SHINSEGAE INTERNATIONAL

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

SHINSEGAE INTERNATIONAL INC.

Deloitte.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 14, 2022.

To the Shareholders and the Board of Directors of
Shinsegae International Inc.:

Report on the Audited Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of the Shinsegae International Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

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

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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.

Deloitte.

- Audit risk for evaluation of fashion apparel inventory

As presented in Note 11 to consolidated financial statements, the Group accounts for ₩250,702,024 thousand in fashion apparel inventory, which is included in total inventory of ₩161,777,024 thousand as of December 31, 2021, accounting for 14.0% of the Group's total assets. The fashion industry has seasonal characteristics, changes in consumer preferences and fashion trends, which increase uncertainty about the recoverability of inventory. In order to evaluate the fashion apparel inventory, the Group management's subjective judgment may be involved in the process of estimating the net realizable value of the fashion apparel inventory. We noted that the valuation amount of the inventories may differ depending on the degree of judgment and estimation of the Group's net realizable value of fashion apparel inventory. The possibility of overvaluation of fashion apparel inventory due to unidentified impairment loss was judged as a significant risk, and we choose the evaluation of fashion apparel inventory as a key audit matter.

As of December 31, 2021, the major audit procedures we have performed regarding the impact of fashion apparel inventory evaluation on consolidated financial statements are as follows:

① Evaluate the appropriateness of the accounting policy and the method of calculating the amount of the Group for evaluating fashion apparel inventory based on understanding of fashion industry.

② Evaluate the effectiveness of the design and operation of internal control in relation to the valuation of inventories.

③ Evaluate the accuracy of prior allowance for fashion apparel inventory retrospectively by comparing the actual net sales of the fashion apparel inventory subject to evaluation.

④ Review the accuracy of the recovery rate for sales below cost by verifying the selling price of fashion apparel inventory.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs and for such internal control as they determine 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 of the Group 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, or has no realistic alternative, but to do so.

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

Auditors' Responsibilities for the Audits 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 auditors' 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 KSAs 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 KSAs, 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 audit 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 Group’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 the 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 auditors’ 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 auditors’ 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 are solely responsible for our audit opinion.

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

We will also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 audits of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' 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 audits resulting in this independent auditors' report is Wie, Ho Kwang.

Deloitte Anjin LLC

March 14, 2022

<u>Notice to Readers</u>

This report is effective as of March 14, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

**SHINSEGAE INTERNATIONAL INC.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, Shinsegae International Inc.

**Lee, Gil Han
Chief Executive Officer
Shinsegae International Inc.**

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

(In thousands of Korean won)

ASSETS	Notes	December 31, 2021	December 31, 2020
CURRENT ASSETS:			
Cash and cash equivalents	5	₩ 48,237,870	₩ 26,746,086
Short-term financial instruments	5	18,161,647	70,650
Financial assets measured at FVTPL	5,7	-	1,229,868
Trade and other receivables	5,8,42	136,229,880	125,459,152
Inventories	11	250,702,024	253,739,464
Finance lease receivables	5,9,42	95,001	95,000
Derivative assets	5,20,41,43	-	735,820
Other financial assets	5,10,42	118,000	334,327
Other current assets	12	6,279,396	7,228,524
Assets held for sale		-	11,147,292
Total current assets		459,823,818	426,786,183
NON-CURRENT ASSETS:			
Long-term financial instruments	5,6	2,000	2,000
Financial assets measured at FVTPL	5,6,7	20,790,498	14,402,387
Finance lease receivables	5,9,42	177,027	266,817
Derivative assets	5,20,40,43	4,325,155	-
Deferred tax assets	36	3,678,406	3,191,375
Investment in associates and joint ventures	14	120,120,678	105,108,185
Property and equipment	15	286,674,092	310,066,969
Investment property	16	44,763,158	34,738,536
Right-of-use asset	17	104,683,657	139,169,592
Intangible assets	18	71,393,658	67,002,429
Other financial assets	5,10,42	40,997,817	46,694,507
Other non-current assets	12	-	25,466
Invested asset for postemployment benefit	24	1,697,614	-
Total non-current assets		699,303,760	720,668,263
TOTAL ASSETS		₩ 1,159,127,578	₩ 1,147,454,446

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2021 AND 2020

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		December 31, 2021		December 31, 2020
		(In thousands of Korean won)			
CURRENT LIABILITIES:					
Trade and other payables	5,19,42,43	₩	92,011,407	₩	82,505,449
Short-term borrowings	5,21,40,43		44,166,975		66,429,238
Current portion of long-term borrowings	5,21,40,43		-		97,750,778
Lease liabilities	5,22,40,42,43		21,366,061		24,692,847
Derivative liabilities	5,20,40,43		-		498,079
Income tax payables			17,301,529		442,388
Provisions	25		2,215,020		2,410,868
Other financial liabilities	5,23,42,43		12,346,069		11,861,568
Other current liabilities	26,27,31		14,398,157		13,594,013
Total current liabilities			203,805,218		300,185,228
NON-CURRENT LIABILITIES:					
Long-term borrowings and debenture	5,21,40,43		123,544,759		60,861,918
Lease liabilities	5,22,40,42,43		91,928,044		121,863,231
Derivative liabilities	5,20,40,43		1,976,024		6,103,314
Retirement benefit obligations	24		3,287,586		4,282,861
Deferred tax liabilities	36		5,035,259		3,087,154
Provisions	25		2,849,165		3,551,764
Other financial liabilities	5,23,42,43		4,285,726		4,033,226
Other non-current liabilities	26		2,781,392		2,268,904
Total non-current liabilities			235,687,955		206,052,372
TOTAL LIABILITIES			439,493,173		506,237,600
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP:					
Capital stock	28		35,700,000		35,700,000
Other paid-in capital	29		119,761,403		119,761,403
Other capital components	29		432,412		(1,087,848)
Retained earnings	30		561,108,270		484,756,266
Total equity attributable to owners of the Group			717,002,085		639,129,821
NON-CONTROLLING INTERESTS:			2,632,320		2,087,025
TOTAL SHAREHOLDERS' EQUITY			719,634,405		641,216,846
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		₩	1,159,127,578	₩	1,147,454,446

(Concluded)

See notes to consolidated financial statements.

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	(In thousands of Korean won) 2021	2020
SALES	4,31,42	₩ 1,450,778,573	₩ 1,325,499,684
COST OF SALES	37,42	593,367,184	581,665,951
GROSS PROFIT		857,411,389	743,833,733
SELLING AND ADMINISTRATIVE EXPENSES	32,37,42	765,439,993	710,069,401
OPERATING INCOME:		91,971,396	33,764,332
Financial income	33,42	17,538,861	23,983,128
Financial expense	34,42	19,942,990	28,693,635
Share of profits of associates and joint ventures	14	15,583,521	12,526,652
Other non-operating income	35,42	19,964,391	21,498,444
Other non-operating expense	35	19,707,464	10,072,928
NET INCOME BEFORE INCOME TAX EXPENSE		105,407,715	53,005,993
INCOME TAX EXPENSE	36	22,778,665	2,047,813
NET INCOME FOR THE YEAR		82,629,050	50,958,180
Items that will not be reclassified subsequently to profit or loss:		2,119,876	(1,200,343)
Remeasurements of defined benefit plan	24,36	2,789,282	(1,594,177)
Income tax relating to items that will not be reclassified subsequently to profit or loss	36	(669,406)	393,834
Items that may be reclassified subsequently to profit or loss:		1,522,698	228,765
Gain on hedging instruments entered into for cash flow hedges	29,36	338,260	422,047
Share of other comprehensive income of associates and joint ventures	14,29,36	624,103	(141,411)
Exchange differences on translating foreign operations	29,36	749,186	28,659
Income tax relating to items that may be reclassified subsequently to profit or loss	36	(188,851)	(80,530)
OTHER COMPREHENSIVE LOSS		3,642,574	(971,578)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		₩ 86,271,624	₩ 49,986,602
NET INCOME ATTRIBUTABLE TO:			
Owners of the Group		₩ 82,096,015	₩ 50,917,136
Non-controlling interests		533,035	41,044

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In thousands of Korean won)	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Group		₩ 85,726,329	₩ 49,933,867
Non-controlling interests		545,295	52,735
EARNINGS PER SHARE FOR PROFIT:			
Basic and diluted earnings per common share (Korean won)	38	₩ 11,498	₩ 7,131

(Concluded)

See notes to consolidated financial statements.

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of Korean won)

	Capital stock	Other paid-in capital: Capital in excess of par value	Other paid-in capital: Additional paid-in capital	Other capital components	Retained earnings	Attributable to owners of the Group	Non-controlling interests	Total
As of January 1, 2020	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ (1,550,420)	₩ 443,352,152	₩ 597,263,135	₩ 2,034,290	₩ 599,297,425
Payment of dividends	-	-	-	-	(7,854,000)	(7,854,000)	-	(7,854,000)
Comprehensive income:	-	-	-	229,109	49,704,758	49,933,867	52,735	49,986,602
Net income	-	-	-	-	50,917,136	50,917,136	41,044	50,958,180
Remeasurements of defined benefit plan	-	-	-	-	(1,212,378)	(1,212,378)	12,035	(1,200,343)
Gain (loss) on hedging instruments entered into for cash flow hedges	-	-	-	320,026	-	320,026	(344)	319,682
Share of other comprehensive income of associates and joint ventures	-	-	-	(119,576)	-	(119,576)	-	(119,576)
Exchange differences on translating foreign operations	-	-	-	28,659	-	28,659	-	28,659
Variation in consolidation range				(213,181)		(213,181)		(213,181)
Reclassification due to discontinued of equity method	-	-	-	446,644	(446,644)	-	-	-
As of December 31, 2020	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ (1,087,848)	₩ 484,756,266	₩ 639,129,821	₩ 2,087,025	₩ 641,216,846
As of January 1, 2021	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ (1,087,848)	₩ 484,756,266	₩ 639,129,821	₩ 2,087,025	₩ 641,216,846
Payment of dividends	-	-	-	-	(7,854,000)	(7,854,000)	-	(7,854,000)
Comprehensive income:	-	-	-	1,518,817	84,207,512	85,726,329	545,295	86,271,624
Net income	-	-	-	-	82,096,015	82,096,015	533,035	82,629,050
Remeasurements of defined benefit plan	-	-	-	-	2,111,497	2,111,497	8,379	2,119,876
Gain (loss) on hedging instruments entered into for cash flow hedges	-	-	-	255,114	-	255,114	3,881	258,995
Share of other comprehensive income of associates and joint ventures	-	-	-	514,517	-	514,517	-	514,517
Exchange differences on translating foreign operations	-	-	-	749,186	-	749,186	-	749,186
Reclassification due to discontinued of equity method	-	-	-	1,443	(1,443)	-	-	-
Others	-	-	-	-	(65)	(65)	-	(65)
As of December 31, 2021	₩ 35,700,000	₩ 123,627,795	₩ (3,866,392)	₩ 432,412	₩ 561,108,270	₩ 717,002,085	₩ 2,632,320	₩ 719,634,405

See notes to consolidated financial statements.

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In thousands of Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations:		₩ 157,453,256	₩ 126,491,449
Net income		82,629,050	50,958,180
Adjustments	40	81,952,653	64,250,372
Changes in net working capital	40	(7,128,447)	11,282,897
Interest income received		267,358	251,812
Interest expense paid		(6,564,329)	(9,534,252)
Income tax paid		(5,313,588)	(19,252,527)
Dividends received		7,442,550	6,615,600
Net cash provided by operating activities		153,285,247	104,572,082

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In thousands of Korean won)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities		₩ 35,936,223	₩ 45,233,136
Disposal of short-term financial instruments		74,850	127,000
Disposal of financial assets measured at FVTOCI		-	78,466
Disposal of financial assets measured at FVTPL		500,000	-
Disposal of subsidiaries		-	131
Disposal of investment in associates and joint ventures		8,033,081	7,449,750
Disposal of finance lease receivables		89,789	38,476
Disposal of land		-	2,384,152
Disposal of interior		251,194	295,983
Disposal of vehicles		65,767	14,773
Disposal of tools, furniture and fixtures		13,200	18,307
Disposal of other intangible assets		144,655	-
Decrease in leasehold deposits		10,200,075	13,725,586
Disposal of assets held for sale		16,563,612	21,100,512
Cash outflows for investing activities		(73,368,863)	(94,201,246)
Acquisition of short-term financial assets		18,154,821	-
Acquisition of financial assets measured at FVTPL		-	2,500,000
Acquisition of financial assets measured at FVTOCI		-	80,300
Acquisition of investments in associates and joint ventures		6,250,000	12,000,000
Acquisition of buildings		-	6,270
Acquisition of interior		18,046,517	26,461,583
Acquisition of tools, furniture and fixtures		2,521,598	4,367,752
Acquisition of construction in progress of property and equipment		12,572,525	8,484,712
Acquisition of right-of use assets		9,000	301,500
Acquisition of industrial property rights		140,267	81,605
Acquisition of other intangible assets		3,909,720	3,065,578
Acquisition of construction in progress of intangible assets		7,575,791	3,842,956
Increase in leasehold deposits		4,188,624	11,656,962
Net cash outflow of business combination	44	-	21,352,028
Net cash used in investing activities		(37,432,640)	(48,968,110)

(Continued)

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In thousands of Korean won)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities		₩ 399,456,450	₩ 488,500,714
Proceeds from short-term borrowings	40	342,890,450	420,046,714
Proceeds from long-term borrowings	40	-	19,210,000
Proceeds from debentures	40	55,700,000	48,500,000
Settlement of currency swaps	40	866,000	744,000
Cash outflows for financing activities		(494,286,107)	(522,020,024)
Repayment of short-term borrowings	40	364,893,224	406,333,106
Repayment of current portion of long-term borrowings	40	-	20,000,000
Repayment of debentures	40	98,180,000	64,734,000
Debentures issuance cost	40	508,091	551,566
Repayment of lease liabilities	40	22,821,202	22,547,890
Settlement of currency swaps	40	30,000	-
Payment of dividends		7,853,590	7,853,462
Net cash used in financing activities		(94,829,657)	(33,519,310)
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,022,950	22,084,662
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		26,746,086	4,646,807
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		468,834	14,617
CASH AND CASH EQUIVALENTS - END OF YEAR		₩ 48,237,870	₩ 26,746,086

(Concluded)

See notes to consolidated financial statements.

SHINSEGAE INTERNATIONAL INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. GENERAL INFORMATION:

Shinsegae International Inc. (the "Company"), is the owner of the Group according to Korean International Financial Reporting Standard (“K-IFRS”) 1110, Consolidated Financial Statements, and is an affiliate of the Shinsegae Group. Starting out as foreign business division under Shinsegae department store, Korea Institute of Industrial Distribution, which was established on October 25, 1980, has been developed for specialization and expansion of fashion business and changed the name as Shinsegae International Inc. in 1996.

The Company’s shares were listed on the Korea Stock Exchange on July 14, 2011. As of December 31, 2021, the Company’s capital stock was ₩35,700 million and the Company’s largest shareholder, Shinsegae Inc., and other three shareholders own 54.05% of the total Company shares.

2. SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of preparation

The Company and its subsidiaries (the “Group”) has prepared the consolidated financial statements in accordance with K-IFRSs.

The principal accounting policies are set out below. Except for the effect of the amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2021, are consistent with the accounting policies used to prepare the consolidated financial statements as of and for the year ended December 31, 2021.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102, Share-Based Payment; leasing transactions that are within the scope of K-IFRS 1116, Leases; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002, Inventories, or value in use in K-IFRS 1036, Impairment of Assets.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements as of and for the year ended December 31, 2021, were approved by the Group’s board of directors on February 8, 2022, and will be approved by the shareholders’ meeting on March 23, 2022.

1) New and amended K-IFRSs and new interpretations that are effective for the current year

In the current year, the Group has applied a number of new and amended K-IFRSs and new interpretations issued that are effective accounting periods beginning on or after January 1, 2021.

- K-IFRS 1116 Leases – Impact of the initial application of *Covid-19-Related Rent Concessions*(Amendment) beyond June 30, 2021

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022, and increased lease payments that extend beyond June 30, 2022).
- There is no substantive change to other terms and conditions of the lease.

- Impact of the initial application of Interest Rate Benchmark Reform

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to K-IFRS 1109, K-IFRS 1039, K-IFRS 1107, K-IFRS 1104 and K-IFRS 1116. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also, referred to as, 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The Group has not applied hedge accounting to its interest rate benchmark exposures, and does not anticipate that the new and amended K-IFRSs and new interpretations will have a significant impact on the Group's consolidated financial statements.

2) New and revised K-IFRSs in issue, but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised K-IFRSs that have been issued, but are not yet effective:

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 4 Insurance Contracts.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the board issued amendments to K-IFRS 1117 to address concerns and implementation challenges that were identified after K-IFRS 1117 was published. The amendments defer the date of initial application of K-IFRS 1117 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023. At the same time, the board issued Extension of the Temporary Exemption from Applying K-IFRS 1109 (amendments to K-IFRS 1104) that extends the fixed expiry date of the temporary exemption from applying K-IFRS 1109 in K-IFRS 1104 to annual reporting periods beginning on or after January 1, 2023.

K-IFRS 1117 must be applied retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

The amendments to K-IFRS 1001 affect only the presentation of liabilities as current or non-current in the statements of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; explain that rights are in existence if covenants are complied with at the end of the reporting period and introduce a definition of ‘settlement’ to make it clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

- K-IFRS 1103 Reference to the Conceptual Framework

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether, at the acquisition date, a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 Levies, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 Property, Plant and Equipment - Proceeds before Intended Use (Amendment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002, Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

If not presented separately in the statements of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the consolidated statements of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- Annual Improvements to K-IFRSs 2018–2020

The annual improvements include amendments to four standards, such as K-IFRS 1101 First-Time Adoption of K-IFRSs, K-IFRS 1109 Financial Instruments, K-IFRS 1116 Leases and K-IFRS 1041 Agriculture.

(a) K-IFRS 1101 First-Time Adoption of K-IFRSs (Amendment)
The amendment provides additional relief to a subsidiary, which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in K-IFRS 1101 paragraph D16(1) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to K-IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in K-IFRS 1101 paragraph D16(1).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

(b) K-IFRS 1109 Financial Instruments (Amendment)
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

(c) K-IFRS 1116 Leases (Amendment)
The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

(d) K-IFRS 1041 Agriculture (Amendment)
The amendment removes the requirement in K-IFRS 1041 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in K-IFRS 1041 with the requirements of K-IFRS 1113 Fair Value Measurement to use internally consistent cash flows and discount rates, and enables preparers to determine whether to use pretax or posttax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- K-IFRS 1001 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies(Amendment)

The amendments change the requirements in K-IFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information.' Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
The board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- K-IFRS 1008 Accounting Polices, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendments)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.”

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

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset in applying K-IFRS 1116 at the commencement date of a lease.

Following the amendments to K-IFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in K-IFRS 1012.

The board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Group is currently evaluating the impacts of the above-mentioned enactments and amendments on its consolidated financial statements.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (and its subsidiaries) made up to December 31 each year. Control is achieved when the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Group, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired, or disposed of, during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at 1) fair value or 2) at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 and K-IFRS 1019, respectively.
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 at the acquisition date.
- Assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, Non-Current Assets Held for Sale and Discontinued Operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value, and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(4) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with K-IFRS 1105. Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of K-IFRS 1028 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use and fair value, less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1109. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies K-IFRS 1109, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying K-IFRS 1109 to long-term interests, the Group does not take into account adjustments to their carrying amount required by K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028).

(5) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill resulting from the acquisition of an associate is described at Note 2.(4).

(6) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Korean won, which is the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

• Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings

• Exchange differences on transactions entered into in order to hedge certain foreign currency risks

• Exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(7) Cash and cash equivalents

Cash and cash equivalents include cash, savings and checking accounts and highly liquidated (maturities of three months or less from acquisition) short-term investments. Bank overdrafts are accounted for as short-term borrowings.

(8) Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component, which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(9) Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently at amortized cost or fair value, depending on the classification of the financial assets.

1) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- The financial asset is held within a business model, whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see 1–3) below).
- The Group may irrevocably designate a debt investment that meets the criteria of amortized cost or FVTOCI as measured at FVTPL; if doing so, eliminates or significantly reduces an accounting mismatch (see 1–4) below).

1-1) Amortized cost and effective interest rate method
The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECLs, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit and is included in the "financial income - interest income under the effective interest rate method" line item (see Note 33).

1-2) Debt instruments classified as at FVTOCI
The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 5. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking.

Investments in equity instruments at FVTOCI are initially measured at fair value, plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with K-IFRS 1109, unless the dividends clearly represent a recovery of part of the cost of the investment.

1-4) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see 1–3) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see 1–1) and 1–2) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called ‘accounting mismatch’) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- Derivatives (designated as financial guarantee contracts or effective derivatives designated as hedging items are excluded).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset, and is included in the ‘financial income and financial expense’ line item (see Note 34). Fair value is determined in the manner described in Note 5.

2) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and is translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘financial income and financial expense’ line item (see Notes 33 and 34).
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the ‘financial income and financial expense’ line item (see Notes 33 and 34). Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve.
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the ‘financial income and financial expense’ line item (see Notes 33 and 34).
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

3) Impairment of financial assets

The Group recognizes a loss allowance for ECLs on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECLs for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and valuation of individual assets, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3-1) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition, if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default.
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing.' Performing means that the counterparty has a strong financial position and there are no past-due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3-2) Definition of default
The Group believes that, in past experience, if the borrower violates the terms of the contract, it is considered to constitute a default event for internal credit risk management purposes.

Irrespective of the above analysis, the Group considers that default has occurred, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event (see 3-2) above)
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

3-4) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are more than three years' past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice, where appropriate.

3-5) Measurement and recognition of ECLs
The measurement of ECLs is a function of the probability of default, loss-given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss-given default is based on historical data adjusted by forward-looking information, as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECLs are consistent with the cash flows used in measuring the lease receivable in accordance with K-IFRS 1116 *Leases*.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECLs in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECLs are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(10) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories, except for those in transit measured using specific identification of their individual costs, is measured under the moving-average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(11) Property and equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized at the carrying amount of an asset, or as a separate asset, if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Assets	Estimated useful lives (years)
Building	50
Structures	25
Interior	5
Vehicles	5
Tools, furniture and fixtures	5–10

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(12) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized at the carrying amount of an asset, or as a separate asset, if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, building is depreciated based on the estimated useful lives (50 years) using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(13) Government grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants related to assets are presented in the consolidated statements of financial position by deducting the grant from the carrying amount of the asset. The related grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants toward staff retraining costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

(14) Lease

The Group has chosen the cumulative catch-up approach at the date of initial application of K-IFRS 1116. Therefore, the Group does not restate the comparative information. The detailed accounting policies that are applied under K-IFRS 1017 and K-IFRS 1116 are as follows:

1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs, including the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statements of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy (see Note 2.(11)).

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for ECLs on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

(15) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

4) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives.

(16) Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell or value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(17) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts are issued by the Group, are measured in accordance with the specific accounting policies set out below.

4) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when a financial liability is (i) a contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities, or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives and K-IFRS 1109 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘financial expense’ line item (see Note 34).

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in Note 5.

5) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

6) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘finance income and finance expense’ line item in profit or loss (see Notes 33 and 34) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

7) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, its obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other non-operating income and expense.

(18) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and foreign currency swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

A derivative with a positive fair value is recognized as a financial asset, whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated financial statements, unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of K-IFRS 1109 are not separated. The entire hybrid contract is classified and subsequently measured as either amortized cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months.

(19) Retirement benefit costs and termination benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit pension plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position, with a charge or credit recognized in the consolidated statements of comprehensive income, in the period in which they occur. Remeasurements recognized in the consolidated statements of comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

Service cost is recognized within selling and administrative expenses, net interest expense or income is recognized within finance costs, and remeasurement component is recognized in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by K-IFRS 1019 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with K-IFRS 1019 paragraph 70.

(20) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

1) Restoration provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognized when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

(21) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer. On the other hand, the Group mainly generates sales through department stores, hypermarket and direct management stores. The Group recognizes revenue from the following major sources:

1) Sale of goods - Corporate customers

The Group recognizes revenue when goods are shipped to a customer's specific location and control of the goods is transferred to the customer. After the goods are delivered, the customer has full discretion in the manner of distributing the goods and pricing, when the Group sells goods, and has a primary responsibility and risk of loss or obsolescence of goods. Accordingly, the Group recognizes receivables when the goods are delivered to customers.

2) Sale of goods - Individual customers

For sales of goods to individual customers, revenue is recognized when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods. Under the Group's standard contract terms, customers have a right of return within certain period. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognized for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales.

3) Sale of goods - Customer loyalty program
The Group operates a loyalty program through which retail customers accumulate points on purchased goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods. The promise to provide the discount to the customer is, therefore, a separate performance obligation.

The transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognized when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

(22) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(1) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see Note 3.(2)) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

1) Revenue recognition
In applying K-IFRS 1115, Revenue from Contracts with Customers, to determine when to fulfill performance obligation, the directors considered the detailed criteria for the recognition of revenue set out in K-IFRS 1115 and, in particular, whether the Group had transferred control of the goods to a customer.

2) Business model assessment
Classification and measurement of financial assets depend on the results of the solely payments of principal and interest and the business model test (see Note 2.(9)). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence, including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which an asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

3) Significant increase in credit risk
As explained in Note 2, if the credit risk of a financial instrument does not increase significantly after initial recognition, the allowance for doubtful receivables is measured at the amount equivalent to the expected 12-month credit loss. If the credit risk of the financial instrument is significantly increased after initial recognition, the Group measures the allowance for losses by the amount corresponding to the lifetime ECLs when its credit risk has increased significantly since initial recognition. K-IFRS 1109 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(2) Key sources of estimation uncertainty

1) Useful lives of property and equipment
As described in Note 2.(11) above, the Group reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

2) Calculation of loss allowance
When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss-given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3) Defined benefit plan
The Group's defined benefit obligation is determined based on the actuarial valuation carried out at the end of each annual reporting period. Actuarial assumptions are the Group's best estimates of the variables in determining the cost of providing postretirement benefits, such as discount rates, rates of expected future salary increases and mortality rates. Significant estimation uncertainty is likely to persist in making such assumptions due to the long-term nature of postretirement benefit plan.

4) Valuation of financial instruments
As described in Note 5, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain type of financial instruments. Note 5 provides detailed information about key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5) Impairment testing

Following the assessment of the recoverable amount of goodwill allocated, the directors consider the recoverable amount of goodwill allocated to be most sensitive to the achievement of the 2021 budget. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the board of directors. The revenue projections are inherently uncertain due to the short-term nature of the business and unstable market conditions.

4. SEGMENT INFORMATION:

(1) Products and services from which reportable segments derive their revenues

Information reported to the Group's management for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. The customer's default classification is individual and corporate. The Group's reportable segments under K-IFRS 1108 are as follows:

Division	Contents of main business	Major customers
Fashion and Lifestyle	Manufacturing and wholesale and retail of fashion and lifestyle	Individual and corporate
Cosmetics	Cosmetics manufacturing and wholesale and retail	

(2) Financial segment information (in thousands of Korean won)

	2021					
	Fashion and Lifestyle		Cosmetics			
	Domestic	Overseas	Domestic	Overseas	Common	Total
Sales	₩ 1,093,489,398	₩ 459,652	₩ 337,222,198	₩ 19,607,325	₩ -	₩ 1,450,778,573
Operating income (loss)	67,218,813	(870,413)	20,908,371	4,714,625	-	91,971,396
Depreciation	47,179,387	490,609	7,538,806	553,739	-	55,762,541
Amortization	4,661,082	-	2,448,259	118,280	-	7,227,621
Total assets (*1)	216,815,157	276,265	29,432,066	4,178,536	908,425,554	1,159,127,578
Total liabilities (*1)	-	-	-	-	439,493,174	439,493,174

(*1) Since the Group does not internally differentiate assets and liabilities, except for inventory assets, those are not reported to management.

	2020					
	Fashion and Lifestyle		Cosmetics			
	Domestic	Overseas	Domestic	Overseas	Common	Total
Sales	₩ 986,617,763	₩ 9,587,417	₩ 329,294,504	₩ -	₩ -	₩ 1,325,499,684
Operating income (loss)	8,201,112	(5,764,476)	31,327,696	-	-	33,764,332
Depreciation	50,356,992	976,055	6,890,659	-	-	58,223,706
Amortization	4,073,551	-	1,758,579	-	-	5,832,130
Total assets (*1)	206,096,821	5,990,051	40,463,335	1,189,257	893,714,982	1,147,454,446
Total liabilities (*1)	-	-	-	-	506,237,600	506,237,600

(*1) Since the Group does not internally differentiate assets and liabilities, except for inventory assets, those are not reported to management.

(3) Major customers

Sales to the largest customer is ₩43,230,245 thousand (for the year ended December 31, 2020: ₩98,710,345 thousand). There was no major customer making up for more than 10% of the Group's sale.

5. FINANCIAL INSTRUMENTS BY CATEGORIES:

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

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

(1) Categories of financial assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021			
	Book value			Fair value
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Total	
Cash and cash equivalents	₩ 48,237,870	₩ -	₩ 48,237,870	₩ 48,237,870
Short-term financial instruments	18,161,647	-	18,161,647	18,161,647
Long-term financial instruments	2,000	-	2,000	2,000
Trade and other receivables	136,229,880	-	136,229,880	136,229,880
Financial assets measured at FVTPL	-	20,790,498	20,790,498	20,790,498
Finance leases receivables (*1)	272,028	-	272,028	272,028
Derivative assets	-	4,325,155	4,325,155	4,325,155
Other financial assets (*1)	41,115,817	-	41,115,817	41,115,817
	₩ 244,019,242	₩ 25,115,653	₩ 269,134,895	₩ 269,134,895

(*1) Including non-current financial liabilities.

	December 31, 2020				
	Book value				Fair value
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Derivative assets for hedging purposes	Total	
Cash and cash equivalents	₩ 26,746,086	₩ -	₩ -	₩ 26,746,086	₩ 26,746,086
Short-term financial instruments	70,650	-	-	70,650	70,650
Long-term financial instruments	2,000	-	-	2,000	2,000
Trade and other receivables	125,459,152	-	-	125,459,152	125,459,152
Financial assets measured at FVTPL (*1)	-	15,632,255	-	15,632,255	15,632,255
Finance leases receivables (*1)	361,817	-	-	361,817	361,817
Derivative assets	-	-	735,820	735,820	735,820
Other financial assets (*1)	47,028,834	-	-	47,028,834	47,028,834
	199,668,539	15,632,255	735,820	216,036,614	216,036,614

(*1) Including non-current financial assets.

(2) Categories of financial liabilities as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021			
	Book value			Fair value
	Financial liabilities carried subsequently at amortized cost	Financial liabilities measured at FVTPL	Total	
Trade and other payables	₩ 92,011,407	₩ -	₩ 92,011,407	₩ 92,011,407
Borrowings and debentures (*1)	167,711,734	-	167,711,734	167,711,734
Lease liabilities (*1)	113,294,105	-	113,294,105	113,294,105
Derivative liabilities	-	1,976,024	1,976,024	1,976,024
Other financial liabilities (*1)	16,631,795	-	16,631,795	16,631,795
	₩ 389,649,041	₩ 1,976,024	₩ 391,625,065	₩ 391,625,065

(*1) Including non-current financial liabilities.

	December 31, 2020				
	Book value				Fair value
	Financial liabilities carried subsequently at amortized cost	Financial liabilities measured at FVTPL	Derivative liabilities for hedging purpose	Total	
Trade and other payables	₩ 82,505,449	₩ -	₩ -	₩ 82,505,449	₩ 82,505,449
Borrowings and debentures (*1)	225,041,934	-	-	225,041,934	225,041,934
Lease liabilities (*1)	146,556,078	-	-	146,556,078	146,556,078
Derivative liabilities (*1)	-	6,103,314	498,079	6,601,393	6,601,393
Other financial liabilities (*1)	15,894,793	-	-	15,894,793	15,894,793
	₩ 469,998,254	₩ 6,103,314	₩ 498,079	₩ 476,599,647	₩ 476,599,647

(*1) Including non-current financial liabilities.

(3) Profit and loss of financial instruments by category for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021					
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Derivative instruments for hedging purpose	Financial liabilities carried subsequently at amortized cost	Financial liabilities measured at FVTPL	Total
Interest income (expenses)	₩ 963,190	₩ 10,273	₩ -	₩ (6,687,787)	₩ -	₩ (5,714,324)
Gain (loss) on derivatives transaction	-	-	(709,000)	-	-	(709,000)
Gain (loss) on valuation of derivatives	-	6,477,767	-	-	1,974,678	8,452,445
Gain (loss) on hedging instruments entered into for cash flow hedge	-	-	338,260	-	-	338,260
Gain (loss) on valuation	-	5,658,243	-	-	-	5,658,243
Gain (loss) on disposition	391,613	-	-	-	-	391,613
Gain (loss) on foreign currency transaction	756,485	-	-	1,418,937	-	2,175,422
Gain (loss) on foreign currency translation	257,176	-	-	(6,865,848)	-	(6,608,672)
Remeasurement of loss allowance	(52,666)	-	-	-	-	(52,666)
	₩ 2,315,798	₩ 12,146,283	₩ (370,740)	₩ (12,134,698)	₩ 1,974,678	₩ 3,931,321

	2020						
	Financial assets carried subsequently at amortized cost	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Derivative instruments for hedging purpose	Financial liabilities carried subsequently at amortized cost	Financial liabilities measured at FVTPL	Total
Interest income (expenses)	₩ 1,060,572	₩ 65,568	₩ -	₩ -	₩ (10,071,737)	₩ -	₩ (8,945,597)
Gain (loss) on derivatives transaction	-	-	-	1,095,922	-	-	1,095,922
Gain (loss) on valuation of derivatives	-	-	-	(6,264,000)	-	(6,103,314)	(12,367,314)
Gain (loss) on hedging instruments entered into for cash flow hedge	-	-	-	422,047	-	-	422,047
Gain (loss) on disposition	-	-	(1,834)	-	-	-	(1,834)
Gain (loss) on foreign currency transaction	(65,135)	-	-	-	485,571	-	420,436
Gain (loss) on foreign currency translation	(216,838)	-	-	-	15,302,883	-	15,086,045
Remeasurement of loss allowance	(493,403)	-	-	-	-	-	(493,403)
	₩ 285,196	₩ 65,568	₩ (1,834)	₩ (4,746,031)	₩ 5,716,717	₩ (6,103,314)	₩ (4,783,698)

(4) Fair value of the Group's financial assets and financial liabilities that are measured at fair value repeatedly.

Financial assets/financial liabilities	Valuation techniques and key input	Significant unobservable inputs	Correlation between unobservable inputs and the fair value
Foreign exchange forward (Note 20)	Fair value of foreign exchange forward contract is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of foreign exchange forward contract, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates. The inputs used to measure fair value of foreign exchange forward contract are supported by observable market data, such as yield curves.	N/A	N/A
Interest rate swap (Note 20)	The discount rate and forward interest rate used to measure the fair value of interest rate swaps are determined based on an applicable yield curve derived from interest quoted in the current market at the end of the reporting period. The fair value of interest rate swaps was measured as a discount on the estimated future cash flows of interest rate swap based on forward interest rates derived from the above method at an appropriate discount rate.	N/A	N/A
Cross-currency swap (Note 20)	The inputs used to measure fair value of cross-currency swap are supported by observable market data, such as yield curves. Cross-currency swaps were measured as a discount on the estimated future cash flows of swap based on close exchange rate derived from the above.	N/A	N/A

6. <u>RESTRICTED FINANCIAL INSTRUMENTS:</u>

Financial instruments subject to withdrawal restrictions as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

Account	Withdrawal restrictions	December 31, 2021	December 31, 2020
Financial assets measured at FVTPL	Shared growth fund	₩ 10,000,000	₩ 10,500,000
Long-term financial instruments	Guarantee deposit for checking accounts	2,000	2,000
		₩ 10,002,000	₩ 10,502,000

7. FINANCIAL ASSETS MEASURED AT FVTPL:

(1) Details of financial assets measured at FVTPL as of December 31, 2021, are as follows (in thousands of Korean won):

Description	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Convertible bonds for investment (*1)	₩ -	₩ -	₩ 1,229,868	₩ -
Shared growth fund (*2)	-	10,000,000	-	10,500,000
Investments in equity instruments (*3)	-	9,790,498	-	2,902,387
Shares of investment association (*4)	-	1,000,000	-	1,000,000
	₩ -	₩ 20,790,498	₩ 1,229,868	₩ 14,402,387

(*1) The Group recognized the entire amount of impairment since it was impossible to recover the principal on the maturity convertible bonds for investment due to Entireworld Enterprise LLC filing for bankruptcy.
(*2) The Group classified financial assets at FVTPL as financial assets that were restricted in use as a shared growth fund.
(*3) The Group sold some of the shares of Moncler Korea Inc., which were classified as investments in associates, and classified the remaining shares as financial assets measured at FVTPL.
(*4) The Group classified the shares held by investing in the New Business Technology Investment Association as financial assets measured at FVTPL.

8. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

Account	December 31, 2021	December 31, 2020
Trade receivables	₩ 113,526,096	₩ 93,647,451
Less: Loss allowance	(46,822)	(12,996)
Trade receivables (net)	113,479,274	93,634,455
Other receivables	22,668,231	31,830,433
Less: Loss allowance	(2,039)	(5,736)
Other receivables (net)	22,666,192	31,824,697
Accrued income	84,414	-
	₩ 136,229,880	₩ 125,459,152

(2) Credit risk and loss allowance

The average credit period on sales of goods is 30–45 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade and other receivables at an amount equal to lifetime ECLs(Expected Credit Losses). The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current, as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

For example, the Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are more than three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

1) The following table details the risk profile of trade receivables based on the Group's provision matrix as of December 31, 2021 and 2020 (in thousands of Korean won):
As the Group's historical credit loss experience does show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished between the Group's different customer bases.

	December 31, 2021					
	Trade receivables		Other receivables		Accrued income	
Total book value	₩	113,526,096	₩	22,668,231	₩	84,414
Less: Individually assessed		(89,068,805)		(1,345,010)		-
Collectively assessed		24,457,291		21,323,221		84,414
ECL rate (*1)		0.00%-8.86%		0.00%-0.01%		-
Less: Lifetime ECLs		(46,822)		(2,039)		-
Less: Individually assessed allowance		-		-		-
Net book value	₩	113,479,274	₩	22,666,192	₩	84,414

(*1) The Group estimates the non-performing default rate by applying the default rate based on the total amount of the receivables and the amount of the credit losses of the collective bond valuations, excluding the individual bond valuations. The Group did not classify the receivables by delinquency period as most counterparties' credit risk is low.

	December 31, 2020			
	Trade receivables		Other receivables	
Total book value	₩	93,647,451	₩	31,830,433
Less: Individually assessed		(79,316,502)		(423,384)
Collectively assessed		14,330,949		31,407,049
ECL rate (*1)		0.00%-0.01%		0.00%-0.05%
Less: Lifetime ECLs		(12,996)		(5,736)
Less: Individually assessed allowance		-		-
Net book value	₩	93,634,455	₩	31,824,697

(*1) The Group estimates the non-performing default rate by applying the default rate based on the total amount of the receivables and the amount of the credit losses of the collective bond valuations, excluding the individual bond valuations. The Group did not classify the receivables by delinquency period as most counterparties' credit risk is low.

2) Details of changes in loss allowance for trade and other receivables for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021									
	Beginning balance		Bad debt expense (reversal)		Write-off		Others		Ending balance	
Trade receivables	₩	12,996	₩	56,364	₩	(24,068)	₩	1,530	₩	46,822
Other receivables		5,736		(3,697)		-		-		2,039
	₩	18,732	₩	52,667	₩	(24,068)	₩	1,530	₩	48,861

	2020							
	Beginning balance		Bad debt expense (reversal)		Business combination		Ending balance	
Trade receivables	₩	5,480	₩	(4,827)	₩	12,343	₩	12,996
Other receivables		2,993		2,743		-		5,736
	₩	8,473	₩	(2,084)	₩	12,343	₩	18,732

9. FINANCE LEASE RECEIVABLES:

(1) Details of finance lease receivables as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Undiscounted lease payments	Net investment in the lease	Undiscounted lease payments	Net investment in the lease
Current assets	₩ 96,000	₩ 95,001	₩ 96,000	₩ 95,001
Non-current assets	184,000	177,027	280,000	266,816
	₩ 280,000	₩ 272,028	₩ 376,000	₩ 361,817

(2) As a lessor, the Group enters into financial lease agreements in the form of sublease for some of the assets. The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all lease are denominated in Korean won. Details of amounts receivable under finance leases as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Less than 1 year	₩ 96,000	₩ 96,000
1 year–2 years	96,000	96,000
2 years–3 years	88,000	96,000
3 years–4 years	-	88,000
4 years–5 years	-	-
More than 5 years	-	-
	280,000	376,000
Less: Unearned finance income	(7,972)	(14,183)
Subtotal: Present value of minimum lease payments	272,028	361,817
Less: Loss allowance	-	-
Net investment in the lease	₩ 272,028	₩ 361,817

Amounts recognized in profit or loss for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Finance income on the net investment in finance leases	₩ 6,211	₩ 7,931

The Group’s lease commitment does not include variable lease payment. The effective interest rate contracted is 1.94% per annum.

(3) Impairment of finance lease receivables:

The Group estimates the loss allowance on finance lease receivables at an amount equal to lifetime ECLs. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables, the management considers that no finance lease receivable is impaired.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

10. OTHER FINANCIAL ASSETS:

(1) Details of other financial assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021				December 31, 2020			
	Current		Non-current		Current		Non-current	
Financial assets measured subsequently at amortized cost								
Leasehold deposits	₩	118,000	₩	39,836,317	₩	334,327	₩	44,952,257
Long-term receivables		-		1,161,500		-		1,742,250
	₩	118,000	₩	40,997,817	₩	334,327	₩	46,694,507

(2) Impairment of other financial assets

The Group recognizes the loss allowance for the deposit at the amount equivalent to the ECL for the entire period.

In determining the ECLs for these assets, the directors of the Group have taken into account the historical default experience and the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the redeemable notes, bills of exchange and debentures operate; obtained from economic expert reports and financial analyst reports and by considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other financial assets and no changes in ECLs for the years ended December 31, 2021 and 2020.

11. INVENTORIES:

(1) Details of inventories as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021					
	Acquisition cost		Valuation allowance		Carrying amount	
Merchandise	₩	210,935,629	₩	(31,852,748)	₩	179,082,881
Finished goods		58,323,886		(11,513,741)		46,810,145
Work in process		1,627,560		-		1,627,560
Raw materials		3,770,516		(261,496)		3,509,020
Supplies		3,432,873		-		3,432,873
Goods in transit		16,239,545		-		16,239,545
	₩	294,330,009	₩	(43,627,985)	₩	250,702,024

	December 31, 2020					
	Acquisition cost		Valuation allowance		Carrying amount	
Merchandise	₩	225,337,727	₩	(30,590,188)	₩	194,747,539
Finished goods		49,069,162		(15,425,983)		33,643,179
Work in process		894,880		-		894,880
Raw materials		8,421,519		-		8,421,519
Supplies		2,663,244		-		2,663,244
Goods in transit		13,369,103		-		13,369,103
	₩	299,755,635	₩	(46,016,171)	₩	253,739,464

The cost of inventories recognized as an expense during the year ended December 31, 2021, includes the valuation gains of ₩3,085,182 thousand as a increase of inventories to net realizable value and during the year ended December 31, 2020, the valuation losses of ₩3,330,270 thousand as a decrease of inventories to net realizable value.

(2) As of December 31, 2021, inventories are insured against fire and other casualty losses for up to ₩230,314,761 thousand by Samsung Fire & Marine Insurance Co., Ltd.

12. OTHER ASSETS:

Details of other assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Advance payments	₩ 4,001,404	₩ -	₩ 4,774,747	₩ -
Prepaid expenses	2,277,992	-	2,453,777	25,466
	₩ 6,279,396	₩ -	₩ 7,228,524	₩ 25,466

13. SUBSIDIARIES:

(1) Details of subsidiaries as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

				Ownership of the Group (%)		Ownership of the non-controlling interest (%)	
Name of subsidiary	Location	Business	Fiscal year end	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Shinsegae Tomboy Inc.	Korea	Manufacturing and retail sale of clothing goods	December 31	95.78	95.78	4.22	4.22
Shinsegae International Vietnam Co., Ltd.	Vietnam	Retail sale of stuff and merchandise	December 31	100.00	100.00	-	-
Jiyike Trading (SHANGHAI) Co., Ltd.	China	Retail sale of clothing goods	December 31	100.00	100.00	-	-
PP Produits Prestiges S.A.	Switzerland	Retail sale of cosmetics	December 31	100.00	100.00	-	-

(2) The summarized financial information of the subsidiaries as of December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	2021			
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.
Current assets	₩ 56,224,188	₩ 1,230,448	₩ 9,223,918	₩ 14,162,295
Non-current assets	18,535,956	504,960	129,564	8,735,013
Total assets	74,760,144	1,735,408	9,353,482	22,897,308
Current liabilities	11,079,951	391,140	7,727,887	1,155,512
Non-current liabilities	1,554,010	-	-	347,579
Total liabilities	12,633,961	391,140	7,727,887	1,503,091
Equity attributable to owners of the Group	59,493,863	1,344,268	1,625,595	21,394,217
Non-controlling interests	2,632,320	-	-	-
Total equities	₩ 62,126,183	₩ 1,344,268	₩ 1,625,595	₩ 21,394,217
Sales	₩ 112,785,153	₩ 459,652	₩ 12,100,475	₩ 9,666,093
Operating income (loss)	7,731,456	(931,120)	(911,755)	4,124,362
Net income (loss)	12,140,490	(1,049,069)	(958,587)	3,472,140
Other comprehensive income	290,517	82,599	88,331	578,256
Total comprehensive income (loss)	₩ 12,431,007	₩ (966,470)	₩ (870,256)	₩ 4,050,396

(*) Summarized financial information of the subsidiaries consists of the amounts after reflecting the adjustments of fair value that occurred on business combination and accounting policy differences between the Group and subsidiaries.

	2020				
	Shinsegae Tomboy Inc.	Shinsegae Poiret S.A.S. (*2)	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A. (*3)
Current assets	₩ 53,297,876	₩ -	₩ 832,844	₩ 8,451,257	₩ 9,584,821
Non-current assets	20,500,319	-	1,249,836	315,336	8,671,792
Total assets	73,798,195	-	2,082,680	8,766,593	18,256,613
Current liabilities	22,079,158	-	451,232	7,709,451	657,881
Non-current liabilities	2,023,862	-	360,430	-	153,057
Total liabilities	24,103,020	-	811,662	7,709,451	810,938
Equity attributable to owners of the Group	47,608,150	-	1,271,018	1,057,142	17,445,675
Non-controlling interests	2,087,025	-	-	-	-
Total equities	₩ 49,695,175	₩ -	₩ 1,271,018	₩ 1,057,142	₩ 17,445,675
Sales	₩ 117,098,873	₩ -	₩ 950,787	₩ 8,636,630	₩ -
Operating loss	(242,889)	(1,972,304)	(954,836)	(2,837,336)	-
Net income(loss)	1,074,791	(1,977,611)	(966,900)	(1,214,612)	-
Other comprehensive income (loss)	277,039	98,739	(104,071)	44,122	-
Total comprehensive income (loss)	₩ 1,351,830	₩ (1,878,872)	₩ (1,070,971)	₩ (1,170,490)	₩ -

(*1) Summarized financial information of the subsidiaries consists of the amounts after reflecting the adjustments of fair value that occurred on business combination and accounting policy differences between the Group and subsidiaries.
(*2) Sales, operating loss and total comprehensive income (loss) are financial information prior to the liquidation date.
(*3) Sales, operating loss and total comprehensive income (loss) are financial information after the acquisition date.

(3) The summarized cash flow information (before elimination of internal transaction) of the subsidiaries for the years ended December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	2021			
	Shinsegae Tomboy Inc.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.	PP Produits Prestiges S.A.
Cash flows from operating activities	₩ 17,413,033	₩ (150,867)	₩ (289,874)	₩ 2,781,621
Cash flows from investing activities	(1,591,760)	(8,093)	(30,443)	(118,607)
Cash flows from financing activities	(12,640,109)	647,877	952,718	(119,577)
Net increase in cash and cash equivalents	3,181,164	488,917	632,401	2,543,437
Cash and cash equivalents – beginning of year	6,071,165	89,241	796,840	8,104,266
Effect of exchange rate changes on cash and cash equivalents	-	(20,887)	(17,635)	507,356
Cash and cash equivalents – end of year	₩ 9,252,329	₩ 557,271	₩ 1,411,606	₩ 11,155,059

	2020			
	Shinsegae Tomboy Inc.	Shinsegae Poiret S.A.S.	Shinsegae International Vietnam Co., Ltd.	Jiyike Trading (SHANGHAI) Co., Ltd.
Cash flows from operating activities	₩ 12,861,304	₩ (557,647)	₩ (273,662)	₩ (897,750)
Cash flows from investing activities	2,107,831	473,759	(45,468)	(57,518)
Cash flows from financing activities	(9,310,223)	(907,431)	316,037	521,835
Net increase (decrease) in cash and cash equivalents	5,658,912	(991,319)	(3,093)	(433,433)
Cash and cash equivalents – beginning of year	412,253	960,629	127,218	1,211,463
Effect of exchange rate changes on cash and cash equivalents	-	30,690	(34,884)	18,810
Cash and cash equivalents – end of year	₩ 6,071,165	₩ -	₩ 89,241	₩ 796,840

(4) Ownership interest held by non-controlling interests, the financial position and the results of operations attributable to non-controlling interest as of December 31, 2021, are as follows (in thousands of Korean won):

Investee	Ownership held by non-controlling interests (%)	Cumulative non-controlling interests	Net income attributable to non-controlling interests	Total comprehensive income attributable to non-controlling interests
Shinsegae Tomboy Inc.	4.22	₩ 2,632,320	₩ 533,035	₩ 545,295

14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of investments in associates and joint ventures as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

				December 31, 2021		
Investee	Location	Business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
Shinsegae Simon Inc.	Korea	Construction and renting business of high-end brand outlet store	December 31	25.00	₩ 19,250,000	₩ 99,442,150
Celine Shinsegae Co., Ltd. (*1)	Korea	Retail sale of clothing and miscellaneous goods	December 31	-	-	-
RawRow Inc.	Korea	Retail sale of miscellaneous goods	December 31	34.65	1,680,000	1,917,539
Signite Partners Co., Ltd.	Korea	Financial investment	December 31	50.00	10,000,000	10,701,407
Smart Shinsegae Signite Venture Fund	Korea	Financial investment	December 31	20.00	6,000,000	5,862,512
Shinsegae Wellness Venture Fund (*2)	Korea	Financial investment	December 31	49.45	2,250,000	2,197,070
					₩ 39,180,000	₩ 120,120,678

(*1) It was excluded from investments in associates during the current period.
(*2) As a result of considering the composition ratio of other investors at the time of establishment, it was determined that the Group could exert significant influence.

				December 31, 2020		
Investee	Location	Business	Fiscal year end	Percentage of ownership (%)	Acquisition cost	Carrying amount
Shinsegae Simon Inc.	Korea	Construction and renting business of high-end brand outlet store	December 31	25.00	₩ 19,250,000	₩ 91,771,370
Celine Shinsegae Co., Ltd.	Korea	Retail sale of clothing and miscellaneous goods	December 31	49.00	98,000	2,621
RawRow Inc.	Korea	Retail sale of miscellaneous goods	December 31	35.00	1,680,000	2,014,927
Signite Partners Co., Ltd. (*)	Korea	Financial investment	December 31	50.00	10,000,000	9,330,456
Smart Shinsegae Signite Venture Fund (*)	Korea	Financial investment	December 31	20.00	2,000,000	1,988,811
					₩ 33,028,000	₩ 105,108,185

(*) As a result of considering the composition ratio of other investors at the time of establishment, it was determined that the Group could exert significant influence.

(2) Details of changes in investments in associates for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021						
Investee	Beginning balance	Acquisition	Disposal	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Dividends	Ending balance
Investments in associates:							
Shinsegae Simon Inc.	₩ 91,771,370	₩ -	₩ -	₩ 14,466,425	₩ 646,905	₩ (7,442,550)	₩ 99,442,150
Celine Shinsegae Co., Ltd.	2,621	-	(2,581)	(40)	-	-	-
RawRow Inc.	2,014,927	-	-	(97,388)	-	-	1,917,539
Signite Partners Co., Ltd.	9,330,456	-	-	1,393,753	(22,802)	-	10,701,407
Smart Shinsegae Signite Venture Fund	1,988,811	4,000,000	-	(126,299)	-	-	5,862,512
Shinsegae Wellness Venture Fund	-	2,250,000	-	(52,930)	-	-	2,197,070
	₩ 105,108,185	₩ 6,250,000	₩ (2,581)	₩ 15,583,521	₩ 624,103	₩ (7,442,550)	₩ 120,120,678

	2020							
Investee	Beginning balance	Acquisition	Disposal	Share of profit (loss) of associates	Share of other comprehensive income (loss) of associates	Dividends	Other	Ending balance
Investments in joint ventures:								
Intercos Korea Inc.	₩ 2,026,026	₩ -	₩ (2,030,684)	₩ 4,658	₩ -	₩ -	₩ -	₩ -
Investments in associates:								
Shinsegae Simon Inc.	85,332,574	-	-	13,183,295	(128,899)	(6,615,600)	-	91,771,370
Moncler Korea Inc.	2,775,150	-	-	146,712	-	-	(2,921,862)	-
Celine Shinsegae Co., Ltd.	68,473	-	-	(65,852)	-	-	-	2,621
RawRow Inc.	2,088,868	-	-	(61,428)	(12,513)	-	-	2,014,927
Signite Partners Co., Ltd.	-	10,000,000	-	(669,544)	-	-	-	9,330,456
Smart Shinsegae Signite Venture Fund	-	2,000,000	-	(11,189)	-	-	-	1,988,811
	90,265,065	12,000,000	-	12,521,994	(141,412)	(6,615,600)	(2,921,862)	105,108,185
	₩ 92,291,091	₩ 12,000,000	₩ (2,030,684)	₩ 12,526,652	₩ (141,412)	₩ (6,615,600)	₩ (2,921,862)	₩ 105,108,185

(3) The summarized financial information on investments in associates as of December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	December 31, 2021				
	Shinsegae Simon Inc.	RawRow Inc.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Current assets	₩ 291,375,999	₩ 3,136,758	₩ 4,458,373	₩ 10,383,542	1,042,136
Non-current assets	742,409,920	403,004	17,874,911	19,216,518	3,509,281
Total assets	1,033,785,919	3,539,762	22,333,284	29,600,060	4,551,417
Current liabilities	228,090,368	568,753	540,132	287,500	108,453
Non-current liabilities	407,926,952	-	390,339	-	-
Total liabilities	636,017,320	568,753	930,471	287,500	108,453
Total equities	₩ 397,768,599	₩ 2,971,009	₩ 21,402,813	₩ 29,312,560	4,442,964
Sales	₩ 190,767,892	₩ 6,146,713	₩ 7,620,118	₩ 543,843	2,728
Operating income (loss)	89,648,932	(463,897)	2,787,348	(631,495)	(107,036)
Net income (loss)	57,865,698	(267,068)	2,787,506	(631,495)	(107,036)
Other comprehensive income (loss)	2,587,621	-	(21,543)	-	-
Total comprehensive income (loss)	₩ 60,453,319	₩ (267,068)	₩ 2,765,963	₩ (631,495)	(107,036)

(*) The summarized financial information of the associates consists of the amounts after reflecting the adjustments of accounting policy differences between the Group and investments in associates. However, goodwill recognized by the Group and inter-Group transactions are not reflected to the associate.

	December 31, 2020				
	Shinsegae Simon Inc.	Celine Shinsegae Co., Ltd.	RawRow Inc.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund
Current assets	₩ 223,921,718	₩ 5,349	₩ 3,611,656	₩ 8,635,318	₩ 10,001,932
Non-current assets	759,429,735	-	413,596	10,986,817	-
Total assets	983,351,453	5,349	4,025,252	19,622,135	10,001,932
Current liabilities	237,214,484	-	805,408	419,812	57,877
Non-current liabilities	379,051,489	-	-	541,412	-
Total liabilities	616,265,973	-	805,408	961,224	57,877
Total equities	₩ 367,085,480	₩ 5,349	₩ 3,219,844	₩ 18,660,911	₩ 9,944,055
Sales	₩ 175,377,257	₩ -	₩ 8,823,852	₩ 90,641	₩ 986
Operating income (loss)	84,013,424	(127,849)	615,512	(1,339,130)	(55,945)
Net income (loss)	52,733,181	(134,391)	714,615	(1,339,089)	(55,945)
Other comprehensive loss	(515,596)	-	-	-	-
Total comprehensive income (loss)	₩ 52,217,585	₩ (134,391)	₩ 714,615	₩ (1,339,089)	₩ (55,945)

(*) The summarized financial information of the associates consists of the amounts after reflecting the adjustments of accounting policy differences between the Group and investments in associates. However, goodwill recognized by the Group and inter-Group transactions are not reflected to the associate.

(4) Details of adjustments from investee's net assets to carrying amount as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021				
	Shinsegae Simon Inc.	RawRow Inc.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund	Shinsegae Wellness Venture Fund
Net assets (A)	₩ 397,768,599	₩ 2,971,009	₩ 21,402,813	₩ 29,312,560	₩ 4,442,964
Percentage of ownership (B)	25.00%	34.65%	50.00%	20.00%	49.45%
Net assets of the Group (AxB)	99,442,150	1,029,557	10,701,407	5,862,512	2,197,070
(+) Goodwill	-	887,982	-	-	-
Carrying amount	₩ 99,442,150	₩ 1,917,539	₩ 10,701,407	₩ 5,862,512	₩ 2,197,070

	December 31, 2020				
	Shinsegae Simon Inc.	Celine Shinsegae Co., Ltd.	RawRow Inc.	Signite Partners Co., Ltd.	Smart Shinsegae Signite Venture Fund
Net assets (A)	₩ 367,085,480	₩ 5,349	₩ 3,219,844	₩ 18,660,911	₩ 9,944,055
Percentage of ownership (B)	25.00%	49.00%	35.00%	50.00%	20.00%
Net assets of the Group (AxB)	91,771,370	2,621	1,126,945	9,330,456	1,988,811
(+) Goodwill	-	-	887,982	-	-
Carrying amount	₩ 91,771,370	₩ 2,621	₩ 2,014,927	₩ 9,330,456	₩ 1,988,811

15. PROPERTY AND EQUIPMENT:

(1) Details of property and equipment as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021			
	Acquisition cost	Accumulated depreciation	Government grant	Carrying amount
Land	₩ 100,780,367	₩ -	₩ -	₩ 100,780,367
Buildings	123,527,806	(18,959,481)	-	104,568,325
Structures	650,040	(648,522)	-	1,518
Interior	158,212,147	(102,400,276)	-	55,811,871
Vehicles	891,479	(821,776)	-	69,703
Tools, furniture and fixtures	54,519,541	(34,373,293)	-	20,146,248
Construction in progress	5,296,060	-	-	5,296,060
	₩ 443,877,440	₩ (157,203,348)	₩ -	₩ 286,674,092

	December 31, 2020			
	Acquisition cost	Accumulated depreciation	Government grant	Carrying amount
Land	₩ 108,473,279	₩ -	₩ -	₩ 108,473,279
Buildings	126,462,230	(16,853,507)	-	109,608,723
Structures	650,040	(644,549)	-	5,491
Interior	181,887,066	(114,379,174)	(6,838)	67,501,054
Vehicles	1,082,004	(872,425)	-	209,579
Tools, furniture and fixtures	54,650,766	(32,699,350)	(1,457)	21,949,959
Construction in progress	2,318,884	-	-	2,318,884
	₩ 475,524,269	₩ (165,449,005)	₩ (8,295)	₩ 310,066,969

(2) Details of changes in property and equipment for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021						
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer (*1)	Foreign exchange differences	Ending balance
Land	₩ 108,473,279	₩ -	₩ -	₩ -	₩ (7,692,912)	₩ -	₩ 100,780,367
Buildings	109,608,723	-	-	(2,514,572)	(2,525,826)	-	104,568,325
Structures	5,491	-	-	(3,973)	-	-	1,518
Interior	67,501,054	19,782,999	(12,423,276)	(23,896,754)	4,880,015	(32,167)	55,811,871
Vehicles	209,579	-	(67,937)	(72,291)	-	352	69,703
Tools, furniture and fixtures	21,949,959	2,370,735	(185,013)	(4,897,503)	908,050	20	20,146,248
Construction in progress	2,318,884	10,997,440	-	-	(8,020,264)	-	5,296,060
	₩ 310,066,969	₩ 33,151,174	₩ (12,676,226)	₩ (31,385,093)	₩ (12,450,937)	₩ (31,795)	₩ 286,674,092

(*1) A total of ₩12,473,570 thousand, including ₩10,218,738 thousand transferred to investment property and ₩1,938,674 thousand transferred to non-current assets held for sale, is deducted and ₩22,633 thousand transferred from advance payments to Construction in progress is included.

	2020							
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer (*1)	Foreign exchange differences	Business combination (*2)	Ending balance
Land	₩ 119,608,566	₩ -	₩ (2,200,206)	₩ -	₩ (8,935,081)	₩ -	₩ -	₩ 108,473,279
Buildings	118,726,225	6,269	(1)	(2,693,308)	(6,430,462)	-	-	109,608,723
Structures	30,063	-	-	(24,572)	-	-	-	5,491
Interior	65,185,229	25,165,368	(6,174,710)	(25,412,983)	7,618,880	(14,230)	1,133,500	67,501,054
Vehicles	268,348	-	(3)	(83,946)	-	-	25,180	209,579
Tools, furniture and fixtures	22,335,160	3,465,316	(101,453)	(4,602,509)	846,198	2,928	4,319	21,949,959
Construction in progress	2,067,028	10,150,506	-	-	(9,898,650)	-	-	2,318,884
	₩ 328,220,619	₩ 38,787,459	₩ (8,476,373)	₩ (32,817,318)	₩ (16,799,115)	₩ (11,302)	₩ 1,162,999	₩ 310,066,969

(*1) A total of ₩17,103,914 thousand, including ₩4,503,250 thousand transferred to investment property and ₩11,147,293 thousand transferred to other receivables, is deducted and ₩304,800 thousand transferred from prepaid expenses to interior is included.

(*2) The increase was due to business combinations resulting from business acquisitions and equity acquisitions of the domestic fashion brand (see Note 45).

(3) Depreciation expense from property and equipment is included in selling and administrative expenses.

(4) As of December 31, 2021, property, equipment and investment property are insured against fire and other casualty losses for up to ₩297,815,895 thousand by Samsung Fire & Marine Insurance Co., Ltd. Also, the Group carries comprehensive and business liability insurance against accident.

(5) As of December 31, 2021, no Group assets have been pledged as collateral to financial institutions for the Group’s borrowings.

16. INVESTMENT PROPERTY:

(1) Details of investment property as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 34,702,564	₩ -	₩ 34,702,564
Buildings	11,906,621	(1,846,027)	10,060,594
	₩ 46,609,185	₩ (1,846,027)	₩ 44,763,158

(*) The Group has contracts to provide operating leases for investment property.

	December 31, 2020		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 27,009,652	₩ -	₩ 27,009,652
Buildings	8,972,197	(1,243,313)	7,728,884
	₩ 35,981,849	₩ (1,243,313)	₩ 34,738,536

(*) The Group has contracts to provide operating leases for investment property.

(2) Details of changes in investment property for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021			
	Beginning balance	Depreciation	Transfer (*1)	Ending balance
Land	₩ 27,009,652	₩ -	₩ 7,692,912	₩ 34,702,564
Buildings	7,728,884	(194,116)	2,525,826	10,060,594
	₩ 34,738,536	₩ (194,116)	₩ 10,218,738	₩ 44,763,158

(*1) Transfer from property and equipment (see Note 15).

	Beginning balance	Depreciation	Transfer (*1)	Ending balance
Land	₩ 27,009,652	₩ -	₩ -	₩ 27,009,652
Buildings	3,354,859	(129,225)	4,503,250	7,728,884
	₩ 30,364,511	₩ (129,225)	₩ 4,503,250	₩ 34,738,536

(3) Details of income and expense relating to investment property for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Rental income	₩ 827,153	₩ 726,489
Operating expense related to rental income	(292,099)	(181,232)
	₩ 535,054	₩ 545,257

(4) Details of fair value of investment property as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Land	₩ 34,702,564	₩ 57,276,788	₩ 27,009,652	₩ 34,432,922
Buildings	10,060,594	11,906,620	7,728,884	8,972,197
	₩ 44,763,158	₩ 69,183,408	₩ 34,738,536	₩ 43,405,119

The fair value of an investment property is based on the valuation performed by FIRST APPRAISAL & CONSULTING Co., Ltd., an independent external real estate appraisal, with appropriate qualifications and experience in relation to the real estate appraisal in that area. Also, it is valued based on the valuation amounts that reflect the value of the property, its officially assessed or standard price and the price of recent similar transactions that are currently available.

The fair value of investment property is categorized as Level 3 based on input variables used in fair value measurements.

(5) Depreciation expense from investment property is included in selling and administrative expenses.

17. RIGHT-OF-USE ASSETS:

(1) Details of right-of-use assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021			
	Land	Buildings	Vehicles	Total
Acquisition cost	₩ 81,494,573	₩ 76,249,240	₩ 699,839	₩ 158,443,652
Accumulated depreciation	(13,733,938)	(39,513,930)	(512,127)	(53,759,995)
Carrying amount	₩ 67,760,635	₩ 36,735,310	₩ 187,712	₩ 104,683,657

	December 31, 2020			
	Land	Buildings	Vehicles	Total
Acquisition cost	₩ 81,494,573	₩ 98,385,001	₩ 960,527	₩ 180,840,101
Accumulated depreciation	(9,153,932)	(32,125,966)	(390,611)	(41,670,509)
Carrying amount	₩ 72,340,641	₩ 66,259,035	₩ 569,916	₩ 139,169,592

(2) Details of changes in right-of-use assets for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021			
	Land	Buildings	Vehicles	Total
Beginning balance	₩ 72,340,641	₩ 66,259,035	₩ 569,916	₩ 139,169,592
Increase	-	3,834,842	32,639	3,867,481
Decrease	-	(14,146,047)	(152,411)	(14,298,458)
Depreciation	(4,580,006)	(19,340,894)	(262,432)	(24,183,332)
Others	-	128,374	-	128,374
Ending balance	₩ 67,760,635	₩ 36,735,310	₩ 187,712	₩ 104,683,657

	2020			
	Land	Buildings	Vehicles	Total
Beginning balance	₩ 76,920,647	₩ 52,465,567	₩ 282,793	₩ 129,669,007
Increase	-	37,873,792	627,539	38,501,331
Decrease	-	(3,648,681)	(25,267)	(3,673,948)
Depreciation	(4,580,006)	(20,382,007)	(315,149)	(25,277,162)
Others	-	(49,636)	-	(49,636)
Ending balance	₩ 72,340,641	₩ 66,259,035	₩ 569,916	₩ 139,169,592

(3) Amounts recognized in profit and loss for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Depreciation expense on right-of-use assets	₩ 24,183,332	₩ 25,277,162
Interest expense on lease liabilities	3,345,749	3,741,669
Expense relating to short-term leases	1,087,475	787,361
Expense relating to leases of low-value assets	1,148,075	1,304,162
Expense relating to variable lease payments not included in the measurement of the lease liabilities (*1)	36,556,978	27,310,379
Income from subleasing right-of-use assets	(6,211)	(7,931)

(*1) Other lease fees are included as variable lease payments by sales.

The Group has applied the practical expedient to all rent concessions that meet the condition related to COVID-19-Related Rent Concessions (Amendment) as of December 31, 2021.

The total amount of cash outflow due to leases is ₩64,959,479 thousand (for the year ended December 31, 2020: ₩55,691,461 thousand).

18. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 10,877,414	₩ (5,429,601)	₩ -	₩ 5,447,813
Goodwill	18,628,576	-	-	18,628,576
Others	80,294,108	(36,046,129)	(691,887)	43,556,092
Construction in progress	3,761,177	-	-	3,761,177
	₩ 113,561,275	₩ (41,475,730)	₩ (691,887)	₩ 71,393,658

	December 31, 2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Carrying amount
Industrial property rights	₩ 10,343,349	₩ (4,758,048)	₩ -	₩ 5,585,301
Goodwill	18,526,787	-	-	18,526,787
Others	71,646,821	(31,528,275)	(691,887)	39,426,659
Construction in progress	3,463,682	-	-	3,463,682
	₩ 103,980,639	₩ (36,286,323)	₩ (691,887)	₩ 67,002,429

(2) Details of changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021						
	Beginning balance	Acquisition	Disposal	Amortization	Transfer (*1)	Others	Ending balance
Industrial property rights	₩ 5,585,301	₩ 154,871	₩ (8,225)	₩ (676,272)	₩ 392,138	₩ -	₩ 5,447,813
Goodwill	18,526,787	-	-	-	-	101,789	18,628,576
Others	39,426,659	4,035,147	(96,560)	(6,551,349)	6,855,500	(113,305)	43,556,092
Construction in progress	3,463,682	7,558,465	(11,332)	-	(7,249,638)	-	3,761,177
	₩ 67,002,429	₩ 11,748,483	₩ (116,117)	₩ (7,227,621)	₩ (2,000)	₩ (11,516)	₩ 71,393,658

(*1) It consists of ₩2,000 thousand transferred from construction in progress to advance payments.

	2020							
	Beginning balance	Acquisition	Disposal	Amortization	Transfer (*1)	Impairment	Business combination (*2)	Ending balance
Industrial property rights	₩ 6,288,493	₩ 59,415	₩ -	₩ (862,227)	₩ 83,920	₩ -	₩ 15,700	₩ 5,585,301
Goodwill	11,053,808	-	-	-	-	-	7,472,979	18,526,787
Others	27,314,702	3,738,560	(1,015)	(4,969,903)	3,634,557	(220,887)	9,930,645	39,426,659
Construction in progress	2,186,282	3,959,463	(2,999)	-	(2,679,064)	-	-	3,463,682
	₩ 46,843,285	₩ 7,757,438	₩ (4,014)	₩ (5,832,130)	₩ 1,039,413	₩ (220,887)	₩ 17,419,324	₩ 67,002,429

(*1) It was transferred from construction in progress.
(*2) The increase was due to business combinations resulting from business acquisitions and equity acquisitions of the domestic fashion brand (see Note 44).

(3) Depreciation expense from intangible assets is included in selling and administrative expenses.

19. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Trade payables	₩ 36,081,493	₩ -	₩ 37,739,570	₩ -
Other accounts payable	41,440,792	-	34,185,749	-
Accrued expenses	14,489,122	-	10,580,130	-
	₩ 92,011,407	₩ -	₩ 82,505,449	₩ -

The Group determined that the carrying amount of trade and other payables is similar to the fair value.

20. DERIVATIVE FINANCIAL INSTRUMENTS:

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Details of derivative financial instruments as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Assets:				
Derivatives designated as hedging instruments and effective in hedging				
Cross-currency swap	₩ -	₩ -	₩ 735,820	₩ -
Derivatives not designated as hedging instruments				
Cross-currency swap	-	4,325,155	-	-
Total	₩ -	₩ 4,325,155	₩ 735,820	₩ -
Liabilities:				
Derivatives designated as hedging instruments and effective in hedging				
Interest rate swap	₩ -	₩ -	₩ 21,671	₩ -
Cross-currency swap	-	-	476,408	-
Derivatives not designated as hedging instruments				
Cross-currency swap	-	1,976,024	-	6,103,314
Total	₩ -	₩ 1,976,024	₩ 498,079	₩ 6,103,314

21. BORROWINGS:

(1) Details of borrowings as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Short-term borrowings	₩ 44,166,975	₩ -	₩ 66,429,238	₩ -
Long-term borrowings	-	17,514,080	-	17,922,420
Debentures	-	106,030,679	97,750,778	42,939,498
Total	₩ 44,166,975	₩ 123,544,759	₩ 164,180,016	₩ 60,861,918

(2) Details of short-term borrowings as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	Lender	Annual interest rate (%) as of December 31, 2021	December 31, 2021	December 31, 2020
General capital loan	Shinhan Bank Shanghai	4.70	₩ 618,647	₩ 20,752,990
Banker's usance	Woori Bank and others	LIBOR (6M)+0.25–0.35	43,548,328	45,676,248
			₩ 44,166,975	₩ 66,429,238

(3) Details of long-term borrowings as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	Lender	Annual interest rate (%) as of December 31, 2021	December 31, 2021	December 31, 2020
Borrowings in foreign currency	Shinhan Bank Japan (SBJ Bank) (*1)	1.00	₩ 17,514,080	₩ 17,922,420
Less: Current portion of long-term borrowings			-	-
			₩ 17,514,080	₩ 17,922,420

(*1) Foreign currency long-term borrowings are based on the fixed interest rate, and the Group hedges risk of exchange rate fluctuations through cross-currency swaps, which are designed to fix the exchange rate for interest and principal paid. (see Notes 20 and 43).

(4) Details of debentures as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

Description	Issued date	Maturity	Annual interest rate (%) as of December 31, 2021	December 31, 2021	December 31, 2020
6th Private debenture	2018.02.13	2021.02.10	-	₩ -	₩ 32,640,000
7th Private debenture	2018.03.27	2021.03.29	-	-	21,760,000
8th Private debenture	2018.04.10	2021.04.09	-	-	32,640,000
9th Private debenture (*1)	2020.04.08	2023.04.11	LIBOR (3M)+1.35	23,710,000	21,760,000
10th Private debenture (*1)	2020.06.25	2023.06.23	LIBOR (3M)+1.25	23,710,000	21,760,000
11th Private debenture (*1)	2021.02.10	2024.02.14	LIBOR (3M)+0.90	35,565,000	-
12th Private debenture (*1)	2021.03.29	2024.03.28	LIBOR (3M)+0.90	23,710,000	-
59th Private debenture	2018.10.12	2021.10.12	-	-	10,880,000
				106,695,000	141,440,000
Less: Discount on debentures				(664,321)	(749,724)
				106,030,679	140,690,276
Less: Current portion of long-term debentures				-	(97,750,778)
				₩ 106,030,679	₩ 42,939,498

(*1) Debentures issued in the foreign currency are based on the floating interest rates, and the Group hedges cash flow risks through cross-currency swaps, which are designed to exchange floating interest rates in foreign currency, with fixed interest rates in Korean won (see Notes 20 and 43).

The Group determined that fair value of borrowings is similar to the carrying amount because the effect of discounting is not significant.

(5) The repayment plan of long-term borrowings and debentures as of December 31, 2021, is as follows (in thousands of Korean won):

Description	Long-term borrowings	Debentures (par value)
2022	₩ -	₩ -
2023	17,514,080	47,420,000
2024	-	59,275,000
	₩ 17,514,080	₩ 106,695,000

22. LEASE LIABILITIES:

(1) Details of lease liabilities as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
Current liabilities	₩	21,366,061	₩	24,692,847
Non-current liabilities		91,928,044		121,863,231
Total	₩	113,294,105	₩	146,556,078

(2) The maturity analysis of lease liabilities as of December 31, 2021, is as follows (in thousands Korean won):

	December 31, 2021		December 31,2020	
Within 1 year	₩	21,620,643	₩	26,923,213
1 year–5 years		42,867,392		69,887,778
More than 5 years		73,562,534		78,184,308
		138,050,569		174,995,299
Less: Adjusted present value		(24,756,464)		(28,439,221)
Present value of lease liabilities	₩	113,294,105	₩	146,556,078

The Group has applied the practical expedient to all rent concessions that meet the condition related to COVID-19-Related Rent Concessions (Amendment) as of December 31, 2021.

23. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of December 31, 2021 and 2020, consist of the following (in thousands of Korean won):

	December 31, 2021				December 31, 2020			
	Current		Non-current		Current		Non-current	
Dividends payable	₩	2,244	₩	-	₩	1,833	₩	-
Withholding deposits		11,914,742		4,285,726		11,430,651		4,033,226
Rehabilitation debt (*1)		429,083		-		429,084		-
	₩	12,346,069	₩	4,285,726	₩	11,861,568	₩	4,033,226

(*1) Rehabilitation debt consists of the debts repaid according to the debt settlement of rehabilitation plan as of December 31, 2021.

24. RETIREMENT BENEFIT PLANS:

(1) Defined contribution plan

The Group operates defined contribution retirement benefit plans for all qualifying employees. Plan assets are held by a fund that is legally separate from assets of the Group. If employees leave before the vesting conditions for defined contribution plans are met, the contribution to be paid by the Group is reduced by the amount of the lost contribution.

The Group recognized retirement benefits, including benefits paid, of ₩1,518,794 thousand and ₩2,385,273 thousand relating to defined contribution plan in the consolidated statements of comprehensive income as of December 31, 2021 and 2020, respectively.

(2) Defined benefit plan

The Group provides a defined benefit plan to its employees.

The last actuarial valuation of plan assets and defined benefit obligation is performed by MIRAE ASSET DAEWOO Co., Ltd. The valuation of present value of the defined benefit obligation, related current service cost and past service cost is determined using the projected unit credit method.

1) Amounts recognized in the consolidated statements of financial position related to defined benefit plan as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
Present value of defined benefit obligation	₩	56,198,483	₩	60,890,948
Fair value of plan asset		(54,608,511)		(56,608,086)
Retirement benefit obligation (*1)	₩	1,589,972	₩	4,282,862

(*1) Plan assets that exceed the present value of defined benefit obligations within the Group are presented as invested asset for postemployment benefit in the consolidated statements of financial position.

2) Details of changes in defined benefit obligation for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021		2020	
Beginning balance	₩	60,890,948	₩	53,926,906
Current service cost		9,977,241		9,503,118
Interest expense		1,039,047		986,231
Remeasurements:				
Actuarial gain arising from changes in demographic assumptions		-		3,105
Actuarial gain arising from changes in financial assumptions		(2,781,338)		342,633
Actuarial gain arising from changes in experience adjustments		230,276		1,463,074
		(2,551,062)		1,808,812
Benefits paid		(12,170,509)		(5,605,628)
Transfers to affiliates		(987,182)		271,509
Ending balance	₩	56,198,483	₩	60,890,948

3) Details of changes in fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021		2020	
Beginning balance	₩	56,608,086	₩	48,051,312
Interest income		966,435		873,537
Remeasurements		238,219		214,635
Contributions from the employer		13,316,000		11,627,907
Benefits paid		(15,428,273)		(4,346,885)
Transfers to affiliates		(991,130)		272,638
Others		(100,826)		(85,058)
Ending balance	₩	54,608,511	₩	56,608,086

4) Details of administrative costs for defined benefit plan recognized for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021		2020	
Current service cost	₩	9,977,241	₩	9,503,117
Interest expense		1,039,047		986,231
Interest income		(966,435)		(873,537)
	₩	10,049,853	₩	9,615,811

5) Fair value of plan assets, which are mainly composed of fixed deposits, is ₩54,608,511 thousand and ₩56,608,086 thousand as of December 31, 2021 and 2020, respectively. The actual earnings from plan assets are ₩1,204,654 thousand and ₩1,088,172 thousand for the years ended December 31, 2021 and 2020, respectively.

6) The principal assumptions used for actuarial valuation as of December 31, 2021 and 2020, are as follows:

	December 31, 2021	December 31, 2020
Discount rate	2.53%–2.99%	1.77%–2.20%
Expected rate of salary increase	4.34%–5.29%	4.49%–5.39%

7) On condition that other assumptions remain the same, the sensitivity analysis for each principal actuarial assumption and defined benefit obligation as of December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	December 31, 2021	
	Increase	Decrease
1% change in discount rate	₩ (3,367,576)	₩ 3,831,765
1% change in expected rate of salary increase	3,812,371	(3,414,577)

	December 31, 2020	
	Increase	Decrease
1% change in discount rate	₩ (3,489,735)	₩ 3,992,891
1% change in expected rate of salary increase	3,949,704	(3,520,401)

The above sensitivity analysis indicates how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible as of the end of the reporting period. Because of the correlation between actuarial assumptions, the changes in rate would not occur independently. Therefore, the above sensitivity analysis is not representative of actual changes in defined benefit obligation, and sensitivity analysis is also determined using the projected unit credit method.

8) The Group considers the amount of the plan assets annually and has established a policy covering a deficit, when it occurs. The Group expects to make a contribution of ₩11,809,780 thousand to the defined benefit plans during the next fiscal year assuming a 100% ratio of the plan assets to the defined benefit obligation in relation to the defined benefit plans.

The weighted-average maturity of defined benefit obligations is 6.75-9.24 years and 6.77–8.64 years as of December 31, 2021 and 2020, respectively.

25. PROVISIONS:

(1) Details of provisions as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Provisions for restoring (*1)	₩ 2,215,020	₩ 2,849,165	₩ 2,410,868	₩ 3,551,764

(*1) The amount expected to be paid to fulfill the obligation to restore the leased assets is recorded as provisions for restoring.

(2) Details of changes in provisions as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021				
	Beginning balance	Addition	Used	Reversal	Ending balance
Provisions for restoring	₩ 5,962,632	₩ 140,000	₩ (741,738)	₩ (296,709)	₩ 5,064,185

	2020				
	Beginning balance	Addition	Used	Reversal	Ending balance
Provisions for restoring	₩ 4,694,088	₩ 1,575,920	₩ (101,873)	₩ (205,503)	₩ 5,962,632

26. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	Current	Non-current	Current	Non-current
Advance received	₩ 513,742	₩ -	₩ 605,117	₩ -
Unearned income	1,330,230	964,776	176,471	987,142
Deferred revenue (Note 27)	2,305,927	-	1,028,235	-
Withholdings	10,248,257	-	11,784,189	-
Other long-term employee benefit (*1)	-	1,816,615	-	1,281,762
	₩ 14,398,156	₩ 2,781,391	₩ 13,594,012	₩ 2,268,904

(*1) The other long-term employee benefit is the best estimate of the outflow for long-term employed persons.

27. DEFERRED REVENUE:

(1) The Group operates a customer loyalty program, such as giving a certain amount or a certain percentage of the purchase price to the purchaser, and the contract liability related to the customer loyalty program is recorded as deferred revenue (other current liabilities). Details of deferred revenue as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Reward points	₩ 2,305,927	₩ 1,028,235

(2) Changes in deferred revenue relating to customer loyalty program for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021			
	Beginning balance	Increase	Decrease	Ending balance
Reward points	₩ 1,028,235	₩ 8,476,170	₩ (7,198,478)	₩ 2,305,927

	2020			
	Beginning balance	Increase	Decrease	Ending balance
Reward points	₩ 1,072,364	₩ 3,755,097	₩ (3,799,226)	₩ 1,028,235

28. CAPITAL STOCK:

The number of authorized shares of the Group as of December 31, 2021, is 40,000,000 shares. The number of shares issued and details of the capital stock as of December 31, 2021 and 2020, are as follows:

	December 31, 2021			December 31, 2020		
	Number of shares issued	Par value (Korean won)	Capital stock (in thousands of Korean won)	Number of shares issued	Par value (Korean won)	Capital stock (in thousands of Korean won)
Common stock	7,140,000 shares	₩ 5,000	₩ 35,700,000	7,140,000 shares	₩ 5,000	₩ 35,700,000

29. OTHER PAID-IN CAPITAL AND OTHER CAPITAL COMPONENTS:

(1) Details of other paid-in capital as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Capital in excess of par value	₩ 123,627,795	₩ 123,627,795
Additional paid-in capital	(3,866,392)	(3,866,392)
	₩ 119,761,403	₩ 119,761,403

(2) There are no changes in other paid-in capital for the years ended December 31, 2021 and 2020.

(3) Details of other capital components as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Loss on hedging instruments entered into for cash flow hedge	₩ -	₩ (255,114)
Share of other comprehensive income of associates and joint ventures	(255,314)	(771,274)
Exchange differences on translating foreign operations	687,726	(61,461)
	₩ 432,412	₩ (1,087,849)

(4) Details of changes in other capital components for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Beginning balance	₩ (1,087,849)	₩ (1,550,420)
Gain on hedging instruments entered into for cash flow hedge	333,284	422,488
Share of other comprehensive income of associates and joint ventures	624,103	(141,411)
Exchange differences on translating foreign operations	749,187	28,659
Reclassification due to discontinuing equity method	1,443	446,644
Variation in consolidation range	-	(213,182)
Tax effect	(187,756)	(80,627)
Ending balance	₩ 432,412	₩ (1,087,849)

(5) Details of changes in gain (loss) on cash flow hedge derivative instruments for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021		
Description	Foreign currency risk	Interest rate risk	Total
Beginning balance	₩ (238,689)	₩ (16,425)	₩ (255,114)
Gain (loss) on changes in the fair value of hedging instruments	-	-	-
Tax effect of fair value change	-	-	-
Loss on reclassification to profit or loss	311,613	21,671	333,284
Tax effect of amounts reclassified to profit or loss	(72,924)	(5,246)	(78,170)
Ending balance	₩ -	₩ -	₩ -

	2020		
Description	Foreign currency risk	Interest rate risk	Total
Beginning balance	₩ (552,390)	₩ (22,750)	₩ (575,140)
Gain (loss) on changes in the fair value of hedging instruments	334,802	(21,671)	313,131
Tax effect of fair value change	(81,242)	5,245	(75,997)
Loss on reclassification to profit or loss	79,343	30,014	109,357
Tax effect of amounts reclassified to profit or loss	(19,202)	(7,263)	(26,465)
Ending balance	₩ (238,689)	₩ (16,425)	₩ (255,114)

Gain (loss) on hedging instruments entered into for cash flow hedge represents the cumulative amount of gains or losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instruments is recognized in profit or loss only when the hedged transaction impacts the profit or loss or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

30. RETAINED EARNINGS AND DIVIDENDS:

(1) Details of retained earnings as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

Description	December 31, 2021		December 31, 2020	
Legal reserve				
Profit reserve (*1)	₩	5,149,363	₩	4,363,963
Retained earnings		555,958,906		480,392,303
	₩	561,108,269	₩	484,756,266

(*1) The Commercial Code of the Republic of Korea requires the Company to appropriate an amount equal to a minimum of 10% of cash dividends paid as a legal reserve until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but can be transferred to capital stock or used to reduce accumulated deficit, if any.

(2) Details of changes in retained earnings for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

Description	2021		2020	
Beginning balance	₩	484,756,266	₩	443,352,152
Net income attributable to owners of the Group		82,096,015		50,917,136
Payment of dividends		(7,854,000)		(7,854,000)
Remeasurements of defined benefit obligation		2,778,539		(1,609,607)
Reclassification		(1,443)		(446,644)
Tax effect		(667,043)		397,229
Others		(65)		-
Ending balance	₩	561,108,269	₩	484,756,266

(3) The payment of dividends for the years ended December 31, 2021 and 2020, is as follows:

	2021						
Type of stock	Number of shares issued	Number of treasury stock	Dividends declared	Dividend per share (Korean won)		Amount of dividend (in thousands of Korean won)	
Common stock	7,140,000	-	7,140,000	₩	1,100	₩	7,854,000

	2020						
Type of stock	Number of shares issued	Number of treasury stock	Dividends declared	Dividend per share (Korean won)		Amount of dividend (in thousands of Korean won)	
Common stock	7,140,000	-	7,140,000	₩	1,100	₩	7,854,000

31. REVENUE:

(1) Details of sales for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021		2020
Revenue form contract with a customer:				
Gross sales:				
Sales - merchandise	₩	1,078,649,955	₩	921,266,116
Sales - finished goods		379,459,865		404,721,401
Sales - other (*1)		6,653,558		6,888,161
		1,464,763,378		1,332,875,678
Deduction of sales:				
Deferred sales		8,476,170		3,755,097
Sales discount, etc.		5,508,635		3,620,897
		13,984,805		7,375,994
	₩	1,450,778,573	₩	1,325,499,684

(*1) They mainly consist of commission on product distribution.

(2) The contractual liabilities that the Group recognizes in relation to the revenue generated from the contract with the customers as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		December 31, 2021		December 31, 2020
Customer loyalty program (Note 27)	₩	2,305,927	₩	1,028,235
Advance received		271,500		370,715
	₩	2,577,427	₩	1,398,950

(3) Amounts recognized as revenue in relation to the contractual liabilities carried forward from the prior year for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021		2020
Customer loyalty program (Note 27)	₩	872,430	₩	526,699
Advance received		352,403		573,478
	₩	1,224,833	₩	1,100,177

(4) Estimated collection amounts by period in relation to unfulfilled performance obligation as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021					
		Book value		Within 1 year		1 year–5 years
Customer loyalty program (Note 27)	₩	2,305,927	₩	647,129	₩	1,658,798
Advance received		271,500		271,500		-
	₩	2,577,427	₩	918,629	₩	1,658,798

	2020					
		Book value		Within 1 year		1 year–5 years
Customer loyalty program (Note 27)	₩	1,028,235	₩	605,350	₩	422,885
Advance payment		370,715		370,715		-
	₩	1,398,950	₩	976,065	₩	422,885

32. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021		2020
Salaries	₩	101,724,681	₩	98,604,948
Retirement benefits		11,568,646		12,001,084
Employee benefits		16,593,377		16,316,164
Education and training expenses		426,652		500,995
Travel expenses		547,412		959,899
Vehicles maintenance expenses		678,181		625,988
Communication expenses		718,034		753,569
Taxes and dues		2,639,765		2,799,478
Insurance		779,834		684,598
Fees and charges		469,162,716		433,251,710
Rental fee		3,690,436		3,608,986
Supplies expenses		2,433,753		2,280,696
Publication expenses		140,139		225,033
Event expenses		486,055		318,248
Repairs expenses		2,329,055		2,041,682
Utility expenses		1,691,428		1,609,510
Depreciation		55,762,541		58,223,706
Amortization		7,227,621		5,832,130
Research and development expenses		3,151,672		2,754,979
Conference expenses		1,081,200		1,024,041
Bad debt expenses		56,364		490,660
Transportation expenses		17,278,519		13,580,567
Packing expenses		8,373,101		6,549,252
Advertisement expenses		41,059,482		30,634,642
Promotion expenses		10,742,354		10,647,247
Decoration expenses		4,731,145		3,418,221
Entertainment expenses		332,261		227,017
Others		33,569		104,351
	₩	765,439,993	₩	710,069,401

33. FINANCIAL INCOME:

Details of financial income for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021		2020
Financial income - interest income under the effective interest rate method:				
Financial assets measured subsequently at amortization cost				
Cash and cash equivalents	₩	90,591	₩	228,030
Short-term financial instruments		244,697		7,506
Finance lease receivables		6,211		7,931
Other financial assets		621,690		817,105
		963,189		1,060,572
Financial income – other:				
Interest income		10,274		65,568
Gain on foreign currency transaction		6,383,865		6,055,670
Gain on foreign currency translation		1,320,748		15,399,987
Gain on derivatives transaction		-		1,178,635
Gain on derivatives valuation		8,860,785		222,695
		16,575,672		22,922,555
	₩	17,538,861	₩	23,983,127

34. FINANCIAL EXPENSES:

Details of financial expenses for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Interest expense:		
Borrowings	₩ 750,577	₩ 1,531,876
Debentures	2,380,702	4,562,828
Lease liabilities	3,345,749	3,741,669
Amortization of discounted present value	210,759	235,365
	6,687,787	10,071,738
Loss on foreign currency transaction	4,208,443	5,635,234
Loss on foreign currency translation	7,929,420	313,941
Loss on derivatives transaction	709,000	82,713
Loss on derivatives valuation	408,340	12,590,009
	₩ 19,942,990	₩ 28,693,635

35. OTHER NON-OPERATING INCOME AND EXPENSE:

(1) Details of other non-operating income for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Commission income	₩ 759,578	₩ 1,149,286
Reversal of loss allowance for doubtful other accounts	3,698	-
Gain on disposal of investment assets	391,614	15,370,822
Gain on disposal of property and equipment	269,443	214,298
Gain on disposal of intangible assets	77,235	-
Gain on valuation of financial assets measured at FVTPL	6,888,111	-
Gain on disposal of non-current assets held for sale	5,416,319	39,083
Miscellaneous income	6,158,392	4,724,955
	₩ 19,964,390	₩ 21,498,444

(2) Details of other non-operating expense for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Donation	₩ 1,451,940	₩ 1,392,362
Loss allowance for doubtful other accounts	-	2,743
Loss on disposal of property and equipment	12,897,018	6,459,573
Loss on disposal of intangible assets	48,697	4,014
Impairment loss on intangible assets	-	220,887
Loss on disposal of investment assets	1	-
Loss on valuation of financial assets measured at FVTPL	1,229,868	-
Loss on disposal of financial assets measured at FVTOCI	-	1,834
Miscellaneous expense	4,079,940	1,991,515
	₩ 19,707,464	₩ 10,072,928

36. INCOME TAX EXPENSES:

(1) Income tax expenses for the years ended December 31, 2021 and 2020, are computed as follows (in thousands of Korean won):

Description		2021		2020
Current income tax expense:				
Current tax on profit for the year	₩	21,128,490	₩	6,307,243
Adjustment for past income tax expense		1,047,358		(609,953)
Items directly charged to equity		(858,257)		313,305
Deferred income tax expense:				
Deferred income tax due to temporary difference		1,461,074		(3,962,782)
Income tax expense	₩	22,778,665	₩	2,047,813

(2) Relationship between income tax expense and net income before income tax expense for the years ended December 31, 2021 and 2020, is as follows (in thousands of Korean won):

Description		2021		2020
Net income before income tax expense	₩	105,407,715	₩	53,005,993
Income tax expenses calculated at statutory tax rate		25,046,667		12,365,450
Adjustments:				
Non-taxable income		(595,970)		(1,796,248)
Non-deductible expense		310,271		316,430
Effect of temporary differences not recognized as deferred tax assets		(2,709,756)		(8,598,342)
Adjustment for past income tax expense		1,047,358		(609,953)
Effect of tax credit and exemption		(16,000)		(20,000)
Others (tax rate difference, etc.)		(303,905)		390,476
Income tax expense	₩	22,778,665	₩	2,047,813
Effective tax rate (income tax expense/net income before income tax expense)		21.61%		3.86%

(3) Details of items directly charged to equity for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021					
Description		Before-tax amount		Tax effect		After-tax amount
Items not subsequently reclassified to profit or loss:						
Remeasurement of defined benefit plan	₩	2,789,282	₩	(669,406)	₩	2,119,876
Items subsequently reclassified to profit or loss:						
Gain (loss) on hedging instruments entered into for cash flow hedges		338,260		(79,266)		258,994
Share of other comprehensive income (loss) of associates and joint ventures		624,103		(109,585)		514,518
Exchange differences on translating foreign operations		749,186		-		749,186
	₩	4,500,831	₩	(858,257)	₩	3,642,574

	2020					
Description		Before-tax amount		Tax effect		After-tax amount
Items not subsequently reclassified to profit or loss:						
Remeasurement of defined benefit plan	₩	(1,594,177)	₩	393,835	₩	(1,200,342)
Items subsequently reclassified to profit or loss:						
Gain (loss) on hedging instruments entered into for cash flow hedges		422,047		(102,366)		319,681
Share of other comprehensive income (loss) of associates and joint ventures		(141,411)		21,836		(119,575)
Exchange differences on translating foreign operations		28,658		-		28,658
	₩	(1,284,883)	₩	313,305	₩	(971,578)

(4) Details of changes in cumulative temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021		
	Cumulative temporary differences and tax losses		
Description	Beginning balance	Increase (decrease)	Ending balance
Loss on valuation of inventories	₩ 45,865,126	₩ (4,419,081)	₩ 41,446,045
Loss on foreign exchange translation	13,753	(13,753)	-
Loss on derivatives valuation	338,260	(338,260)	-
Defined benefit obligation	54,402,889	(7,434,239)	46,968,650
Deferred revenue	1,028,235	1,277,692	2,305,927
Provisions for restoring	5,962,633	(898,447)	5,064,186
Lease	9,075,860	227,244	9,303,104
Gain on foreign exchange translation	(680,132)	656,748	(23,384)
Gain on derivatives valuation	260,000	(1,810,051)	(1,550,051)
Plan assets	(54,402,889)	8,190,135	(46,212,754)
Share of profits of associates and joint ventures	(71,326,332)	(8,274,798)	(79,601,130)
Intangible assets	(20,416,367)	896,968	(19,519,399)
Others	(4,511,025)	4,591,529	80,504
	(34,389,989)	(7,348,313)	(41,738,302)
Tax losses	32,714,749	(8,687,925)	24,026,824
	₩ (1,675,240)	₩ (16,036,238)	₩ (17,711,478)

	Deferred tax assets (liabilities)		
	Beginning balance	Increase (decrease)	Ending balance
Loss on valuation of inventories	₩ 10,864,956	₩ (939,504)	₩ 9,925,452
Loss on foreign exchange translation	3,026	(3,026)	-
Loss on derivatives valuation	79,265	(79,265)	-
Defined benefit obligation	13,125,183	(1,777,051)	11,348,132
Deferred revenue	246,918	306,415	553,333
Provisions for restoring	1,427,588	(212,898)	1,214,690
Lease	2,201,345	53,095	2,254,440
Gain on foreign exchange translation	(149,629)	144,485	(5,144)
Gain on derivatives valuation	57,200	(432,312)	(375,112)
Plan assets	(13,125,183)	1,959,977	(11,165,206)
Share of profits of associates and joint ventures	(12,165,616)	(1,519,034)	(13,684,650)
Intangible assets	(3,848,169)	141,223	(3,706,946)
Others	(938,269)	935,077	(3,192)
	(2,221,385)	(1,422,818)	(3,644,203)
Tax losses	2,325,606	(38,256)	2,287,350
	₩ 104,221	₩ (1,461,074)	₩ (1,356,853)

	2020			
	Cumulative temporary differences and tax losses			
Description	Beginning balance	Increase (decrease)	Change of consolidation range	Ending balance
Loss on valuation of inventories	₩ 42,675,038	₩ 3,190,088	₩ -	₩ 45,865,126
Loss on foreign exchange translation	422,300	(408,547)	-	13,753
Loss on derivatives valuation	760,307	(422,047)	-	338,260
Defined benefit obligation	48,314,659	6,088,230	-	54,402,889
Deferred revenue	1,072,364	(44,129)	-	1,028,235
Provisions for restoring	4,694,088	1,268,545	-	5,962,633
Lease	7,796,849	1,279,011	-	9,075,860
Gain on foreign exchange translation	-	(680,132)	-	(680,132)
Gain on derivatives valuation	(420,000)	680,000	-	260,000
Plan assets	(48,036,414)	(6,366,475)	-	(54,402,889)
Share of profits of associates and joint ventures	(72,811,882)	1,485,550	-	(71,326,332)
Intangible assets	(12,137,299)	1,565,173	(9,844,241)	(20,416,367)
Others	(3,569,426)	(941,599)	-	(4,511,025)
	(31,239,416)	6,693,668	(9,844,241)	(34,389,989)
Tax losses	59,340,205	(26,625,456)	-	32,714,749
	₩ 28,100,789	₩ (19,931,788)	₩ (9,844,241)	₩ (1,675,240)

	Deferred tax assets (liabilities)			
	Beginning balance	Increase (decrease)	Change of consolidation range	Ending balance
Loss on valuation of inventories	₩ 10,120,592	₩ 744,364	₩ -	₩ 10,864,956
Loss on foreign exchange translation	92,906	(89,880)	-	3,026
Loss on derivatives valuation	181,630	(102,365)	-	79,265
Defined benefit obligation	11,608,200	1,516,983	-	13,125,183
Deferred revenue	257,826	(10,908)	-	246,918
Provisions for restoring	1,121,192	306,396	-	1,427,588
Lease	1,886,500	314,845	-	2,201,345
Gain on foreign exchange translation	-	(149,629)	-	(149,629)
Gain on derivatives valuation	(92,400)	149,600	-	57,200
Plan assets	(11,539,549)	(1,585,634)	-	(13,125,183)
Share of profits of associates and joint ventures	(14,909,179)	2,743,563	-	(12,165,616)
Intangible assets	(2,937,226)	432,226	(1,343,169)	(3,848,169)
Others	(688,362)	(249,907)	-	(938,269)
	(4,897,870)	4,019,654	(1,343,169)	(2,221,385)
Tax losses	2,382,478	(56,872)	-	2,325,606
	₩ (2,515,392)	₩ 3,962,782	₩ (1,343,169)	₩ 104,221

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(5) Details of deductible temporary differences and tax losses that are not recognized as deferred tax assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Deductible temporary differences	₩ 827,905	₩ 2,856,875
Tax losses	13,629,777	22,143,811
	₩ 14,457,682	₩ 25,000,686

(6) The maturities of tax losses that are not recognized as deferred tax assets as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
2021	₩ -	₩ 6,373,261
2022	116,471	-
2023	-	15,770,550
2024	13,513,306	-
	₩ 13,629,777	₩ 22,143,811

(7) Details of taxable temporary differences that are not recognized as deferred tax liabilities as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Subsidiaries	₩ 300,000	₩ 300,000

37. EXPENSES BY NATURE:

Expenses classified by nature for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021			
	Changes in inventories	Cost of sales	Selling and administrative expenses	Total
Changes in inventories	₩ (7,951,204)	₩ -	₩ -	₩ (7,951,204)
Used raw material and purchase of merchandises	-	570,839,768	-	570,839,768
Outsourcing cost	-	30,478,620	-	30,478,620
Salaries and retirement benefits	-	-	113,293,327	113,293,327
Fees and charges	-	-	469,162,716	469,162,716
Rental fees	-	-	3,690,436	3,690,436
Depreciation	-	-	55,762,541	55,762,541
Amortization	-	-	7,227,621	7,227,621
Advertisement expense	-	-	41,059,482	41,059,482
Promotion expense	-	-	10,742,354	10,742,354
Transportation expense	-	-	17,278,519	17,278,519
Others	-	-	47,222,997	47,222,997
	₩ (7,951,204)	₩ 601,318,388	₩ 765,439,993	₩ 1,358,807,177

	2020			
	Changes in inventories	Cost of sales	Selling and administrative expenses	Total
Changes in inventories	₩ (6,759,274)	₩ -	₩ -	₩ (6,759,274)
Used raw material and purchase of merchandises	-	548,581,597	-	548,581,597
Outsourcing cost	-	39,843,628	-	39,843,628
Salaries and retirement benefits	-	-	110,606,032	110,606,032
Fees and charges	-	-	433,251,710	433,251,710
Rental fees	-	-	3,608,986	3,608,986
Depreciation	-	-	58,223,706	58,223,706
Amortization	-	-	5,832,130	5,832,130
Advertisement expense	-	-	30,634,642	30,634,642
Promotion expense	-	-	10,647,247	10,647,247
Transportation expense	-	-	13,580,567	13,580,567
Others	-	-	43,684,381	43,684,381
	₩ (6,759,274)	₩ 588,425,225	₩ 710,069,401	₩ 1,291,735,352

38. EARNINGS PER SHARE:

(1) Basic earnings per common share for the years ended December 31, 2021 and 2020, are calculated as follows (in Korean won):

	2021	2020
Net income attributable to owners of the Group	₩ 82,096,014,919	₩ 50,917,135,665
Weighted-average number of common shares outstanding	7,140,000	7,140,000
Basic and diluted earnings per common share	₩ 11,498	₩ 7,131

(2) The Group did not issue any dilutive common shares that can be converted into common shares. Therefore, the diluted earnings per share are identical to the basic earnings per share.

39. COMMITMENT AND CONTINGENCIES:

(1) As of December 31, 2021, the Group has made contracts with KEB Hana Bank and others for bank overdraft agreement, with a credit limit of ₩10,000,000 thousand; and for purchase card agreements, with a credit limit of ₩23,600,000 thousand.

(2) As of December 31, 2021, the Group has an import letter of credit agreement with KEB Hana Bank and others, amounting to USD 222,400,000; and a credit line of derivatives with KB Kookmin Bank and others, amounting to USD 164,192,000 and JPY 400,000,000. The banker's usance is actually allowed to be settled in U.S. dollars, as well as EUR and JPY.

(3) As of December 31, 2021, the Group has made a general loan agreement with Korea Development Bank and others, amounting to ₩20,000,000 thousand, USD 10,000,000 and CNY 3,321,419. The Group has made contracts with Shinhan Bank and others for commercial paper agreement, with a credit limit of ₩20,000,000 thousand.

(4) As of December 31, 2021, the Group has made contracts with KB Kookmin Bank for comprehensive limit agreement, with a credit limit of USD 40,000,000; and with Shinhan Bank and others for other guarantee of payment of foreign currency, with a credit limit of USD 22,000,000 and JPY 1,700,000,000.

(5) As of December 31, 2021, the Group has distributor agreements with Giorgio Armani and other brands, under which the Group is paying certain percentage of gross purchases as loyalty in return for being granted exclusive rights, which are not transferable, for importation and distribution of the products in the Republic of Korea.

(6) The Group has been provided ₩103,581 thousand guarantee of payment from Seoul Guarantee Insurance as of December 31, 2021, with regard to licensing.

(7) For the year ended December 31, 2021, the Group transferred the entire stake held by Intercos Korea Co., Ltd. to Intercos Asia Pacific Ltd., and the receipt of some unreceived amount of the proceeds from the sale of shares may be postponed in the future within the period agreed between the parties to the transaction.

(8) The Group has one pending legal action in relation with claims amounting to ₩55,109 thousand and is not able to foresee the results of pending litigations as of December 31, 2021.

40. CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Adjustments and changes in net working capital among cash generated from operations for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021	2020
Adjustments:		
Interest income	₩ (973,463)	₩ (1,126,140)
Interest expense	6,687,787	10,071,737
Income tax expense	22,778,665	2,047,813
Retirement benefits	10,049,852	9,615,811
Depreciation	55,762,541	58,223,706
Amortization	7,227,621	5,832,130
Bad debts expense	56,364	490,660
Loss allowance doubtful other accounts (reversal)	(3,698)	2,743
Loss on valuation of inventories (reversal)	(3,005,663)	3,300,270
Loss on foreign currency translation	7,929,420	313,941
Gain on foreign currency translation	(1,320,748)	(15,399,987)
Loss on derivatives valuation	408,340	12,590,009
Gain on derivatives valuation	(8,860,785)	(222,695)
Loss on disposal of property and equipment	12,897,018	6,459,573
Gain on disposal of property and equipment	(269,443)	(214,298)
Loss on disposal of intangible assets	48,697	4,014
Gain on disposal of intangible assets	(77,235)	-
Impairment loss of intangible assets	-	220,887
Loss on disposal of investment assets	1	-
Gain on disposal of investment assets	(391,614)	(15,370,822)
Loss on valuation of FVTOCI financial assets	-	1,834
Loss on valuation of FVTPL financial assets	1,229,868	-
Gain on valuation of FVTPL financial assets	(6,888,111)	-
Gain on disposal of non-current assets held for sale	(5,416,319)	(39,083)
Commission income	(92,534)	(84,574)
Share of profits of associates and joint ventures	(15,583,521)	(12,526,652)
Other	(240,387)	59,495
	₩ 81,952,653	₩ 64,250,372

		2021		2020
Changes in net working capital:				
Decrease (increase) in trade receivables	₩	(19,363,608)	₩	11,868,112
Decrease in other receivables		3,651,597		5,334,659
Decrease in advance payments		828,861		1,285,159
Decrease in prepaid expenses		278,809		1,488,715
Decrease in inventories		6,922,580		10,936,679
Decrease in trade payables		(2,477,708)		(7,345,414)
Increase in other accounts payable		7,131,156		774,116
Increase (decrease) in accrued expenses		4,379,654		(2,404,293)
Settlement of currency forward contract		-		(564,385)
Increase (decrease) in withholdings		(1,535,930)		1,229,582
Decrease in advance received		(99,822)		(283,536)
Increase in unearned income		1,210,548		75,345
Increase (decrease) in deferred revenue		1,277,692		(44,129)
Transfers of defined benefit obligations to affiliates		(987,182)		271,509
Payment of retirement benefits		(12,170,508)		(5,605,628)
Decrease (increase) in plan assets		3,204,230		(7,468,602)
Increase in withholding deposit		652,091		1,614,083
Decrease in provisions for restoring		(565,759)		(99,672)
Increase in other long-term employee benefit		534,852		220,597
	₩	(7,128,447)	₩	11,282,897

(2) Significant non-cash transactions in investing and financing activities for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021		2020
Transfers of construction in progress to property and equipment	₩	8,042,896	₩	9,897,574
Transfers of construction in progress to intangible assets		7,249,638		2,679,064
Transfers between investment property and property and equipment		10,218,738		5,021,875
Increase in other receivables due to disposal of property and equipment		(15,031)		-
Increase (decrease) in other accounts payable due to acquisition of property and equipment		10,533		(530,510)
Increase in other accounts payable due to acquisition of intangible assets		122,705		767,299
Decrease (increase) in other accounts receivables due to disposal of Associates and Joint venture		8,030,500		(9,772,750)
Reclassification to Associates and Joint venture		-		2,921,862
Reclassification to non-current assets held for sale		-		11,147,293
Increase in provision for restoring		140,000		875,920
Setting up right-of-use assets		3,858,481		38,220,830

(3) Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	2021						
		Cash flows		Non-cash transactions			
	Beginning balance	Borrowing	Repayment	Valuation	Amortization	Others	Ending balance
Short-term borrowings	₩ 66,429,238	₩ 342,890,450	₩ (364,893,224)	₩ (180,015)	₩ -	₩ (79,474)	₩ 44,166,975
Current portion of debentures	97,750,778	-	(98,180,000)	260,000	169,222	-	-
Long-term borrowings	17,922,420	-	-	(408,340)	-	-	17,514,080
Debentures	42,939,498	55,191,909	-	7,475,000	366,637	57,635	106,030,679
Lease liabilities	146,556,078	-	(22,821,202)	76,878	-	(10,517,649)	113,294,105
Derivative liabilities (assets) (*1)	5,865,573	-	836,000	(8,672,803)	-	(377,902)	(2,349,132)
	₩ 377,463,585	₩ 398,082,359	₩ (485,058,426)	₩ (1,449,280)	₩ 535,859	₩ (10,917,390)	₩ 278,656,707

(*1) Interest rate and currency swap contracts in relation to foreign currency long-term borrowings and debentures, including gain (loss) on derivatives valuation due to interest rate and exchange rate fluctuations.

	2020						
		Cash flows		Non-cash transactions			
	Beginning balance	Borrowing	Repayment	Valuation	Amortization	Others	Ending balance
Short-term borrowings	₩ 55,188,205	₩ 420,046,714	₩ (406,333,106)	₩ (2,472,575)	₩ -	₩ -	₩ 66,429,238
Current portion of long-term borrowings	20,000,000	-	(20,000,000)	-	-	-	-
Current portion of debentures	64,622,678	-	(64,734,000)	(5,583,999)	339,700	103,106,399	97,750,778
Long-term borrowings	-	19,210,000	-	(1,287,580)	-	-	17,922,420
Debentures	103,629,255	47,948,434	-	(5,660,001)	301,745	(103,279,935)	42,939,498
Lease liabilities	136,260,790	-	(22,547,890)	(50,297)	-	32,893,475	146,556,078
Derivative liabilities (assets) (*1)	(6,823,693)	-	744,000	11,945,266	-	-	5,865,573
	₩ 372,877,235	₩ 487,205,148	₩ (512,870,996)	₩ (3,109,186)	₩ 641,445	₩ 32,719,939	₩ 377,463,585

(*1) Interest rate and currency swap contracts in relation to foreign currency long-term borrowings and debentures, including gain (loss) on derivatives valuation due to interest rate and exchange rate fluctuations.

41. OPERATING LEASE:

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between one year and five years. Most operating lease contracts contain market review clauses in the event that the lessee exercises its option to extend one-year additional lease term. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments as of December 31, 2021, is as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Less than 1 year	₩ 581,880	₩ 565,558
1 year–5 years	626,841	573,763
More than 5 years	-	-
	₩ 1,208,721	₩ 1,139,321

Amounts recognized in profit and loss for the year ended December 31, 2021, is ₩827,153 thousand (2020: ₩726,489 thousand).

42. RELATED-PARTY TRANSACTIONS:

(1) Related parties of the Group as of December 31, 2021, are as follows:

Description	Names of related parties
Parent of the Company	Shinsegae Inc.
Subsidiaries of parent	Shinsegae Dongdaegu CTC Inc.; Shinsegae Central City Inc.; Shinsegae DF Inc.; Gwangju Shinsegae Co., Ltd. (*1); Daejeon Shinsegae Inc.; Seoul Express Bus Terminal Co., Ltd.; Silkwood Co., Ltd.; Shinsegae Casa Inc.; Hanjie Shinsegae Consulting Service (Beijing) Ltd.; Casamia (Shanghai) Trading Co., Ltd.; Shinsegae DF Global Inc.; Shinsegae France S.A.S; Mindmark Co., Ltd.; Studio 329 Co., Ltd.; Smart Shinsegae Focus Venture Fund (*2); Purcell Inc.(*2); and Signite-Thunder Venture Fund (*2)
Joint ventures of parent	Incheon Shinsegae Inc.
Associates of parent	Shinsegae Uijeongbu Station Development Inc. and SSG.COM Corp.
Associates	RawRow Inc.; Signite Partners Co., Ltd.; Smart Shinsegae Signite Venture Fund; Shinsegae Wellness Venture Fund (*3); and Shinsegae Simon Inc.
Affiliates by the Act (*4)	E-mart Inc.; SCK Company Co., Ltd.; Shinsegae Information & Communication Inc.; Shinsegae L&B Co., Ltd.; Shinsegae Food Inc.; Shinsegae Chosun Hotel Inc.; Shinsegae Engineering & Construction Inc.; E-mart Everyday Inc.; Shinsegae Youngrangho Resort Inc.; Shinsegae Property Inc.; Starfield Hanam Inc.; Starfield Cheongna Inc.; Starfield Goyang Inc.; Starfield Changwon Inc; E-mart24 Inc.; Starfield Ansung Inc.; Starfield Suwon Inc.; Serinfood Inc.; Shinsegae Hwaseong Inc.; W Concept Korea Co., Ltd.; Smoothie King Korea Inc.; SP Cheongju Professional Investment Type Real Estate Investment Group; Shinsegae Baseball Club Co., Ltd.; Apollo Korea Ltd.; Shinsegae Dong-Seoul PFV Co., Ltd.; Emerald SPV CO., Ltd.; Pohang Primus PFV Inc.; Electroman Limited Group’s specializing in the cultural industry; Gmarket Global LLC.; SP Namyangju Byeollae PFV Inc.; and Shinsegae Live Shopping Inc.

(*1) During the current year, as the equity relationship held by the parent company changed, it was reclassified from an associate of the parent company to a subsidiary of the parent company.
(*2) During the current year, parent of the Company established a new company by investigated 100% of shares, and it became a subsidiary of the parent.
(*3) During the current year, as the Group acquired the equity shares of it, it has been added to associates.
(*4) These companies are not related parties as defined in paragraph 9 of K-IFRS 1024. However, affiliated companies of a conglomerate designated by the Fair Trade Commission are classified as related parties in accordance with the resolution of the Securities and Futures Commission that these companies are related parties according to the substance of the relationship defined in paragraph 10 of K-IFRS 1024.

(2) Significant transactions between the Group and related parties for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		2021			
		Income		Expense (*1,2)	
	Related party	Sales	Others	Purchases	Others
Parent of the Company	Shinsegae Inc.	₩ 4,400,571	₩ 7,899	₩ -	₩ 70,468,518
Subsidiaries of parent	Shinsegae Casa Inc.	33,008	28,770	-	283,069
	Daejeon Shinsegae Inc.	74,357	-	-	3,972,892
	Shinsegae Central City Inc.	57,360	6,000	-	78,763
	Shinsegae Dongdaegu CTC Inc.	-	-	-	10,344,889
	Shinsegae DF Inc	21,104,327	-	-	6,905,060
	Shinsegae DF Global Inc.	15,210	41,174	-	-
	Gwangju Shinsegae Co., Ltd.	1,591	-	-	3,489,589
	Mindmark Co., Ltd.	-	-	-	770,797
	Purcell Inc.	-	26,844	-	-
Associates of parent	SSG.com Corp.	932,625	-	-	1,785,592
Associates	Shinsegae Simon Inc.	13,109	7,472,800	-	10,183,970
	Rawrow Inc.	5,129	-	5,009	-
	Signite Partners Co., Ltd.	-	243,395	-	-
Affiliates by the Act	E-mart Inc.	43,230,245	-	-	33,397,881
	Others	5,443,124	27,004	-	23,349,063

(*1) It does not include the dividends paid to related parties and others.
(*2) Regarding lease transactions with related parties, the Group recognized ₩8,230,760 thousand for depreciation of right-of use assets and ₩2,400,404 thousand for interest expenses during the current period, and related lease payments are included in others.

		2020			
		Income		Expense (*1,2)	
	Related party	Sales	Others	Purchases	Others
Parent of the Company	Shinsegae Inc.	₩ 3,628,185	₩ 5,720	₩ 3,373,993	₩ 58,125,804
Subsidiaries of parent	Shinsegae Casa Inc.	63,313	-	-	2,023,866
	Mindmark Co., Ltd.	-	-	-	259,190
	Seoul Express Bus Terminal Co., Ltd.	-	-	-	436
	Shinsegae Central City Inc.	35,020	13,358	-	88,021
	Shinsegae Dongdaegu CTC Inc.	-	-	-	7,649,458
	Shinsegae DF Inc	13,588,280	-	2,678,021	11,793,854
	Shinsegae DF Global Inc.	-	45,018	336,287	42
	Silkwood Co., Ltd.	-	-	-	90,000
Associates of parent	Gwangju Shinsegae Co., Ltd.	2,618	-	-	2,847,578
	SSG.com Corp.	1,645,497	-	-	1,499,485
Joint ventures	Intercos Korea Inc. (*3)	-	-	4,217,955	61,500
Associates	Shinsegae Simon Inc.	3,764	6,618,000	-	9,536,296
	Signite Partners Co., Ltd.	-	113,137	-	-
	Rawrow Inc.	26,832	64,477	29,585	20,000
Affiliates by the Act	E-mart Inc.	98,710,345	172,364	-	34,566,741
	Others	1,564,033	225	-	24,948,880

(*1) It does not include the dividends paid to related parties and others.
(*2) Regarding lease transactions with related parties, the Group recognized ₩9,957,962 thousand for depreciation of right-of use assets and ₩2,591,477 thousand for interest expenses during the current period, and related lease payments are included in others.
(*3) This is the amount of transactions until the sale of the entire stake in Shinsegae Intercourse Korea during the current period

(3) Outstanding balances between the Group and related parties as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

		December 31, 2021			
		Receivables		Payables (*1)	
	Related party	Trade receivables	Others	Trade payables	Others
Parent of the Company	Shinsegae Inc.	₩ 21,036,550	₩ 2,324,609	₩ 5,042	₩ 71,175,520
Subsidiaries of parent	Shinsegae Casa Inc.	605	31,647	-	66,924
	Daejeon Shinsegae Inc.	3,060,405	-	-	-
	Shinsegae Central City Inc.	575	-	-	12,100
	Shinsegae Dongdaegu CTC Inc.	3,471,093	-	-	-
	Shinsegae DF Inc	839,968	-	-	372,999
	Shinsegae DF Global Inc.	5,339	16,507	-	7,224
	Gwangju Shinsegae Co., Ltd.	999,808	-	10,863	23
	Mindmark Co., Ltd.	-	-	-	43,065
	Purcell Inc.	-	230	-	
Associates of parent	SSG.com Corp.	232,005	687,640	-	64,264
Associates	Shinsegae Simon Inc.	5,259,788	-	-	9,228,828
	Signite Partners Co., Ltd.	-	22,310	-	1,500,000
Affiliates by the Act	E-mart Inc.	9,924,267	331,312		229,744
	Others	3,104,596	21,982,072	138,689	4,922,483

(*1) Regarding lease transactions with related parties, the Group recognized right-of-use assets of ₩72,339,727 thousand and lease liabilities and financial lease receivables, which is included in others, of ₩80,645,953 thousand as of December 31, 2021.

		December 31, 2020			
		Receivables		Payables (*1)	
	Related party	Trade receivables	Others	Trade payables	Others
Parent of the Company	Shinsegae Inc.	₩ 18,462,443	₩ 2,082,269	₩ -	₩ 76,020,641
Subsidiaries of parent	Shinsegae Casa Inc.	-	2,700	-	62,011
	Mindmark Co., Ltd.	-	-	-	64,251
	Shinsegae Central City Inc.	2,280	-	-	16,918
	Shinsegae DF Inc.	522,265	-	-	62,544
	Shinsegae Dongdaegu CTC Inc.	2,799,986	-	-	-
	Shinsegae DF Global Inc.	-	5,502	-	324,436
	Silkwood Co., Ltd.	-	-	-	44,000
Associates of parent	Gwangju Shinsegae Co., Ltd.	857,382	-	-	330
	SSG.com Corp.	824,550	101,272	-	54,341
Associates	Shinsegae Simon Inc.	4,585,261	-	-	9,954,903
	Signite Partners Co., Ltd.	-	23,657	-	1,500,000
	Rawrow Inc.	-	-	-	4,784
Affiliates by the Act	E-mart Inc.	9,876,368	98,992		271,361
	Others	2,122,867	20,187,538	-	7,683,039

(*1) Regarding lease transactions with related parties, the Group recognized right-of-use assets of ₩79,401,754 thousand and lease liabilities and financial lease receivables, which is included in others, of ₩87,345,770 thousand as of December 31, 2020.

(4) Significant equity transactions with related parties for the years ended December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	Related party	Method of investment	2021	2020
Associates	Signite Partners Co., Ltd.	Cash and cash equivalents	₩ -	₩ 10,000,000
Associates	Smart Shinsegae Signite Venture Fund	Cash and cash equivalents	4,000,000	2,000,000
Associates	Shinsegae Wellness Venture Fund	Cash and cash equivalents	2,250,000	-
			₩ 6,250,000	₩ 12,000,000

(5) There are no lending to related parties, borrowings from related parties, guarantees provided by related parties or guarantees provided to related parties as of December 31, 2021.

(6) The compensation for the key management of the Group for the years ended December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	2021	2020
Salaries	₩ 5,444,391	₩ 4,250,244
Retirement benefits	976,079	1,202,426
	₩ 6,420,470	₩ 5,452,670

Key management consists of registered executive officers and auditors who have the authority and responsibility in planning, performing and controlling the Group’s operations.

43. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital management to maintain its ability to continuously provide profits to shareholders and to maintain its ability to continue as a going concern. The overall capital risk management policy of the Group is consistent with that of the prior year.

The Group utilizes the debt ratio and net borrowing ratio as capital management index. The debt ratio and net borrowing ratio as of December 31, 2021 and 2020, are as follows (in thousands of Korean won):

	December 31, 2021	December 31, 2020
Liabilities	₩ 439,493,174	₩ 506,237,600
Equity	719,634,405	641,216,846
Cash and cash equivalents	48,237,870	26,746,086
Total borrowings	167,711,734	225,041,934
Debt ratio	61.07%	78,95%
Net borrowings ratio	16.60%	30.92%

(2) Financial risk management

1) Market risk

A. Foreign currency risk

The Group is exposed to foreign currency risk, since it makes transactions in foreign currencies. Foreign currency risk is managed within the limits of approved Group policy, which is to use derivative instrument contracts.

The book value of the Group's monetary assets and liabilities denominated in foreign currencies as of December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	Assets		Liabilities	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
USD	₩ 12,550,456	₩ 5,567,449	₩ 123,654,151	₩ 160,998,819
EUR	382,726	-	37,024,605	37,747,962
CNY	-	601,347	-	6,361
Other currency	65,108	17,150	19,996,858	20,537,250
	₩ 12,998,290	₩ 6,185,946	₩ 180,675,614	₩ 219,290,392

B. Foreign currency sensitivity analysis

The Group is generally exposed to the risk of foreign currencies in USD, EUR and CNY.

A sensitivity analysis on the Group's net income before income tax expense for the period, assuming 10% increase or 10% decrease in currency exchange rate, as of December 31, 2021 and 2020, is as follows (in thousands of Korean won):

	December 31, 2021		December 31, 2020	
	10% increase in Korean won against foreign currency	10% decrease in Korean won against foreign currency	10% increase in Korean won against foreign currency	10% decrease in Korean won against foreign currency
USD	₩ (440,870)	₩ 440,870	₩ (1,461,839)	₩ 1,461,839
EUR	(3,664,188)	3,664,188	(3,774,796)	3,774,796
CNY	-	-	59,499	(59,499)
Other currency	(241,767)	241,767	(259,768)	259,768
	₩ (4,346,825)	₩ 4,346,825	₩ (5,436,904)	₩ 5,436,904

The sensitivity analysis is conducted on monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2021 and 2020, excluding monetary assets and liabilities with fixed exchange rates through currency swaps.

2) Interest rate risk

The Group is exposed to the risk of changes in the value of financial statements (financial assets and financial liabilities) due to price fluctuations and interest rate fluctuation risk, such as the risk of fluctuations in interest income (expense) from investments and borrowings. The Group's interest rate risk is mainly due to the issuance of interest-bearing liabilities, such as bonds and investments, in interest-earning assets. The Group has established and operates policies to minimize the risk of uncertainty and financial costs due to interest rate fluctuations.

The Group conducts a multifaceted analysis of exposure to interest rates. Various scenarios are simulated considering refinancing, renewal of existing borrowings, alternative financing and hedging. Based on these scenarios, the Group calculates the profit or loss effect of the defined interest rate change. For each simulation, the same interest rate change is applied for all currencies. These scenarios apply only to liabilities that represent a major interest-bearing position. As of December 31, 2021, there is no significant interest rate risk from floating interest borrowings.

A. Interest rate swap contract

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed- and floating-rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed-rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swap at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the reporting period.

There is no interest rate swap contract designated as a hedging instrument as of December 31, 2021, and details of unsettled interest rate swap as of December 31, 2020, are as follows (in thousands of Korean won). The assets and liabilities of the interest rate swap are presented as derivative assets (liabilities) in the consolidated statements of financial position (see Note 20).

a) Hedging instrument (in thousands of Korean won)

	Average agreed fixed rate (%)		Nominal amount		Book value of hedging instrument	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash flow hedges:						
Less than 1 year	-	2.62	₩ -	₩ 20,000,000	₩ -	₩ (21,671)

b) Hedged item (in thousands of Korean won)

	Nominal amount of hedged item		Hedge profit or loss recognized as other comprehensive income	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash flow hedges:				
Short-term borrowings	₩ -	₩ 20,000,000	₩ 21,671	₩ (21,671)
Long-term borrowings	-	-	-	30,014
	₩ -	₩ 20,000,000	₩ 21,671	₩ 8,343

B. Currency swap contract

Under currency swap contracts, the Group exchanges the difference between the principal and interest of the fixed interest rate in local currency (Korean won) and the principal and interest of the variable interest rate in foreign currency. Such contracts enable the Group to mitigate the risk of changing interest rates and exchange rate on the fair value of issued fixed-rate debt held and the cash flow exposures on the issued variable-rate debt held. The fair value of currency swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the financial year.

There is no currency rate swap contract designated as a hedging instrument as of December 31, 2021, and details of unsettled currency swap as of December 31, 2020, are as follows:

a) Hedging instrument

	Average agreed fixed rate (%)		Average agreed fixed exchange rate		Nominal amount (in thousands of USD)	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash flow hedges:						
Crédit Agricole	-	2.67	-	1,065.00	-	30,000
Shinhan Bank	-	2.51	-	1,079.20	-	20,000
SMBC	-	2.66	-	1,089.00	-	30,000
KB Kookmin Bank	-	2.59	-	1,114.00	-	10,000
					-	90,000

	Nominal amount		Book value of Hedging instrument (in thousands of Korean won)	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash flow hedges:				
Crédit Agricole	₩ -	₩ 31,950,000	₩ -	₩ 628,052
Shinhan Bank	-	21,584,000	-	107,767
SMBC	-	32,670,000	-	(98,506)
KB Kookmin Bank	-	11,140,000	-	(377,902)
	₩ -	₩ 97,344,000	₩ -	₩ 259,411

b) Hedged item

	Nominal amount of hedged item		Hedge profit or loss recognized as other comprehensive income	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Cash flow hedges:				
Foreign currency debentures with floating interest rate	₩ -	₩ 97,920,000	₩ 316,588	₩ 413,704

3) Credit risk

For the purpose of minimizing credit risk, the Group has adopted a policy of dealing with customers with a certain level of credit or higher and receiving sufficient collateral as a means of mitigating financial loss caused by default. We continuously review the Group's credit risk exposure and the credit rating of the customer. The total amount of these transactions is even distributed among the approved counterparties.

The Group has credit approval and other review procedures for postmanagement to recover the overdue receivables. In addition, the allowance for doubtful receivables and other receivables at the end of the reporting period is reviewed on an individual basis to recognize the allowance for uncollectible amounts. Trade receivables and other receivables consist of a number of accounts and are spread across a variety of industries and geographical areas, and credit ratings continue to be established for trade receivables and other receivables.

Credit risk refers to the risk that the counterparty will default on its contractual obligations and cause financial loss to the Group. The maximum amount of financial loss to be incurred by the Group due to non-fulfillment of obligations of counterparties in the event that collateral or other credit enhancement is not taken into consideration is as follows:

- The book value of each financial asset recognized in the consolidated financial statements
- Regardless of the likelihood of the guarantee being exercised, the maximum amount the Group is required to pay when a financial guarantee is requested

The Group's credit risk rating systems are as follows:

Classification	Comment	Recognizing ECLs.
Normal	The counterparty's credit risk is low and not overdue	12 months' ECL
Overdue	Days past due that exceeds 90 days or the credit risk increases significantly after the initial recognition	Total ECLs – non-impairment
Write-off	There is evidence that the debtor is experiencing severe financial difficulties and cannot reasonably be expected to recover	Write-off

4) Liquidity risk

The Group manages liquidity risk by establishing short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflows and its budget to correspond the maturity of financial liabilities to that of financial assets. The Group's management believes that the Group can redeem its financial liabilities by cash flows from operating activities and cash inflows from financial assets.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Meanwhile, interest cash flows of banker's usance are not included as the balance fluctuates frequently.

	December 31, 2021							
	Less than 1 year		1 year–5 years		More than 5 years		Total	
Trade payables	₩	36,081,493	₩	-	₩	-	₩	36,081,493
Other accounts payable		55,929,914		-		-		55,929,914
Short-term borrowings		44,166,975		-		-		44,166,975
Long-term borrowings		278,545		17,652,971		-		17,931,516
Debentures		1,407,450		107,805,639		-		109,213,089
Lease liabilities		21,620,643		42,867,392		73,562,535		138,050,570
Other financial liabilities		12,346,069		1,968,000		3,248,000		17,562,069
	₩	171,831,089	₩	170,294,002	₩	76,810,535	₩	418,935,626

	December 31, 2020							
	Less than 1 year		1 year–5 years		More than 5 years		Total	
Trade payables	₩	37,739,570	₩	-	₩	-	₩	37,739,570
Other accounts payable		44,765,879		-		-		44,765,879
Short-term borrowings		66,558,397		-		-		66,558,397
Current portion of long-term borrowings		98,534,367		-		-		98,534,367
Long-term borrowings		57,626		19,296,366		-		19,353,992
Debentures		655,484		49,484,835		-		50,140,319
Lease liabilities		26,923,187		69,887,777		78,184,304		174,995,268
Other financial liabilities		11,861,568		1,800,000		3,248,000		16,909,568
	₩	287,096,078	₩	140,468,978	₩	81,432,304	₩	508,997,360

44. BUSINESS COMBINATION:

(1) The Group acquired Della rana and Ilail business divisions from Shinsegae Co., Ltd., the parent company, in 2020, and acquired 100% stake in PP Produits Prestiges S.A., with the aim of enhancing business competitiveness by strengthening the domestic fashion and cosmetics business portfolio.

(2) Details of business combination for the year ended December 31, 2020, are as follows (in thousands of Korean won):

	Key operating activities	Type	Date of acquisition	Acquired share (%)	Consideration for acquisition	
Della rana and Ilail	Domestic fashion	Business acquisition	2020.07.01	-	₩	4,527,509
PP Produits Prestiges S.A.	Cosmetics	Acquisition of shares	2020.12.31	100		24,928,785

(3) Fair value of the consideration transferred for the year ended December 31, 2020, is as follows (in thousands of Korean won):

	Della rana and Ilail		PP Produits Prestiges S.A.	
Cash and cash equivalents	₩	4,527,509	₩	24,928,785

(4) The carrying amount of acquired identifiable assets by the business combination at the acquisition date for the year ended December 31, 2020, is as follows (in thousands of Korean won):

		Della rana and Ilail		PP Produits Prestiges S.A. (*1)
Current assets:				
Quick assets	₩	-	₩	8,395,563
Inventories		3,373,993		1,189,258
		3,373,993		9,584,821
Non-current assets:				
Property and equipment		1,137,816		25,184
Intangible assets		15,700		9,930,644
Goodwill		-		7,472,979
Other assets		-		59,133
		1,153,516		17,487,940
Current liability		-		657,881
Non-current liability		-		153,057
Deferred tax liability		-		1,343,169
	₩	4,527,509	₩	24,918,654

(*1) The difference between the fair value of identifiable net assets and the consideration transferred is the difference in translation of overseas business on the date of acquisition.

(5) Details of net cash outflows from the business combination for the year ended December 31, 2020, is as follows (in thousands of Korean won):

		Della rana and Ilail		PP Produits Prestiges S.A.
Net cash outflow	₩	4,527,509	₩	16,824,519

45. EVENTS AFTER THE REPORTING PERIOD:

(1) The Group decided to liquidate its subsidiary, Shinsegae International Vietnam Co., Ltd., by the approval of board of directors on February 8, 2022.

(2) The Group participated as a promoter of the Signite-Rael Venture Fund established on February 28, 2022, and contributed a portion of the founding capital, by the approval of board of directors on February 8, 2022.

(3) The Group decided to split the stock to 35.7 million shares (the split ratio of 5:1) from the total number of issued shares of 7.14 million by the approval of board of directors on February 22, 2022.