		193,700,974
Cash and cash equivalents at the end of the year	₩	<u>31,956,340</u>	₩	<u>253,740,689</u>

(in thousands of Korean won)

	2022			
	MSH and its subsidiaries		SCOTT and its subsidiaries	
Cash flows from operating activities	₩	(13,249,157)	₩	(53,668,273)
Cash flows from investing activities		(801,079)		(21,251,522)
Cash flows from financing activities		12,726,921		55,557,087
Effects of exchange rate changes on cash and cash equivalents		388,056		(284,500)
Net decrease in cash and cash equivalents		(935,259)		(19,647,208)
Cash and cash equivalents at the beginning of the year		5,258,047		213,348,182
Cash and cash equivalents at the end of the year	₩	<u>4,322,788</u>	₩	<u>193,700,974</u>

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41. Related Party Transactions

(a) Related parties of the Group as at December 31, 2023 and 2022, are as follows:

Categories	Name
Parent Company	Youngone Holdings Co., Ltd.
Associate and joint ventures	Scott North Asia Ltd., SCOTT JAPAN INC., IRC ¹ , TRANSA Backpacking SA, Ski-service SA, Trophy Schweiz SA, Ski+Velo-Center SVC AG, Scott Network Solutions India Pvt Ltd, Bike Sport Travel AG, YOH CVC Fund 1 Limited Partnership
Others⁸	YMSA, Youngone Outdoor, KEPZ ² , PBI ³ , Qweto GmbH, S-13 ⁴ , PBL ⁵ , YMSA USA, RAY&CO., YSC ⁶ , EL MEROSI ⁷ , YOH LLC, YOH CVC PTE. LTD.

¹ INTERNATIONAL RETAIL CORPORATION SA

² KOREAN EPZ(KEPZ) CORPORATION(BD) LIMITED

³ POIVRE BLANC INTERNATIONAL AG

⁴ POIVRE BLANC S-13

⁵ POIVRE BLANC LOGISTICS

⁶ YOUNGONE SOURCING COMPANY(BANGLADESH) LTD.

⁷ EL MEROSI SAMARKAND LLC.

⁸ Other related parties are mainly related companies under the common control.

(b) Significant transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	Sales		Purchases		Other income		Other expenses	
	2023	2022	2023	2022	2023	2022	2023	2022
Parent Company								
Youngone Holdings Co., Ltd.	₩ 1,231,602	₩ 440,551	₩ -	₩ -	₩ 141,246	₩ -	₩ 5,568,551	₩ 5,160,854
Associate								
Scott North Asia Ltd. ¹	22,521,637	16,737,210	-	-	129,219	-	23,347	-
Others								
YMSA ¹	776,865	1,190,066	40,021,993	56,782,692	-	-	297,814	188,768
Youngone								
Outdoor	211,248,734	151,627,661	-	-	69,030	129,870	355,442	243,012
KEPZ	1,349,889	85,687	9,333,526	9,234,860	-	-	-	-
PBI ¹	3,621,783	3,643,841	1,775,699	2,601,135	-	-	-	-
RAY&CO.	-	-	-	-	-	-	-	32,467
	<u>₩240,750,510</u>	<u>₩173,725,016</u>	<u>₩ 51,131,218</u>	<u>₩ 68,618,687</u>	<u>₩ 339,495</u>	<u>₩ 129,870</u>	<u>₩ 6,245,154</u>	<u>₩ 5,625,101</u>

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<i>(in thousands of Korean won)</i>	Acquisition of right-of-use assets		Dividends paid		Acquisition of investment property²	
	2023	2022	2023	2022	2023	2022
	Parent Company					
Youngone Holdings Co., Ltd.	₩ -	₩ -	₩34,251,070	₩22,386,320	₩ -	₩ -
Associate						
Scott North Asia Ltd. ¹	-	-	-	-	-	-
Others	-	-	-	-	-	-
YMSA ¹	-	-	-	-	58,749,000	-
Youngone Outdoor	-	-	-	-	-	-
KEPZ	3,472,306	3,830,930	-	-	-	-
PBI ¹	-	-	-	-	-	-
RAY&CO.	-	-	-	-	-	-
	<u>₩ 3,472,306</u>	<u>₩ 3,830,930</u>	<u>₩ 34,251,070</u>	<u>₩ 22,386,320</u>	<u>₩ 58,749,000</u>	<u>₩ -</u>

¹ Consolidated financial information of Scott North Asia Ltd., YMSA and PBI.

² The amount excludes acquisition tax.

(c) The balances of significant transactions as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Receivables		Payables	
	2023	2022	2023	2022
Parent Company				
Youngone Holdings Co., Ltd.	₩ 1,779,431	₩ 1,663,635	₩ 10,749,880	₩ 12,497,785
Associate and joint ventures				
IRC	-	-	-	-
Scott North Asia Ltd. ¹	28,436,853	3,316,680	137,694	180,335
Others				
YMSA ¹	99,272	9,614	8,542,457	9,323,703
Youngone Outdoor	50,962,555	24,441,648	8,708,811	7,505,553
KEPZ	31,378,671	29,821,198	45,147,022	43,922,254
PBI ¹	<u>1,214,306</u>	<u>686,722</u>	<u>-</u>	<u>-</u>
	<u>₩ 113,871,088</u>	<u>₩ 59,939,497</u>	<u>₩ 73,285,864</u>	<u>₩ 73,429,630</u>

¹ Consolidated financial information of Scott North Asia Ltd., YMSA and PBI.

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(d) Loans for related parties as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022	
Associate and joint ventures	IRC ¹	₩	-	₩	-
	Scott North Asia Ltd.		12,000,000		-
Others	KEPZ		<u>27,254,192</u>		<u>29,784,886</u>
			<u>₩ 39,254,192</u>		<u>₩ 29,784,886</u>

¹ In 2023, allowance for trade receivables was recognized for the loans to IRC, amounting ₩ 13,228,368 thousand.

(e) There are no borrowings from related parties as at December 31, 2023 and 2022.

(f) The fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023			
		Loan transactions		Borrowing transactions	
		Loans	Collections	Borrowings	Repayments
Parent Company	Youngone Holdings Co., Ltd. ¹	₩	-	₩	-
			-	₩	1,509,251
Associates and Joint Ventures	IRC	223,931	-	-	-
	Scott North Asia Ltd.	12,000,000	-	-	-
Other	KEPZ	-	1,256,320	3,472,306	-
	YMSA ²	-	-	-	906,622
		<u>₩ 12,223,931</u>	<u>₩ 1,256,320</u>	<u>₩ 3,472,306</u>	<u>₩ 2,415,873</u>

¹ During 2023, the repayment of lease liabilities of ₩ 1,509,251 thousand and interest expense amounts of ₩ 423,229 thousand are recognized in respect to building lease agreements which the Group has entered with the Parent Company.

² Consolidated financial information of YMSA. There are no right-of-use assets in respect to building lease agreements which the Group has entered with YMSA during the year. The repayment of lease liabilities during the year is ₩ 906,622 thousand and interest expenses amount to ₩ 182,558 thousand.

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		2022			
		Loan transactions		Borrowing transactions	
		Loans	Collections	Borrowings	Repayments
Parent Company	Youngone Holdings Co., Ltd. ¹	₩ -	₩ -	₩ -	₩ 1,482,261
Associate	IRC	209,568	-	-	-
Other	KEPZ	-	3,586,528	3,830,930	-
	YMSA ²	-	-	-	771,877
	Others	-	-	-	30,183,164
		<u>₩ 209,568</u>	<u>₩ 3,586,528</u>	<u>₩ 3,830,930</u>	<u>₩ 32,437,302</u>

¹ During 2022, the repayment of lease liabilities of ₩ 1,482,261 thousand and interest expense amounts of ₩ 413,619 thousand are recognized in respect to building lease agreements which the Group has entered with the Parent Company.

² Consolidated financial information of YMSA. There are no right-of-use assets in respect to building lease agreements which the Group has entered with YMSA during the year. The repayment of lease liabilities during the year is ₩ 771,877 thousand and interest expenses amount to ₩ 290,177 thousand.

(g) Key management compensation for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Salaries	₩ 8,000,000	₩ 4,890,385
Post-employment benefits	2,724,722	2,723,889

(h) As at December 31, 2023, there are no pledges and guarantees for related parties provided by the Group.

(i) With acquisition of management of Scott Corporation SA in 2015, the Group has entered into an agreement between a founder of merged company and shareholders for maximizing the shareholders' value and mutual cooperation of shareholders. The agreement includes the following details; organization and operation of Board of Directors, restriction of share transaction (for 10 years after transaction), Right of First Refusal after restriction period, Tag along, Call option under limited circumstances as bankruptcy and others.

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42. Provisions

Details and changes in provisions for other liabilities and charges for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of
Korean won)

	2023				
	Provision for sales returns	Provision for product warranties	Bonuses	Others	Total
Beginning balance	₩ 491,383	₩ 8,657,974	₩ 15,458,204	₩ 1,424,548	₩ 26,032,109
Addition	161,388	(1,360,067)	(181,218)	8,961	(1,370,936)
Changes in exchange rate	6,589	842,481	1,657,040	(4,955)	2,501,155
Ending balance	<u>₩ 659,360</u>	<u>₩ 8,140,388</u>	<u>₩ 16,934,026</u>	<u>₩ 1,428,554</u>	<u>₩ 27,162,328</u>
Current	₩ 659,360	₩ 8,140,388	₩ 16,934,026	₩ 1,428,554	₩ 27,162,328
Non-current	-	-	-	-	-

(in thousands of
Korean won)

	2022				
	Provision for sales returns	Provision for product warranties	Bonuses	Others	Total
Beginning balance	₩ 391,215	₩ 6,994,467	₩ 13,461,251	₩ 1,477,344	₩ 22,324,277
Addition	74,597	1,209,699	1,202,091	(15,136)	2,471,251
Changes in exchange rate	25,571	453,808	794,862	(37,660)	1,236,581
Ending balance	<u>₩ 491,383</u>	<u>₩ 8,657,974</u>	<u>₩ 15,458,204</u>	<u>₩ 1,424,548</u>	<u>₩ 26,032,109</u>
Current	₩ 491,383	₩ 8,657,974	₩ 15,458,204	₩ 1,424,548	₩ 26,032,109
Non-current	-	-	-	-	-

Provisions for bonus include vacation pay, bonus and others.