SGC Energy Co., Ltd.

Separate financial statements
For the two-month period ended December 31, 2020
with the independent auditor's report

SGC Energy Co., Ltd.

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Independent auditor's report

The Shareholders and Board of Directors
SGC Energy Co., Ltd.

Opinion

We have audited the accompanying separate financial statements of SGC Energy Co., Ltd. (the "Company"), which comprise the separate statement of financial position as of December 31, 2020 and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for two-month period then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2020, and its separate financial performance and its cash flows for two-month period then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate 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 opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Accounting treatment of business combinations

As described in Note 41 to the separate financial statements, as of October 31, 2020, the spin-off& merger date, the Company has completed accounting for the business combinations constituting the Company as an acquirer and the newly established corporation through a spin-off from eTec E&C Co., Ltd. and Gunjang Energy Co., Ltd., the subsidiary of the newly established corporation, as acquirees. By taking into account the relative voting rights of the combined company after the merger and the composition of the combined company's decision-making body, based on the accounting treatment for the business combination, the legal acquiree, the newly established corporation, was deemed to be the acquirer for accounting purposes. As business combination transactions are unusual, the impact on financial statements is significant and the accounting treatment is considered complex as it requires management's judgment and estimates such as identification of intangible assets, and others, As a result, accounting treatment of business combinations was determined to be a key audit matter.

The main audit procedures we conducted in this regard are as follows:

- Obtained an understanding of business combination transactions assessed the Company's business combination accounting policy
- Evaluated whether the principal accounting policy of the acquiree is consistent with the accounting policy of the Company
- Evaluated the competency and objectivity of the Company’s expert (external valuation agency)
- Utilized auditor's internal valuation experts to assess the appropriateness of the evaluation method and assumptions used by the Company's expert.
-

Responsibilities of management and those charged with governance for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KGAAS 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 separate financial statements.

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Tae Gon Lee.

Ernst & Young Han Young

March 18, 2021

This audit report is effective as of March 18, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

SGC Energy Co., Ltd.

Separate financial statements
for the two-month period ended December 31, 2020

"The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of the Company."

Bok Young Lee, Chan Kyu Ahn and Jun Young Park
Chief Executive Officer
SGC Energy Co., Ltd.

SGC Energy Co., Ltd.
Separate Statement of Financial Position
December 31, 2020

(Korean won)

	Notes		December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	34,37,40	₩	32,530,355,070
Short-term financial instruments	6,34,39,40		2,361,782,041
Trade and other receivables	7,34,40		63,693,125,632
Inventories	8		58,172,470,713
Financial assets at fair value through profit or loss	5,34,40		1,693,615,000
Current income tax assets	32		18,541,780
Other current assets	7,10		2,182,672,348
			160,652,562,584
Non-current assets			
Long-term financial instruments	6,34,40		1,082,000,000
Long-term Trade and other receivables	7,34,40		21,744,267,685
Subsidiary investment	12,13,39		313,993,634,474
Property, plant and equipment	14,39		960,221,482,650
Intangible assets	15		1,481,886,954
Right-of-use assets	16		71,056,313,548
Other non-current financial assets	9,34,40		3,716,797,750
Other non-current assets	10		2,273,206,367
Non-current assets held-for-sale	11,39		110,000,000,000
			1,485,569,589,428
Total assets		**₩**	**1,646,222,152,012**
Liabilities			
Current liabilities			
Trade and other payables	17,40	₩	36,555,044,274
Short-term borrowings and bonds	18,39,40		604,399,528,086
Current long-term liabilities	18,40		12,750,000,000
Other current financial liabilities	21,40		1,049,276,842
Lease liabilities	16,40		2,671,432,329
Other current liabilities	22		38,660,632,379
Income tax payable			4,015,354,776
			700,101,268,686
Non-current liabilities			
Long-term borrowings and bonds	18,39,40		268,228,954,331
Net employee defined benefit liabilities	19		468,095,176
Provisions	20		3,354,862,416
Other non-current financial liabilities	21,40		21,598,405,134
Lease liabilities	16,40		72,214,765,685
Other non-current liabilities	22		14,142,945,614
Deferred tax liabilities	32		9,299,752,016
			389,307,780,372
Total liabilities			**1,089,409,049,058**

SGC Energy Co., Ltd.
Separate Statement of Financial Position, (cont'd)
December 31, 2020

(Korean won)

	Notes		December 31, 2020
Shareholders' equity			
Issued capital	23		73,385,020,000
Capital surplus	25		420,104,852,491
Other components of equity	25		(1,679,405,350)
Accumulated other comprehensive income	25		(77,619,399)
Retained earnings	24		65,080,255,212
Total shareholders' equity			**556,813,102,954**
Total liabilities and shareholders' equity		₩	**1,646,222,152,012**

See accompanying notes to the separate financial statements.

SGC Energy Co., Ltd.
Separate Statement of Comprehensive Income
For the two-month period ended December 31, 2020

(Korean won)

	Notes		Amount
Revenue	4,26	₩	69,990,767,735
Cost of sales	8,31		63,337,929,524
Gross profit			6,652,838,211
Selling, general and administrative expenses:	27,31		1,005,671,289
Operating profit			**5,647,166,922**
Finance income	28		2,270,509,088
Finance costs	28		(4,707,986,868)
Other income	29		4,651,460,366
Other expenses			(30,579,078)
Income before income taxes			**7,830,570,430**
Income tax expenses	32		3,043,170,277
Net profit for the period		₩	**4,787,400,153**
Other comprehensive income			
Other comprehensive income that will be not reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit plans (net of tax)			292,855,059
			292,855,059
Total comprehensive income, net of tax		₩	**5,080,255,212**
Earnings per share:	33		
Basic and diluted, profit for period attributable to ordinary equity holders			326

See accompanying notes to the separate financial statements.

SGC Energy Co., Ltd.
Separate Statement of Changes in Equity
For the two-month period ended December 31, 2020

(Korean won)

	Issued capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Retained earnings	Total
Balance at November 1, 2020	₩ 6,093,085,000	₩ 148,186,498,443	₩ (1,144,581,003)	₩ -	₩ -	₩ 153,135,002,440
. Amount after adjustment	6,093,085,000	148,186,498,443	(1,144,581,003)	-	-	153,135,002,440
Total comprehensive income	-	-	-	-	5,080,255,212	5,080,255,212
Net profit	-	-	-	-	4,787,400,153	4,787,400,153
Remeasurements of the net defined benefit liability (asset)	-	-	-	-	292,855,059	292,855,059
Purchase of treasury stock	-	-	(76,470,106)	-	-	(76,470,106)
Conversion of capital reserves	-	(60,000,000,000)	-	-	60,000,000,000	-
Business combination	67,291,935,000	331,918,354,048	(458,354,241)	(77,619,399)	-	398,674,315,408
III. Balance at December 31, 2020	**₩ 73,385,020,000**	**₩ 420,104,852,491**	**₩ (1,679,405,350)**	**₩ (77,619,399)**	**₩ 65,080,255,212**	**₩ 556,813,102,954**

See accompanying notes to the separate financial statements.

SGC Energy Co., Ltd.
Separate Statement of Cash Flows
For two-month period ended December 31, 2020

(Korean won)

	Notes		December 31, 2020
Operating activities			
Cash generated from operations	36	₩	(13,703,616,845)
Interest received			27,926,915
Interest paid			(3,226,200,511)
Income tax paid			(15,256,500)
Net cash flows used in operating activities			(16,917,146,941)
Investing activities			
Purchase of property, plant and equipment			(183,064,586)
Purchase of intangibles asset			(15,000,000)
Decrease of rental deposits			320,000,000
Net cash flows provided by investing activities			121,935,414
Financing activities			
Repayment of borrowings			(10,000,000,000)
Transaction costs on issue of shares			(1,000,000)
Purchase of treasury stock			(76,470,106)
Repayment of current portion of long-term borrowings			(1,875,000,000)
Repayment of bonds			(20,000,000,000)
Decrease in lease liabilities			(418,205,337)
Net cash flows used in financing activities			(32,370,675,443)
Net decrease in cash and cash equivalents			(49,165,886,970)
Net cash flows from the business combinations			98,654,036,092
Net cash outflows due to the spin-off			(16,957,164,195)
Net foreign exchange difference			(629,857)
Cash and cash equivalents as of November 1			-
Cash and cash equivalents as of December 31	37	₩	**32,530,355,070**

See accompanying notes to the separate financial statements.

1. Corporate information

SGC Energy Co., Ltd. was established on June 27, 1967. The Company merged with Sambo Glass Co., Ltd. on December 1, 1999 and Samkwang Can Co., Ltd. on December 31, 2001. In accordance with the resolution of the board of directors on March 18, 2020, the Company merged the former Gunjang Energy Co., Ltd. as of October 31, 2020. At the same time, the former E-Tech E&C Co., Ltd. was also merged with the Company by spin-off the investment business unit as prescribed in Articles 530-2 to 530-11 of the Commercial Act.

Together with the mergers, the Company split-off business units of manufacturing/processing/sales of glass products while keeping investment business unit in managing/investing shares in subsidiaries and other investments and business units in steam and electricity production.

Although the Company is the legal acquirer of the merged companies, the acquirer for accounting purpose is the investment division of E-Tech E&C Co., Ltd. As such, the 54th fiscal year began on November 1, 2020, and the financial statements for the 53rd fiscal year are not presented for comparative purposes.

The shareholders of the Company as of December 31, 2020 are as follows:

	The number of shares	%
Woo Sung Lee	2,822,815	19.23%
Won Jun Lee	2,598,902	17.71%
Bok Young Lee	1,486,666	10.13%
Unid Co., Ltd.	819,018	5.58%
Treasury stock	51,802	0.35%
Others	6,897,801	47.28%
Total	14,677,004	100%

2. Basis of preparation and summary of significant accounting policies

(1) Basis of Preparation

The Company prepares statutory financial statements in Korean in accordance with Korean International Financial Reporting Standards ("KIFRS") enacted by the Act on External Audit of Stock Companies. These financial statements are separate financial statements pursuant to KIFRS 1027 *Separate Financial Statements*. When the Company is an investor with joint control or significant influence over the parent or investee, the investment assets are selected and applied by the cost method.

The accompanying separate financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The separate financial statements are prepared at the end of each reporting period on the historical cost basis, except for certain non-current assets and financial assets that are either revalued or measured in fair value. Historical cost is generally measured at the fair value of consideration given to acquire assets.

2. Basis of preparation and summary of significant accounting policies (cont'd)

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 Company 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 KIFRS 1102 *Share-based Payments*, leasing transactions that are within the scope of KIFRS 1116 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in KIFRS 1002 *Inventories*, or value in use in KIFRS 1036 *Impairment of Assets*.

The new standards and interpretations introduced in the current year and the resulting changes in accounting policies are as follows:

- Amendments to KIFRS 1001 and KIFRS 1008 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These amendments had no impact on the separate financial statements of, nor is there expected to be any future impact to the Company.

- Amendments to KIFRS 1103: Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments had no impact on the separate financial statements of the Company.

- Amendments to KIFRS 1107, KIFRS 1109 and KIFRS 1039 Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. The exceptions require the Company assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. These amendments have no impact on the separate financial statements of the Company as it does not have any interest rate hedge relationships.

2. Basis of preparation and summary of significant accounting policies (cont'd)

- Conceptual Framework for Financial Reporting (Amended in 2018)

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the KASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

New standards and interpretations not yet adopted by the Group are as follows:

- Amendments to KIFRS1116 COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the separate financial statements of the Company.

- Amendments to KIFRS1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement* and KIFRS 1107 *Financial Instruments: Disclosures*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest rate benchmark reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment applies to annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. This amendment had no impact on the separate financial statements of the Company.

- Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and KIFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. Earlier application is permitted. This amendment had no impact on the separate financial statements of the Company.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

2. Basis of preparation and summary of significant accounting policies (cont'd)

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments are not expected to have a material impact on the Company.

- Annual Improvements to KIFRS 2018-2020

KIFRS Annual Improvements 2018-2020 apply for annual periods beginning on or after January 1,2022, and early application is permitted. The amendments are not expected to have a material impact on the Company.

· KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

· KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

· KIFRS 1116 *Leases*- Lease incentive

· KIFRS 1041 *Agriculture* – Taxation in fair value measurements

- Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the separate financial statements.

(2) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred by the Company in exchange for control of the acquiree, liabilities assumed by the Company for the former owners of the acquiree and the equity interests issued by the Company. Acquisition-related costs are generally recognized in profit or loss as incurred.

2. Basis of preparation and summary of significant accounting policies (cont'd)

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with KIFRS 1012 and KIFRS1019, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with KIFRS1102 at the acquisition date.

- Assets (or disposal groups) that are classified as held-for-sale in accordance with KIFRS 1105 are measured in accordance with that standard.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a 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 the 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. Contingent consideration is remeasured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss (if applicable, other comprehensive income). 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 those interests were 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 Company 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 at the acquisition date that, if known, would have affected the amounts recognized at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to

each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(3) Investment in associates and joint ventures

These separate financial statements are prepared and presented in accordance with KIFRS 1027 *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with KIFRS 1027. Dividends from a subsidiary, associate or joint venture are recognized in profit or loss when the right to receive the dividend is established.

(4) Non-current assets held-for-sale

Non-current assets classified as held-for-sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

The Company classifies non-current assets or disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. These conditions are considered to have been met only when non-current assets (or disposal groups) are immediately available for sale in their current state and are highly likely to be sold. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Such non-current assets and disposal groups classified as held-for-sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding the finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-for-sale or as held for distribution.

If the Company commits a sale plan that results in a loss of control of the subsidiary, the Company will, if the Company has satisfied the conditions previously mentioned, regardless of whether the Company has a non-controlling interest in the former subsidiary after the sale, all assets and liabilities are classified as held-for-sale.

If the Company is committed to a sale of an investment in an associate or a joint venture, all or part of the investment in the associate or joint venture to be sold will be classified as held-for-sale if it meets the criteria for sale, and the Company ceases to apply the equity method for investments in associates or joint ventures related to the items classified as held-for-sale. The Company continues to apply the equity method of accounting for residual interests in investments in associates or joint ventures that are not classified as held-for-sale. However, if the Company has a significant influence over the associates or joint ventures, the Company ceases to apply the equity method at the time of sale.

Assets and liabilities classified as held-for-sale or for distribution are presented separately as current items in the statement of financial position.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(5) Revenue from contracts with customers

The Company recognizes revenue from the following major sources:

· Business of producing and selling electricity and steam

The Company sells goods directly to customers, and recognizes revenue and receivables when they are delivered to the customer and control of the goods is transferred. The Company grants the right to return to the customer, and a refund liability and a right to collect returns are recognized in relation to the goods expected to be returned.

(6) Leases

1) The Company as a lessee

The Company evaluates whether the contract is a lease or if the contract contains a lease at the contractual date. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For these leases, the Company 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.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of lease liabilities consist of the following amounts:

- 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; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Company presents leased liabilities separately from other liabilities in the statement 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

The Company 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 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 at or before the commencement day, less any lease incentives received and any initial direct costs. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Whenever the Company 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 KIFRS 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 underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 statements of financial position.

The Company applies KIFRS 1036 to determine whether right-of-use assets are impaired and accounts for any identified impairment loss as described in the accounting policy for 'Property, plant and equipment' (see Note 2.(12)).

Variable rents that do not depend on an index or rate are not included in the measurement 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, KIFRS 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 Company has not used this practical expedient. In a contract containing one leased element and one or more additional leased or non-lease elements, the lessee allocates the contract consideration to each leased element based on the relative individual price of the leased element and the total individual price of the non-lease element.

2. Basis of preparation and summary of significant accounting policies (cont'd)

2) The Company as a lessor

Leases for which the Company 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 Company 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

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

(7) Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable-rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(9) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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 statements of financial position by deducting the grant from the carrying amount of the asset (including property and equipment). 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 Company 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.

(10) 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 retirement benefit 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 statements of financial position with a charge or credit to the statements of comprehensive income in the period in which they occur. Remeasurements recognized in the statements of comprehensive income are reflected immediately in retained earnings, and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Company 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- Service costs, which include current service cost, past service cost and gains or losses on curtailments and settlements

- Net interest expense or income

- Remeasurements

The service cost and net interest expense or income are recognized in selling and administrative expenses and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statements of financial position represents the actual deficit or surplus in the Company'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 or 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 KIFRS1019 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 in the period in which the related service is rendered.

(11) Current and Deferred tax

Income tax expense represents the sum of the current tax and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the separate statements of comprehensive income because of items of income or expense that are taxable or deductible on other years and items that are no taxable or deductible. The Company'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 judgement supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Basis of preparation and summary of significant accounting policies (cont'd)

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 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 that 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. And deferred tax assets relating to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss are not recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 that 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 that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

3) Current and deferred taxes

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.

(12) Property, plant 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 its 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 in 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 into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful lives (years)
Buildings	20~40
Structures	20
Machinery	20
Vehicles	5
Tools and equipment	5

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

The Company reviews the depreciation method, 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(13) Investment properties

Real estate held to obtain rental income or capital gain is classified as investment properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. After initial recognition, acquisition cost less accumulated depreciation and accumulated impairment losses is presented as carrying amount.

Subsequent costs are recognized in 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 into the Company and the cost of an asset can be measured reliably, and the book value of a portion of an asset that are replaced by a subsequent expenditure is removed from the books. Routine maintenance and repairs are expensed as incurred.

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.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

(14) 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, and 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. Basis of preparation and summary of significant accounting policies (cont'd)

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- The ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses.

3) 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.

4) 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.

5) Patent and trademark

Patent and trademark are initially recognized at cost and amortized using the straight-line method over the estimated useful lives.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(15) Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest Company of CGUs 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 net fair value or value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(16) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost is determined according to the average method, excluding goods not yet delivered. The initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in OCI, in respect of the purchases of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated 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 are 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(17) Provisions

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

The 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) Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2) Restructuring provisions

A restructuring provisions is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Only expenditures incurred directly related to restructuring, which are indispensable to restructuring and are not related to the continued activities of the company, are measured as the amount of provision for restructuring.

3) Warranty provisions

Warranty provisions are recognized as the best estimate of the expenditure required to settle the Company's obligation at the date of sale of the relevant products.

2. Basis of preparation and summary of significant accounting policies (cont'd)

4) 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.

5) Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with KIFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognized less, where applicable, the cumulative amount of income recognized in accordance with KIFRS 1115 Revenue from Contracts with Customers.

(18) Financial instruments

Financial assets and financial liabilities are recognized in the Company's statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. However, Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss upon occurrence.

(19) 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 frame 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

The Company measures debt instruments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

- 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and

- 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 fair value through profit or loss (FVTPL).

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

- The Company 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 Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria 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 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 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 the financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measure 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

For purchased or originated credit-impaired financial assets, interest revenue is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. Even if the financial asset is no longer impaired in the subsequent periods due to credit improvement, the basis of interest revenue calculation is not changed from amortized cost to unamortized cost of the financial assets.

Interest income is recognized in profit or loss and is included in the " interest income" line item (Note 28).

1-2) Debt instruments classified as at FVTOCI

Fair value is determined using the valuation techniques described in Note 40. 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 Company 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 a 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 Company manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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 KIFRS1109, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item (Note 28) in profit or loss.

2. Basis of preparation and summary of significant accounting policies (cont'd)

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. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company 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

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. The net gain or loss recognized in profit or loss includes dividends earned on the financial asset in the 'financial income.' Meanwhile, interests on financial assets at FVTPL are recognized in 'finance income-other' (Note 28). The fair value is determined as described in Note 40.

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 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 expenses' line item (Note 28).

- 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 expenses' (Note 28). 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 expenses ' line item.

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

2. Basis of preparation and summary of significant accounting policies (cont'd)

3) Impairment of financial assets

The Company 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 Company always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Expected credit loss for the entire period refers to the expected credit loss resulting from all default events that may occur during the expected life of a financial instrument. Conversely, 12-month expected credit loss refers to a portion of expected credit loss for the entire period due to default events of financial instruments that can occur within 12 months after the end of the reporting period.

4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, it 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 FVOCI, 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 Company has elected on initial recognition to measure at FVOCI, 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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(20) Financial liabilities and equity instruments

1) Classification of financial liabilities and equity

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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 Company are recognized at the proceeds received, net of direct issue costs.

If the Company reacquires its own equity instruments, the consideration paid including the direct transaction costs (net of income tax expense) are presented as a deduction from total equity until such instruments are retired or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

All financial liabilities are subsequently measured at financial liabilities at FVTPL or financial liabilities at amortized cost using the effective interest method. 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 Company, are measured in accordance with the specific accounting policies set out below.

2. Basis of preparation and summary of significant accounting policies (cont'd)

4) Financial liabilities at FVTPL

Financial liabilities are usually classified as financial liabilities at FVTPL when they are acquired with a purpose to repurchase them within a short period of time, when they are contingent consideration of the acquirer in a business combination, or they are designated at fair value through profit or loss upon initial recognition.

Financial liabilities are short-term trading items in the following cases:

- When they are acquired with a purpose to repurchase them within a short period of time.
- When they are part of a certain financial instrument portfolio that is actually and recently being managed with a purpose of short-term profit and joint management by the Company at initial recognition.
- When they are derivatives that do not qualify as hedging instruments.

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

- It is possible to remove or significantly reduce recognition or measurement mismatch that may otherwise have occurred if not for its designation as financial liability at FVTPL
- The financial liability forms part of the Company's financial instrument group (a group composed of a combination of financial asset or liability) according to the Company's documented risk management or investment strategy, is measured at fair value and is being evaluated for its performance, and such information is provided internally
- The financial liability is part of a contract that contains one or more of embedded derivatives, and is a hybrid contract in which designation as financial liability at FVTPL is allowed under KIFRS 1109 'Financial Instruments'.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising in changes in fair value recognized on profit or loss to the extent that they are not part of a designated hedging relationship. Interest expenses paid for financial liabilities at FVTPL are recognized as 'financial expense' in profit or loss on financial liabilities at FVTPL (Note 28).

However, for financial liabilities that are designated as at FVPL, 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.

Profit or loss arising from financial guarantee contracts designated as FVTPL are recognized in profit or loss.

Fair value is determined by the method described in Note 40.

2. Basis of preparation and summary of significant accounting policies (cont'd)

5) Financial liabilities 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 FVPL as of the date of initial recognition, 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 of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows to the financial liabilities at amortized cost over the expected period, or shorter if appropriate. Future cash flows include commissions and cost of reward points (limited to the primary component of effective interest rate) and other premiums or discounts that are paid or received between the contractual parties, and future cash flows exclude expected credit loss when calculating the effective interest rate.

6) Financial guarantee liabilities

A financial guarantee contract is a contract that the issuer must pay a certain amount of money to compensate for losses incurred by the holder due to the failure of a specific debtor to pay the due date on the original contract or modified terms of the debt instrument.

Financial guarantee liabilities are measured initially at fair value and subsequently measured at the greater of the following, unless they are designated as at fair value through profit or loss or arising from the transfer of assets.

- Loss provision calculated in accordance with KIFRS 1109
- The amount recognized less the accumulated profits recognized in accordance with KIFRS 1115

7) Foreign exchange gains and losses

For financial liabilities that are denominated on 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 'financial income or expenses' line item in separate statements of income (Note 28).

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.

2. Basis of preparation and summary of significant accounting policies (cont'd)

8) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have 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 Company exchanges with the existing lender one debt instrument for 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 Company 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 expenses.

(21) Derivative instruments

Derivatives are initially recognized at the fair value of the contract date and are subsequently measured at the fair value of the end of each reporting period. The resulting gain or loss is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument.

(22) Accounting related to the greenhouse gas emission rights cap and trade scheme

The Company classifies the emission rights as intangible assets. Emission rights allowances the government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Company paid to settle the emission rights allowances allotted for vintage year, the emission liabilities are measured at nil. However, for the emission liabilities that exceed the allowances allocated free of charge, emission liabilities are measured using the best estimates as of the end of the reporting period for the expenditure expected to be spent on fulfilling the emission liabilities corresponding to the shortfall.

2. Basis of preparation and summary of significant accounting policies (cont'd)

(23) Classification of current or non-current

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. Critical accounting estimates and assumptions

In the application of the Company 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) Defined benefit plan

The Company operates a defined benefit pension plan. Defined benefit obligation is calculated at every end of the reporting period by performing actuarial valuation, and estimation of assumptions such as discount rate, expected wage growth rate and mortality rate is required to perform such actuarial valuation. The defined benefit plan, due to its long-term nature, contains significant uncertainties in its estimates. The defined benefit retirement benefit obligation is KRW 468,095 thousand as of December 31, 2020, and details are described in Note 19.

(2) Fair value of financial instruments

As described in Note 40, the Company 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 40 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.

(3) Calculation of loss allowance

When measuring ECL, the Company 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 historical data, assumptions and expectations of future conditions.

(4) Estimation of net realizable value of inventories

As described in Note 8, the Company estimates the net realizable value of inventory at the end of each reporting period. The lower of cost or net realizable value is applied to reduce the net realizable value below the acquisition cost. At the end of the current year, the method of estimating net realizable value has been revised for cases in which it is difficult to recover the acquisition cost of inventory assets due to obsolescence of inventory assets. Estimating net realizable value should be based on the most reliable evidence available at the end of the reporting period for the amount achievable from inventory. Management believes that the valuation techniques and assumptions used to estimate the net realizable value of inventory are appropriate.

3. Critical accounting estimates and assumptions (cont'd)

(5) Impairment of non-financial assets

The Company assesses the existence of impairment on all non-financial assets at the end of each reporting period. For intangible assets with indefinite useful lives, impairment tests are carried out annually or in the event of impairment. For other non-financial assets, the Company carries out impairment tests when there are indications that the carrying amount will not be recoverable. To determine the use value, management must estimate future cash flows from the asset or CGU and choose an appropriate discount rate.

(6) Deferred tax assets

Deferred tax assets are recognized for unused tax losses in the extent that it is probable that future taxable income will be available for tax losses. Management of the Company makes key judgments to determine the amount of deferred tax assets that are recognized based on the timing and level of future tax strategy and tax benefits.

4. Segment information

In accordance with KIFRS 1108, the Company discloses disclosures relating to its operating segments in its consolidated financial statements, which are not otherwise disclosed in separate financial statements.

(1) Details of major customers accounting for more than 10% of our revenue for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Korea Power Exchange	₩	28,928,507
Paju Energy Service Co., Ltd.	₩	24,231,900

5. Financial assets

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

		Current
Financial assets at fair value through profit or loss		
Quoted equity shares	₩	1,693,615
Equity instruments designated at fair value through OCI		
Unquoted equity shares		-
Total financial assets	₩	1,693,615

(2) Details of quoted equity shares among financial assets at fair value through profit or loss as of December 31, 2020 are as follows (Korean won in thousands):

	The number of shares		Acquisition cost		Book value		Losses(Gains) on valuations
Hitejinro Co., Ltd.	45,000	₩	1,507,500	₩	1,433,250	₩	(74,250)
Hitejinro Holdings Co., Ltd.	17,300		252,580		260,365		7,785
Total	62,300	₩	1,760,080	₩	1,693,615	₩	(66,465)

(3) Details of quoted equity shares among financial assets at equity instruments designated at fair value through OCI as of December 31, 2020 are as follows (Korean won in thousands):

	The number of shares		Acquisition cost		Book value		Accumulated impairment losses		Losses (Gains) on valuations
Nexolon Co., Ltd.	-	₩	77,619	₩	-	₩	(77,619)	₩	-
Total	-	₩	77,619	₩	-	₩	(77,619)	₩	-

6. Restricted financial assets

Restricted or provided as collateral for liabilities or contingent liabilities financial assets as of December 31, 2020 are as follows (Korean won in thousands):

	Details		Amount
Short-term financial instruments	Time deposit (*1)	₩	2,361,782
Long-term financial instruments	Deposits for checking accounts		2,000
Total		₩	2,363,782

(*1) Time deposit is pledged for construction guarantee on underwater tunnel GE3.

7. Trade and other receivables & other financial assets

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

			Amount
Current	Trade receivables	₩	55,578,427
	Less: Allowance for bad debts		(389,648)
	Less: Present value discount		-
	Net trade receivables		55,188,779
	Other receivables		17,794,247
	Less: Allowance for bad debts		(8,377,923)
	Less: Present value discount		(900,695)
	Less: Government grants		(15,511)
	Net other receivables		8,500,118
	Accrued Income		4,229
Subtotal			63,693,126
Non-current	Other receivables		29,849,852
	Less: Allowance for bad debts		(8,105,584)
	Net other receivables		21,744,268
Total		₩	85,437,394

7. Trade and other receivables & other financial assets (cont'd)

(2) Credit risk and allowance for bad debts

The average collection period of the Company's account receivables is approximately 30 days. The estimated amount of uncollectible trade receivables determined based on the Company's past history and analysis on current financial position shall be set as allowance for bad debts. For trade receivables over 30 days, the recoverable amount is calculated through a separate calculating logic, and is reflected in determining allowance for bad debts. In addition, the recoverable amount for trade receivables identified as individual impairment is calculated through individual analysis, and the difference between the recoverable amount and the carrying amount is recognized as impairment losses.

1) The aging analysis of trade receivables, other receivables, and other assists as of December 31, 2020 are as follows (Korean won in thousands):

	Trade receivables	Other receivables	Accrued income	Advance payments	Long-term other receivables	Long-term advance payments
1. Not past due	₩ 55,158,663	₩ 9,419,500	₩ 4,229	₩ 479,372	₩ 29,849,852	₩ 640,000
2. Past due but not impaired	-	-	-	-	-	-
3. Individually impaired receivables	-	8,367,596	-	-	-	-
4. Collectively impaired receivables	419,764	7,152	-	804,911	-	-
6~12 months	-	-	-	-	-	-
More than12 months	419,764	7,152	-	804,911	-	-
Subtotal (1+2+3+4)	55,578,427	17,794,248	4,229	1,284,283	29,849,852	640,000
Less: Allowance for bad debts	(389,648)	(8,377,923)	-	(804,911)	-	-
Total	₩ 55,188,779	₩ 9,416,325	₩ 4,229	₩ 479,372	₩ 29,849,852	₩ 640,000

2) Changes of allowance for bad debts about trade and other receivables and loans for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

	Nov. 1, 2020	Business combination	Spin-off	Reversal of bad debt expenses	Write-offs	Others	Dec. 31, 2020
Trade receivables	₩ -	₩ 2,223,193	₩ (1,761,723)	₩ (71,822)	₩ -	₩ -	₩ 389,648
Other receivables	-	9,064,944	(685,015)	(2,006)	-	-	8,377,923
Advance payments	-	751,578	-	53,333	-	-	804,911
Long-term trade receivables	-	1,350,285	(1,350,285)	-	-	-	-
Total	₩ -	₩ 13,390,000	₩ (3,797,023)	₩ (20,495)	₩ -	₩ -	₩ 9,572,482

8. Inventories

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

		Acquisition cost		Inventory valuation allowance		Book value
Finished goods	₩	46,943,876	₩	(14,212,036)	₩	32,731,840
Raw materials		22,843,510		(214,207)		22,629,303
Components		178,187		-		178,187
Supplies		2,633,141		-		2,633,141
Total	₩	72,598,714	₩	(14,426,243)	₩	58,172,471

In 2020, KRW 3,270,973 thousands was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of sales.

9. Other financial assets

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

		Current		Non-current
Deposits	₩	-	₩	3,716,798
Total	₩	-	₩	3,716,798

10. Other assets

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

		Current		Non-current
Advanced payments	₩	1,284,283	₩	640,000
Allowance for bad debts		(804,911)		-
Prepaid expenses		1,703,300		1,633,206
Total	₩	2,182,672	₩	2,273,206

The amount of impairment loss on other assets recognized during the current term is KRW 5,333 thousands.

11. Assets held-for-sale

(1) Details of assets held-for-sale as of December 31, 2020 are as follows (Korean won in thousands):

		Amount
Property, plant and equipment		
Land	₩	98,864,747
Buildings		3,428,171
Structures		793,364
Plant and equipment		6,913,718
Total	₩	110,000,000

(*1) The Company decided to sell the site of the Incheon plant to DCRE, an affiliate of the Company, for KRW 110 billion and disclosed the decision on April 29, 2019. The Company plans to collect the money according to the urban development plan in the future, and the Company did not recognize the impairment loss because the Company expects the net fair value to exceed the carrying amount of the site classified as an asset held-for-sale.
(*2) The Company provided DCRE with 3,910,000 shares of SGC Development Co., Ltd. as a collateral in case of return of received consideration in advance and down payments to be received amounting to KRW 85 billion for sale of real estate to DCRE Co., Ltd.
(*3) Assets held-for-sale are provided as collateral for borrowings as of December 31, 2020 (Note 39).

12. Investment in subsidiaries

(1) Subsidiaries as of December 31, 2020 are as follows (Korean won in thousands):

Subsidiaries	Key sales activities	Establishment of a corporation and place of business	Ownership interest (%)	Percentage of voting rights(%)	Acquisition cost	Book value	Closing date
SGC Solutions Co., Ltd.	Manufacture of packaging glass containers	Republic of Korea	100	100	₩ 171,230,877	₩ 171,230,877	Dec.31
SGC Greenpower Co., Ltd.	The power generation industry	Republic of Korea	95	95	45,072,404	45,072,404	Dec.31
SGC Development Co., Ltd.	The lease and sale of real estate	Republic of Korea	100	100	68,426,634	68,426,634	Dec.31
eTEC E&C(Shanghai) Co., Ltd.	Overseas construction work	China	100	100	655,341	655,341	Dec.31
PT eTEC Indonesia	Overseas construction work	Indonesia	67	67	-	-	Dec.31
SGC eTEC E&C Co., Ltd.	Plant, construction, terminal business	Republic of Korea	30.71	32.9	28,608,378	28,608,378	Dec.31
Total					₩ 313,993,634	₩ 313,993,634	

12. Investment in subsidiaries (cont'd)

(2) The details of changes in subsidiary investments during the current period are as follows (Korean won in thousands):

Subsidiaries	As of November 1, 2020 (*1)	Business combination / Spin-off (*2)	Transfer	As of December 31, 2020
SGC Solutions Co., Ltd. (*3)	₩ -	₩ 171,230,877	₩ -	₩ 171,230,877
SGC Greenpower Co., Ltd. (*4)	778,847	44,293,557	-	45,072,404
SGC Development Co., Ltd. (*5)	-	68,426,634	-	68,426,634
eTEC E&C(Shanghai) Co., Ltd.	655,341	-	-	655,341
PT eTEC Indonesia	-	-	-	-
Gunjang Energy Corporation (*6)	197,388,651	(197,388,651)	-	-
SGC eTEC E&C Co., Ltd. (*7)	-	-	28,608,378	28,608,378
Total	₩ 198,822,839	₩ 86,562,417	₩ 28,608,378	₩ 313,993,634

(*1) The entities were spun-off from SGC eTEC E&C Co., Ltd. and became subsidiaries of the Company. (Notes 41 and 42)
(*2) The entities are acquired through the business combination and split-off. (Notes 41 and 42)
(*3) SGC SOLUTIONS Co., Ltd. was established through the split-off from the Company. (Notes 41 and 42)
(*4) SMG Energy Co., Ltd. changed its name to SGC Greenpower Co., Ltd.
(*5) SG Dev Co., Ltd. a subsidiary of SGC Energy Co., Ltd. changed its name to SGC Development Co., Ltd.
(*6) Gunjang Energy Corporation was placed into liquidation as a result of business combination with the Company. (Notes 41 and 42)
(*7) As the Company received delegation of voting rights from controlling shareholders of SGC eTEC E&C Co., Ltd. on December 31, 2020, it is considered the Company acquired de facto controlling power. Thus, the entity was recognized as a subsidiary.

(3) Subsidiaries' summarized statements of financial position as of December 31, 2020 are as follows (Korean won in thousands):

	SGC Solution	SGC Green Power	SGC Development	eTEC E&C(Shanghai)	PT eTEC Indonesia	SGC eTEC E&C
Current assets	₩ 119,520,644	₩ 35,506,743	₩ 1,976,754	₩ 952,560	₩ 3,546	₩ 473,976,363
Non-current assets	176,180,349	254,711,821	137,639,962	24,261	-	188,909,970
Total assets	295,700,993	290,218,564	139,616,716	976,821	3,546	662,886,333
Current liabilities	115,242,811	25,685,758	75,089,201	446,515	17,901	486,641,403
Non-current liabilities	9,189,780	215,000,000	3,700,354	-	408,462	38,550,449
Total liabilities	124,432,591	240,685,758	78,789,555	446,515	426,363	525,191,852
Total equity	171,268,402	49,532,806	60,827,161	530,306	(422,818)	137,694,481

(*1) The summary of financial position is the amount after reflecting the goodwill and fair value adjustments that occurred during the business combination and the adjustment of accounting policy differences with the parent company, but before removing internal transactions.
(*2) The subsidiary's financial position is prepared based on its consolidated financial statements.

12. Investment in subsidiaries (cont'd)

(4) Subsidiaries' summarized statements of comprehensive income as of December 31, 2020 are as follows (Korean won in thousands):

	SGC Solutions	SGC Greenpower	SGC Development	eTEC E&C (Shanghai)	PT eTEC Indonesia
Revenue	₩ 47,241,302	₩ -	₩ 1,327,283	₩ -	₩ -
Operating profit	1,074,494	(43,989)	618,936	(66,749)	729
Net profit	190,468	(29,191)	202,413	(63,824)	18,264
Other comprehensive income (loss)	322,798	-	(3,503)	(7,642)	(898)
Total comprehensive income (loss)	₩ 513,266	₩ (29,191)	₩ 198,910	₩ (71,466)	₩ 17,366

(*1) The summary of the performance is the amount after reflecting the goodwill and fair value adjustment created by the business combination and the adjustment of accounting policy differences with the parent company, but the amount before removing internal transactions.
(*2) The summary of the performance of the subsidiaries was prepared based on the consolidated financial statements.
(*3) SGC eTEC E&C Co., Ltd. is reclassified as a subsidiary from the associate and the Company does not disclose its performance.

13. Investments in associates

(1) There are no investments in associates as of December 31, 2020.

(2) Changes in the investments in associates for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

	Nov. 1, 2020	Business combination	Reclassification as a subsidiary	Dec. 31, 2020
SGC eTEC E&C Co., Ltd.(*1)	₩ -	₩ 28,608,378	₩ (28,608,378)	₩ -
SGC Development Co, Ltd.(*2)	25,139,290	(25,139,290)	-	-
Total	₩ 25,139,290	₩ 3,469,088	₩ (28,608,378)	₩ -

(*1) The Company reclassified SGC eTEC E&C Co., Ltd. as a subsidiary on December 31, 2020 after having obtained de facto control over SGC eTEC E&C Co., Ltd.
(*2) SGC Development was reclassified as a subsidiary as a result of the business combination (Note 12).

14. Property, plant and equipment

(1) Book values of property, plant and equipment as of December 31, 2020 are as follows (Korean won in thousands):

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Government grants	Book value
Land (*)	₩ 26,374,371	₩ -	₩ -	₩ -	₩ 26,374,371
Buildings (*)	74,634,700	(23,873,703)	(47,116)	(278,586)	50,435,295
Structures (*)	147,523,326	(34,500,538)	(160,177)	-	112,862,611
Machinery (*)	1,166,166,377	(394,694,363)	(1,396,652)	(39,706)	770,035,656
Vehicles	412,848	(345,046)	-	-	67,802
Tools and equipment	964,382	(776,979)	-	-	187,403
Furniture and fixtures	1,445,984	(1,259,639)	-	-	186,345
Construction in progress	72,000	-	-	-	72,000
Total	₩ 1,417,593,988	₩ (455,450,268)	₩ (1,603,945)	₩ (318,292)	₩ 960,221,483

(*) As of December 31, 2020, they are provided as collateral in relation to borrowings, trade payables and government grants (Note 39).

(2) Changes in property, plant and equipment for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

	Nov. 1, 2020	Business combination	Spin-off	Acquisitions	Disposals	Depreciation	Transfers	Other (*)	Dec. 31, 2020
Land	₩ -	₩ 58,907,399	₩ (32,533,028)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 26,374,371
Buildings	-	93,572,205	(42,532,181)	-	-	(604,729)	-	-	50,435,295
Structures	-	132,653,015	(18,693,904)	-	-	(1,235,916)	-	139,416	112,862,611
Machinery	-	823,169,277	(44,265,854)	1,219,300	(24,684)	(10,062,383)	-	-	770,035,656
Vehicles	-	67,199	-	15,165		(14,562)	-	-	67,802
Tools and equipment	-	208,911	(12,006)	-	-	(9,502)	-	-	187,403
Furniture and fixtures	-	5,724,347	(5,528,232)	12,278	-	(22,048)	-	-	186,345
Standing timber	-	114,401	(114,401)	-	-	-	-	-	-
Construction in progress	-	151,100	(151,100)	-	-	-	72,000	-	72,000
Total	₩ -	₩ 1,114,567,854	₩ (143,830,706)	₩ 1,246,743	₩ (24,684)	₩ (11,949,140)	₩ 72,000	₩ 139,416	₩ 960,221,483

(*) As of December 31, 2020, they are provided as collateral in relation to borrowings, trade payables and government grants (Note 39).

(**) It is increased due to changes in restoration provisions (Note 20).

15. Intangible assets

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

	Membership	Software	Industrial property rights	Total
Acquisition cost	₩ 1,447,870	₩ 30,534	₩ 3,482	₩ 1,481,886
Accumulated impairment losses	-	-	-	-
Book value	₩ 1,447,870	₩ 30,534	₩ 3,482	₩ 1,481,886

(2) Changes in intangible assets for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

	Membership	Software	Industrial property rights	Greenhouse gas emissions	Others	Total
Cost or valuation:						
November 1, 2020	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Business combination	1,467,662	1,154	3,529	391,380	3,600,000	5,463,725
Spin-off	(39,125)	-	-	(391,380)	(3,600,000)	(4,030,505)
Additions	-	30,000	-	-	-	30,000
Disposals	-	-	-	-	-	-
Reversal of impairment loss	19,333	-	-	-	-	19,333
Depreciation	-	(620)	(47)	-	-	(667)
December 31, 2020	₩ 1,447,870	₩ 30,534	₩ 3,482	₩ -	₩ -	₩ 1,481,886

16. Leases

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

	Acquisition cost	Accumulated depreciation	Book value
Real estate	₩ 296,641	₩ (42,537)	₩ 254,104
Vehicles	349,478	(131,072)	218,406
Vessels	76,690,858	(7,832,258)	68,858,600
Waste heat power plant	1,149,329	(229,866)	919,463
Heat pipes	205,067	(28,161)	176,906
Continuous road occupancy fee	739,956	(111,121)	628,835
Total	₩ 79,431,329	₩ (8,375,015)	₩ 71,056,314

The increased right-of-use assets for the two-month period ended December 31, 2020 is KRW 92,921 thousands.

16. Leases (cont'd)

(2) The amount recognized in profit or loss in relation to the lease is as follows (Korean won in thousands):

		Amount
Depreciation of right-of-use assets		
Real estate	₩	24,720
Vehicles		18,020
Vessels		652,688
Waste heat power plant		19,155
Buildings		24,720
Heat pipes		2,347
Continuous road occupancy fee		9,260
Total	₩	750,910
Interest expenses of lease liabilities		829,767
Short-term lease		4,200
Low-value assets lease		8,617

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

		Minimum lease payment		Present value of minimum lease payment
Less than 1 year	₩	7,496,852	₩	2,671,432
1 ~ 5 years		29,120,874		11,606,940
More than 5 years		88,931,338		60,607,825
Total	₩	125,549,063	₩	74,886,198

(4) Details of the current/non-current classification of lease liabilities as of December 31, 2020 are as follows (Korean won in thousands):

		Amount
Current	₩	2,671,432
Non-current		72,214,766
Total	₩	74,886,198

16. Leases (cont'd)

(5) Matters concerning future cash outflows that are potentially exposed as lessees but are not reflected in the measurement of lease liabilities are as follows:

1) Variable lease payments

Some leases include variable lease terms that are linked to sales associated with the underlying asset. The variable lease associated with sales is recognized in profit or loss during the period when the conditions that cause the variable lease occur.

2) Renewal and termination options

In determining the lease term, management considers all relevant facts and circumstances that may cause economic incentives to exercise the option of extension or not to exercise the option of termination. The period covered by the extension option (or the period covered by the termination option) is only included in the lease if the lessee is quite certain to exercise (or not exercise) the extension option. Potential future cash outflows were not included in the lease liability measurement politics because the lessee's exercise of extension options (or non-existence of termination options) was not quite certain.

The Company reassesses whether it is fairly certain to exercise (or not to exercise) the extension option when a significant event occurs that is within the scope of the lessee's control and affects the determination of the lease term.

3) Amounts expected to be payable under a residual value guarantee

The lease liability is measured at amortized cost using the effective interest method. It is remeasured When there is a change in future lease payments arising from a change in an index or rate, if there is a Change in the Company's estimate of the amount expected to be payable under a residual value guarantee, If the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

17. Trade and other payables

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

	Current	Non-Current
Trade payable	₩ 21,421,576	₩ -
Other payables	12,683,024	-
Accrued expenses	2,434,255	-
Accrued dividends	16,189	-
Total	₩ 36,555,044	₩ -

18. Borrowings and bonds

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

	Current	Non-Current
Short-Term borrowings	₩ 529,472,000	₩ -
Bonds	74,927,528	-
Subtotal	604,399,528	-
Long-Term borrowings(including current portion)	12,750,000	13,750,000
Bonds	-	254,478,954
Subtotal	12,750,000	268,228,954
Total	₩ 617,149,528	₩ 268,228,954

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

	Lender	Interest rate (%)	December 31, 2020
Short-Term borrowings	Shinhan Bank, etc.	1.20~3.90%	₩ 529,472,000
Total			₩ 529,472,000

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

	Lender	Effective interest rate	Maturity	Current	Non-current
Long-Term Borrowings	KDB Bank	1.75%	2021.05.28	₩ 5,250,000	₩ -
	KEB Hana Bank	3.01%	2022.06.05	7,500,000	13,750,000
Total				₩ 12,750,000	₩ 13,750,000

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

	Issued date	Maturity date	Interest rate	Current	Non-current
1st private	2018.06.28	2021.06.28	3.60%	₩ 30,000,000	₩ -
2nd private	2018.10.15	2021.10.15	3.60%	20,000,000	-
6th private	2020.10.21	2021.10.21	3.70%	25,000,000	-
4-1st public	2019.04.25	2022.04.25	2.23%	-	10,000,000
4-2nd public	2019.04.25	2024.04.25	2.63%	-	2,800,000
5th public	2019.10.15	2024.10.15	2.36%	-	2,617,001
7-1st public	2020.10.28	2022.10.28	2.32%	-	106,000,000
7-2nd public	2020.10.28	2023.10.28	2.58%	-	134,000,000
Subtotal				75,000,000	255,417,001
Discount on bonds				(72,472)	(938,047)
Total				₩ 74,927,528	₩ 254,478,954

19. Pensions and other post-employment benefit plans

The Company operates a defined contribution retirement benefit system and a defined benefit retirement benefit system for employees who meet the qualifications.

Under the defined contribution retirement benefit plan, plan assets are operated independently of the Company's assets in the form of funds under the management of the trustee. If employees retire the firm before they meet the vesting conditions of the defined contribution, the contributions payable to the Company will be reduced by the amount of contributions lost. The Company must pay a certain percentage of their salaries to the fund for their retirement benefit plans. Under the defined contribution retirement benefit plan, the Company's sole obligation is to pay the prescribed contributions.

There are no outstanding payments related to the defined contribution retirement benefit plan as of December 31, 2020.

Under the defined benefit-type retirement benefit plan, employees receive lump-sum benefits by applying the average salary for the last three months during the service period provided at the time of retirement.

The Company is exposed to investment risk, interest rate risk, and wage risk.

The actuarial evaluation of the most recent plan assets and defined benefit obligations was carried out on January 12, 2021 by Delog Actuary Consulting Co., Ltd. The current value of the defined benefit obligation, related current and past service costs were measured using the projected unit credit method.

(1) Principal actuarial assumptions as of December 31, 2020 are as follows:

	Rate
Discount rate	2.42%
Expected wage increase rate	3.00%

(2) The amount recognized in profit or loss in relation to the retirement benefit plan in 2020 are as follows (Korean won in thousands):

		Amount
DB Plans		
Current service cost	₩	220,544
Interest expenses of plan liability		28,462
Interest incomes of plan asset		(29,541)
Subtotal		219,465
DC plans		11,629
Total	₩	231,094

(3) Details of net defined benefit liabilities recognized in the statement of financial position as of December 31, 2020 are as follows (Korean won in thousands):

		Amount
Present value of defined benefit obligations	₩	10,571,978
Fair value of plan assets		(10,103,882)
Net defined benefit liabilities	₩	468,096

19. Pensions and other post-employment benefit plans (cont'd)

(4) Changes in the defined benefit obligation and fair value of plan assets as of December 31, 2020 are as follows (Korean won in thousands):

	Defined benefit obligation	Fair value of plan assets	Total
As of November 1, 2020	₩ -	₩ -	₩ -
Business combination	22,636,518	(17,786,362)	4,850,156
Spin-off	(12,490,425)	9,781,923	(2,708,502)
Subtotal	10,146,093	(8,004,439)	2,141,654
Current service cost	220,544	-	220,544
Interest cost (income)	28,462	(29,541)	(1,079)
Remeasurement gain (loss) in OCI:			
- Return on plan assets (excluding amounts included in net interest expense)	-	40,312	40,312
- Actuarial changes arising from changes in financial assumptions	(86,158)	-	(86,158)
- Experience adjustments	(329,610)	-	(329,610)
Sub-total included in OCI	(415,768)	40,312	(375,456)
Contributions by employer	-	(1,488,371)	(1,488,371)
Benefits paid	(29,197)	-	(29,197)
Transfer from affiliates	621,843	(621,843)	-
Subtotal	592,646	(2,110,214)	(1,517,568)
As of December 31, 2020	₩ 10,571,977	₩ (10,103,882)	₩ 468,095

(5) Details of fair value of plan assets as of December 31, 2020 are as follows (Korean won in thousands):

	Interest rate of return	Fair value
Time deposits	0.39%	₩ 10,103,882
Total	-	10,103,882

(6) When significant actuarial assumptions vary within a reasonable range with all other assumptions held constant at the end of the reporting period, the effects on the defined benefit obligations are as follows (Korean won in thousands):

	Increase	Decrease
1% change of discount rate	₩ (738,337)	₩ 861,207
1% change of salary growth rate	847,677	(741,520)

The variation in assumptions will not occur independently because there is a correlation between actuarial assumptions. Therefore, the sensitivity analysis above may not represent the actual change in defined benefit obligations. Present value of the defined benefit obligation was measured by the projected unit credit method which was applied to measure defined benefit obligation in the statement of financial position.

20. Provisions

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

	Current		Non-current	
Provision for restoration	₩	-	₩	3,354,862
Total	₩	-	₩	3,354,862

(2) Changes in provisions for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

	Amount	
At November 1, 2020	₩	-
Business combination		3,525,894
Spin-off		-
Increase		22,162
Decrease		(193,194)
As of December 31, 2020	₩	3,354,862

The Company is obliged to reinstate the undersea tunnel and offshore transportation anchorage facilities at Gunsan Port after the expiration of the occupation and use of property, plant and equipment under the Shared Water Management and Reclamation Act. The provision for restoration was recognized based on the best estimate of demolition costs based on management's assumptions and estimates. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the 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.

21. Other financial liabilities

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

	Current		Non-current	
Rental deposits	₩	111,207	₩	5,000
Financial guarantee liabilities		938,070		21,593,405
Total	₩	1,049,277	₩	21,598,405

22. Other liabilities

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

	Current		Non-current	
Advances from customers	₩	37,224,655	₩	13,888,889
Withholdings		640,679		-
Others		795,298		-
Salaries		232,610		254,057
Total	₩	38,893,242	₩	14,142,946

23. Issued capital and reserves

(1) Details of issued capital as of December 31, 2020 are as follows (Korean won in thousands except per share amount):

		Amount
Authorized shares of capital stock		100,000,000
Issued shares of common stock:		14,677,004
Par value	₩	5,000
Capital stock	₩	73,385,020

(2) Changes in outstanding shares for the two-month period ended December 31, 2020 are as follows (shares):

	Amount
As of November 1, the number of outstanding shares	14,677,004
Purchase of treasury stock	(51,802)
As of December 31, the number of outstanding shares	14,625,202

(3) Changes in issued capital for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
As of November 1, 2020	₩	6,093,085
Business combination		67,291,935
As of December 31, 2020	₩	73,385,020

24. Retained earnings and dividends

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

		Amount
Unappropriated retained earnings	₩	65,080,255
Total	₩	65,080,255

As of the end of the current period, actuarial gains of KRW 292,855 thousand have been included.

24. Retained earnings and dividends (cont'd)

(2) Statement of appropriations of retained earnings for the two-month period ended December 31, 2020 are as follows (Korean won):

		Amount
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩	-
Actuarial gains and losses		292,855,059
Conversion from capital reserve		60,000,000,000
Net profit		4,787,400,153
		65,080,255,212
Appropriations:		
Legal reserve		2,193,466,650
Dividend distributions (Cash dividends ₩1,500 per share)		21,934,666,500
		24,128,133,150
Unappropriated retained earnings to be carried forward to the next year	₩	40,952,122,062

25. Capital surplus, other components of capital and accumulated other comprehensive income

(1) Details of capital surplus as of December 31, 2020 are as follows (Korean won in thousands):

		Amount
Share premium	₩	420,104,852
Total	₩	420,104,852

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

		Amount
Positive changes in other comprehensive income of associates and joint ventures	₩	339,433
Treasury stock		(2,018,838)
Total	₩	(1,679,405)

(3) Details of treasury stock as of December 31, 2020 are as follows (Korean won in thousands):

	Number of stocks		Amount
Treasury stock	51,802	₩	(2,018,838)

(4) Details of accumulated other comprehensive income as of December 31, 2020 are as follows (Korean won in thousands):

		Amount
Gains(Losses) on valuation of financial assets measured at FVOCI	₩	(77,619)

26. Revenue from contracts with customers

Revenue from contracts with customers for the two-month period ended December 31, 2020 is as follows (Korean won in thousands):

		Amount
Goods and services performed over time		
Steam sales	₩	16,320,898
Electricity sales		28,934,131
Rental sales, etc.		273,369
Goods and services performed at a point of time		
REC sales		24,231,900
Product sales		230,470
Total revenue from contracts with customers	₩	69,990,768

27. Selling and general administrative expenses

Details of selling and general administrative expenses for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Wages and salaries	₩	462,076
Retirement benefits		33,967
Employee welfare benefits		38,752
Travel		3,156
Communication		5,283
Taxes and dues		8,832
Rents		396
Depreciation		29,721
Insurance		1,710
Entertainment		46,486
Advertising		20,000
Transportation		457
(Reversal of) Allowance for bad debts		(20,493)
Education and training		708
Vehicle maintenance		16,112
Supplies		5,402
Commissions		351,468
Amortization		500
Printing		1,057
Others		81
Total	₩	1,005,671

28. Financial income and costs

(1) Details of financial income for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Interest income	₩	30,286
Gains on foreign currency transactions		337,587
Gains on foreign currency translation		7,465
Financial guarantee income		1,887,386
Gains on valuation of financial instruments at fair value through profit or loss		7,785
Total	₩	2,270,509

(2) Details of the financial income per categorized assets and liabilities for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Financial instruments at amortized cost	₩	2,262,724
Financial instruments at fair value		7,785
Total	₩	2,270,509

(3) Details of financial cost for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Interest expenses	₩	4,465,881
Losses on foreign currency transactions		23,889
Losses on foreign currency translation		19,945
Financial guarantee expenses		103,317
Loss on valuation of financial instruments at fair value through profit or loss		74,250
Financial fees		20,704
Total	₩	4,707,986

(4) Details of the financial costs per categorized assets and liabilities for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Financial instruments at amortized cost	₩	4,633,736
Financial instruments at fair value		74,250
Total	₩	4,707,986

29. Other non-operating income

Details of other non-operating Income for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Recovery of impairment losses on intangible assets	₩	19,333
Recovery of gain on bargain purchase		4,627,091
Miscellaneous gains		5,036
Total	₩	4,651,460

30. Other non-operating expenses

Details of other non-operating expenses for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Loss on disposal of property, plant and equipment	₩	24,908
Donations		1,800
Miscellaneous losses		3,871
Total	₩	30,579

31. Expenses categorized by nature

Details of expenses categorized by nature for the two-month period ended December 31, 2020 as follows (Korean won in thousands):

		Selling and administrative expenses		Sales of cost
Changes in inventories	₩	-	₩	11,441,284
Amount used for raw materials and supplies		-		36,383,098
Salaries		496,043		3,021,441
Employee welfare benefits		38,752		510,073
Outsourcing service fee		-		987,566
Depreciation		29,721		12,645,610
Amortization		500		167
Repairment		-		1,108,175
Commissions		351,468		1,277,664
Others		89,187		(4,037,148)
Total	₩	1,005,671	₩	63,337,930

32. Income taxes

(1) The major components of income tax expenses for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Current income tax:		
Current income tax charge	₩	-
Deferred tax:		
Tax effect of temporary differences		3,125,770
Income tax recognized directly to equity		(82,600)
Income tax expenses	₩	3,043,170

(2) A reconciliation between income tax expenses and the operating income for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Profit before income tax	₩	7,830,570
Taxes at the statutory income tax rate		1,722,725
Adjustment:		
Applying the progressive tax rate		(22,000)
Tax effect of non-taxable income		(1,628,563)
Tax effect of non-taxable expenses		816,359
Others		2,154,649
Income tax expense	₩	3,043,170
Effective tax rate		38.90%

(3) Details of corporate tax recognized in other comprehensive income for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Recognized in other comprehensive income		
Remeasurement factor of defined benefit obligation	₩	(82,600)
Total	₩	(82,600)

32. Income taxes (cont'd)

(4) Details of deferred tax as of December 31, 2020 are as follows (Korean won in thousands):

	As of Nov. 1, 2020	Business combination	Spin-off	Net income	Other comprehensive income	As of Dec. 31, 2020
Deferred taxes of temporary differences						
Defined benefit obligations	₩ -	₩ 2,437,059	₩ -	₩ (175,638)	₩ (82,600)	₩ 2,178,821
Retirement pension provision	-	(1,937,074)	-	(241,747)	-	(2,178,821)
Accrued revenues	-	(453)	-	(478)	-	(930)
Construction in progress	-	(208,264)	-	22,359	-	(185,905)
Land	-	(674,642)	-	61,331	-	(613,311)
Allowance for bad debts	-	2,207,231	-	(261,885)	-	1,945,346
Investment in associates (SG Development)	-	(267,652)	-	267,652	-	-
Long-term accrued expenses	-	53,163	-	2,730	-	55,892
Intangible assets	-	-	-	35,310	-	35,310
Unpaid annual leave allowance	-	123,686	-	(72,511)	-	51,174
Depreciation	-	1,050,562	-	(151,313)	-	899,249
Capitalized borrowing costs on general borrowings	-	(18,117)	-	1,801	-	(16,316)
Financial guarantee liabilities	-	553,432	-	4,403,492	-	4,956,925
Prepaid expenses	-	(553,432)	-	(4,795,987)	-	(5,349,420)
Provisions for restoration liabilities	-	853,266	-	(115,197)	-	738,070
Structures	-	(786,190)	-	48,120	-	(738,070)
(Gain) Losses on foreign currency translations	-	(30,107)	-	30,107	-	-
Right-of-use asset	-	(17,354,120)	-	1,721,731	-	(15,632,389)
Lease liability	-	18,206,601	-	(1,731,637)	-	16,474,964
Taxes and dues	-	7,389	-	(672)	-	6,717
Government grants (Other receivables)	-	39,204	-	(35,792)	-	3,412
Loss on valuation of inventories	-	2,037,668	-	1,136,106	-	3,173,774
Financial instruments at fair value through profit or loss	-	(1,037)	-	15,659	-	14,622
Land (Incheon)	-	(19,142,464)	-	-	-	(19,142,464)
Treasury stock	-	10,578	-	-	-	10,578

32. Income taxes (cont'd)

	As of Nov. 1, 2020	Business combination	Spin-off	Net income	Other comprehensive income	As of Dec. 31, 2020
Investment in subsidiary(e-TECH)	-	(2,493,529)	-	-	-	(2,493,529)
Combined shares in merger (Gunjang Energy Corporation)	-	(3,668,297)	-	-	-	(3,668,297)
Depreciation (Incheon)	-	(24,786)	-	-	-	(24,786)
Industry management association in South Korea	-	2,200	-	(2,200)	-	-
Deferred income tax lapsed during the current period	-	2,872,534	(6,918,583)	4,046,049	-	-
Advanced depreciation provision (SGC Solutions)	-	-	-	(7,250,560)	-	(7,250,560)
Subtotal	₩ -	₩ (16,705,590)	₩ (6,918,583)	₩ (3,043,170)	₩ (82,600)	₩ (26,749,943)
Deferred tax of unused tax losses, unused tax credits						
Unused tax losses	₩ -	₩ 11,485,478	₩ -	₩ -	₩ -	₩ 11,485,478
Tax credits	-	5,967,638	(2,925)		-	5,964,713
Subtotal	-	17,453,116	(2,925)	-	-	17,450,191
Total	₩ -	₩ 747,526	₩ (6,921,508)	₩ (3,043,170)	₩ (82,600)	₩ (9,299,752)

(5) The temporary differences for which deferred tax assets and liabilities have not been recognized as of December 31, 2020 are as follows (Korean won in thousands):

	Details	Amount
Investment in subsidiary	Not to dispose	₩ 8,383,089
Unused deficits	Uncertain future taxable income	942,902
Tax credits	Uncertain future taxable income	1,491,178
Total		₩ 10,817,169

32. Income taxes (cont'd)

(6) The expiration date of unused deficits and tax credits that are not recognized as deferred tax assets as of December 31, 2020 are as follows (Korean won in thousands):

Year	Unused deficits		Tax credits	
2026	₩	-	₩	1,491,178
2034		942,902		-
Total	₩	942,902	₩	1,491,178

(7) The temporary differences associated with investments in the Company's subsidiaries, associates and joint ventures, for which deferred tax assets and liabilities have not been recognized as of December 31, 2020 are as follows (Korean won in thousands):

	Amount	
Investments in subsidiaries	₩	(1,252,445)

(8) Details of current/non-current of deferred tax assets (liabilities) shown in the statement of financial position as of December 31, 2020 are as follows (Korean won in thousands):

	Amount	
Deferred tax assets:		
Deferred tax assets to be recovered after 12 months	₩	16,670,395
Deferred tax assets to be recovered within 12 months		31,324,651
Subtotal		47,995,046
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after 12 months		931
Deferred tax liabilities to be recovered within 12 months		57,293,867
Subtotal		57,294,798
Net deferred tax assets (liabilities)	₩	(9,299,752)

33. Earnings per share

(1) The following table reflects the income and share data used in the basic EPS computations for the two - month period ended December 31, 2020 (in Korean won and in number of shares):

		Amount
Net profit attributable to ordinary equity holders	₩	4,787,400,153
Weighted-average number of ordinary shares outstanding		14,625,202
Basic earnings per share		326

(2) Weighted average number of ordinary shares outstanding is as follows (shares):

	The number of shares	The number of days	Accumulated shares
Issued shares as of November 1, 2020	14,625,202	61	892,137,322
Adjusted by the number of ordinary shares	-	-	-
Weighted average number of ordinary shares outstanding	14,625,202	61	892,137,322

(3) Diluted earnings per share

The Company has no shares that are potentially dilutive. Therefore, dilutive earnings per share is the same as basic earnings per share.

34. Risk management

(1) Capital risk management

The Company manages its capital to ensure that entities under the Company will be able to continue while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged. The Company utilizes the debt ratio as capital management index which is the total liabilities divided by the total equity. Total liabilities and total equity are based on the amounts stated in the financial statements. The Company is not subject to any externally imposed capital requirements.

The debt ratio as of December 31, 2020 is as follows (Korean won in thousands):

		Amount
Total liabilities	₩	1,089,409,049
Total capital		556,813,103
Debt ratio		195.65%

34. Risk management (cont'd)

(2) Major accounting policies and methods adopted for each category of financial assets, financial liabilities and equity (including recognition and measurement criteria and revenue and expense recognition criteria) are disclosed in detail in Note 2.

(3) For the two-month period ended December 31, 2020, financial assets by criteria are as follows (Korean won in thousands):

		Financial assets at amortized cost		Financial assets at fair value through profit or loss		Total
Cash and cash equivalents	₩	32,530,355	₩	-	₩	32,530,355
Short-term financial instruments		2,361,782		-		2,361,782
Trade and other receivables		63,693,126		-		63,693,126
Long-term financial instruments		1,082,000		-		1,082,000
Long-term other receivables		21,744,268		-		21,744,268
Deposits provided (non-current)		3,716,798		-		3,716,798
Quoted equity shares		-		1,693,615		1,693,615
Total	₩	125,128,329	₩	1,693,615	₩	126,821,944

The book value and fair value of the financial asset are consistent.

(4) For the two-month period ended December 31, 2020, financial liabilities by criteria are as follows (Korean won in thousands):

		Financial liabilities at amortized cost
Trade and other payables (current and non-current)	₩	36,555,044
Long and short-term borrowings and bonds		885,378,482
Other finance liabilities (current and non-current)		22,647,682
Lease liabilities (current and non-current)		74,886,198
Total	₩	1,019,467,406

The book value and fair value of the financial liabilities are consistent.

(5) Financial risk management

1) Purpose of financial risk management

The Company is exposed to various risks related to its financial instruments, such as market risk (currency risk, fair value interest rate risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. The finance department of the Company manages operations, organizes the approach to financial market and controls the financial risks related to operations of the Company through internal risk reports which analyze the scope and degree of each risk factor.

34. Risk management (cont'd)

2) Market risk

Operations of the Company are mainly exposed to financial risks of changes in interest rate.

A. Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The book values of the financial assets and liabilities denominated in foreign currencies as of December 31, 2020 are as follows (Korean won in thousands):

	Assets		Liabilities	
USD	₩	506,063	₩	5,884,102
CNY		56,846		-
	₩	562,909	₩	5,884,102

The Company is primarily exposed to the U.S. currency (USD).

The table below shows the sensitivity to a 10% change in the KRW exchange rate for each foreign currency. 10% is the sensitivity ratio applied when reporting foreign exchange risk internally to key management and represents management's assessment of reasonable fluctuations in exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 10% change in foreign currency rates. Sensitivity analysis includes not only external loans, but also loans to overseas business sites of the company if the loans are expressed in a currency other than the currency of the lender or borrower.

The analysis is based on the assumption that Korean won has weakened/strengthen by 10% with all other variables held constant. (Korean won in thousands):

	10% increase		10% decrease	
Net profit	₩	(532,119)	₩	532,119

B. Interest rate risk

The Company is exposed to interest rate risk. The risk is composed of the changes in amount of accounts including finance assets and liabilities, and changes in interest income (expense) from investment and borrowings. The interest rate risk is borne by the interest-bearing liabilities and assets, such as bonds or loan.

Internally, the Company regularly assesses exchange rate risk due to exchange rate fluctuations. As of December 31, 2020, the effects of a 10% exchange rate change on profit or loss and net assets are expected to be as follows (Korean won in thousands):

	1% increase		1% decrease	
Net profit	₩	(8,853,785)	₩	8,853,785
Net assets		(8,853,785)		8,853,785

34. Risk management (cont'd)

3) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(1) Trade and other receivables

For each new customer, the Company individually analyzes its credit worthiness before standard payment and delivery terms and conditions are offered. In addition, the Company is continuously managing trade and other receivables by reevaluating the customer's credit worthiness and securing collaterals in order to limit its credit risk exposure. The Company reviews at the end of each reporting period whether trade and other receivables are impaired. The maximum exposure to credit risk as of December 31, 2020 is the carrying amount of trade and other receivables as described in Note 7.

(2) Other financial assets

Credit risk also arises from other financial assets such as cash and cash equivalents, short-term financial instruments, and short-term and long-term loans mainly due to the bankruptcy of each counterparty to those financial assets. The maximum exposure to credit risk as of December 31, 2020 is the carrying amount of those financial assets.

The Company transacts only with banks and financial institutions (NH Banks and others) with high credit ratings, and accordingly management does not expect any significant loss from nonperformance by the counterparties.

4) Liquidity risk management

The Company has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Board of Directors has a full responsibility of the liquidity risk management. The Company manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

A. Details of liquidity risk

The Company's maturity analysis of financial liabilities according to their remaining contract period before expiration as of December 31, 2020, is as follows (Korean won in thousands):

The maturity analysis is based on the earliest due date of the Company, based on the undiscounted cash flows, and includes cash flows from principal and interest. Where cash flows are based on variable interest rates, undiscounted cash flows are derived based on the yield curve at the end of the reporting period. Contractual maturity is based on the earliest date we can be asked to pay. Contingent matters that are not likely to leak resources as of the end of the reporting period are not included. (Korean won in thousands):

	Less than 1 year	1 ~ 5 years	More than 5 years	Total
Trade and other payables	₩ 36,555,044	₩ -	₩ -	₩ 36,555,044
Long and short borrowings	631,470,164	275,861,447	-	907,331,611
Lease liabilities	7,496,852	29,120,874	88,931,338	125,549,064
Financial guarantee liabilities	1,872,000	7,493,129	22,474,258	31,839,387
Total	₩ 677,394,060	₩ 312,475,450	₩ 111,405,596	₩ 1,101,275,106

34. Risk management (cont'd)

As of the end of the current term, the maximum exposure limit of the Company is the maximum amount that the Company has to pay when the guarantee is claimed, and the details are as follows (Korean won in thousands):

		Amount
Financial guarantee contract liabilities	₩	312,000,000

The amount included above for the financial guarantee contract is the maximum amount that the Company must pay under the contract if the assuree claims the full amount of the deposit. Based on the forecasts as of the end of the reporting period, the Company believes that the possibility of not paying the deposit amount is higher than that of paying the deposit amount under the financial guarantee contract. However, the above estimate may fluctuate as the probability that the assuree will claim payment to us under the guarantee contract may fluctuate due to the possibility of a credit loss on the financial receivables held by the assuree.

The following table details the expected maturity of non-derivative financial assets held by the Company. The following table is based on the undiscounted contractual maturity of financial assets, including interest accrued on those assets. Since the Company manages liquidity on a net asset and net liability basis, it is necessary to include information on non-derivative financial assets in order to understand the Company's liquidity risk management (Korean won in thousands):

		Less than 1 year		1 ~ 5 years		More than 5 years		Total
Cash and cash equivalents	₩	32,530,355	₩	-	₩	-	₩	32,530,355
Financial assets at fair value through profit or loss		1,693,615		-		-		1,693,615
Long and short-term finance instruments		2,361,782		-		1,082,000		3,443,782
Trade and other receivables		64,593,820		8,095,923		21,753,929		94,443,672
Other receivables		-		3,716,798		-		3,716,798
Total	₩	101,179,572	₩	11,812,721	₩	22,835,929	₩	135,828,222

According to the Company's financial statements, as of December 31, 2020, the Company's current liabilities exceed current assets by KRW 539,448,706 thousands. In order for the Company to continue its business activities smoothly in the future, it is necessary to continuously improve the financial structure, such as extending the maturity of borrowings from financial institutions. Accordingly, the Company is making plans to repay debt or extend maturity as of the end of the current year to raise shortfall funds after the current year.

35. Related party transactions

(1) Details of related parties as of December 31, 2020 are as follows:

Relationship	Companies
Segments	SGC eTEC E&C Co., Ltd., SGC Development Co., Ltd., SGC Greenpower Co., Ltd. SGC Solutions Co., Ltd., eTEC ENC SHANGHAI Co., Ltd. eTEC E&C (Nanging) Co., Ltd., PT eTEC Indonesia, eTEC ARABIA Limited.,eTEC Malaysia Sdn. Bhd.,
Associates	eTEC(Thailand) Company Limited.
Others	SAMWA Resort Co., Ltd. (*1), DCRE Co., Ltd.
Large-scale enterprise-level subsidiary companies, etc. (*2)	OCI Co., Ltd., UNID Co., Ltd., Union Corporation, OCI Ferro Co., Ltd., OCISE Co., Ltd., UNID Global Co., Ltd., OCIC Co., Ltd. OCI Specialty Co., Ltd., DCRE Co., Ltd., UNID LED Co., Ltd., OCI Power Co., Ltd., Haeng Bok Do Si Photovoltaic Power Generation Co., Ltd., OCI International Inc.(*3), etc.

(*1) This is a company with the same CEO as the company's representative director.
(*2) These companies do not correspond to related parties as defined in paragraph 9 of KIFRS 1024. However, but they are classified according to the resolution of Fair Trade Commission regarding that companies in large corporate group are related parties in terms of substantial relations prescribed in paragraph 10 of KIFRS 1024.
(*3) This is an overseas local corporation that is 100% owned by UNID Global Co., Ltd., which is included in the large corporate group.

(2) Transactions with related parties for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Revenue			Expenses		
Relationship	Related companies	Revenue	Other Revenue	Total	Raw Materials	Other expenses	Total
Segments	SGC Solutions Co., Ltd.	₩ 6,000	₩ -	₩ 6,000	₩ 11,516,576	₩ 23,783	₩ 11,540,359
	SGC Greenpower Co., Ltd.	208,217	1,887,386	2,095,603	-	100,104	100,104
	SGC Development Co., Ltd.	-	600	600	-	12,740	12,740
	SGC eTEC E&C Co., Ltd.	-	-	-	-	10,949	10,949
Total		₩ 214,217	₩ 1,887,986	₩ 2,102,203	₩ 11,516,576	₩ 147,576	₩ 11,664,152
Others	UNID Co., Ltd.		-	-	-	3,000	3,000
	OCI Co., Ltd.	4,281,543	-	4,281,543	425,280	-	425,280
	OCIC Co., Ltd.		-	-	-	1,720	1,720
Total		₩ 4,281,543	₩ -	₩ 4,281,543	₩ 425,280	₩ 4,720	₩ 430,000

35. Related party transactions (cont'd)

(3) As of December 31, 2020, main outstanding balances related to transactions with related parties are as follows (Korean won in thousands):

		Assets			Liabilities		
Relationship	Related companies	Trade receivables	Other receivables	Total	Trade Payables	Other Payables	Total
Segments	SGC Solutions Co., Ltd.	₩ 3,300	₩ -	₩ 3,300	₩ 8,124,245	₩ 560,030	₩ 8,684,275
	SGC Greenpower Co., Ltd.	116,177	22,552,596	22,668,773	-	22,935,289	22,935,289
	SGC Development Co., Ltd.	-	75,870	75,870	-	755,293	755,293
	SGC eTEC E&C Co., Ltd.	-	9,372	9,372	-	248,939	248,939
Total		₩ 119,477	₩ 22,637,838	₩ 22,757,315	₩ 8,124,245	₩ 24,499,551	₩ 32,623,796
Others	DCRE Co.,Ltd	-	-	-	-	35,000,000	35,000,000
	UNID Co., Ltd.	-	31,411	31,411	-	25,550	25,550
	OCI Co., Ltd. (*1)	2,340,160	8,367,596	10,707,756	234,234	107,203	341,437
	OCIC Co., Ltd.	-	-	-	-	950	950
	UNID Global Co., Ltd.	-	-	-	-	567,361	567,361
Total		₩	₩ 2,340,160	₩ 10,739,167	₩ 234,234	₩ 35,701,064	₩ 35,935,298

(*1) Other receivables from OCI Co., Ltd amounting to KRW 8,367,596 thousands are set as bad debt expense.

(4) There are no loan transactions with related parties for the two-month period ended December 31, 2020.

(5) The details of loan transactions with related parties as of December 31, 2020 are as follows (Korean won in thousands):

Relationship	Related companies	As of November 1, 2020	Business combination	Borrowings	Repayment	Ohers	As of December 31, 2020
Subsidiaries	SGC Development	₩ -	₩ 500,000	₩ -	₩ -	₩ -	₩ 500,000
Total		₩ -	₩ 500,000	₩ -	₩ -	₩ -	₩ 500,000

35. Related party transactions (cont'd)

(6) The details of lease transactions with related parties for the two-month period ended are as follows (Korean won in thousands):

Relationship	Related companies		Lease payment		Interest expenses
Subsidiaries	SGC Development Co., Ltd.	₩	21,657	₩	1,041
	SGC eTEC E&C Co., Ltd.		2,687		129
Others	OCI Co., Ltd.		680		719
	UNID Co., Ltd.		309		191
Total		₩	25,333	₩	2,080

(7) The details of payment guarantee with related parties as of December 31, 2020 are as follows (Korean won in thousands):

Relationship	Related companies	Currency	Amounts	Details
Subsidiaries	SGC Greenpower Co., Ltd.(*1)	KRW	312,000,000	Guarantee of Funding
Others	DCRE Co., Ltd. (*2)	KRW	42,000,000	Guarantee of fulfillment of contract
Subsidiaries	SGC eTEC E&C Co., Ltd. (*3)	KRW	74,300,000	Guarantee of completion
Subsidiaries	SGC eTEC E&C Co., Ltd.	USD	5,636,010	Guarantee of fulfillment of contract
Subsidiaries	eTEC ARABIA Limited.	SAR	19,363,364	Guarantee of fulfillment of contract

(*1) As of December 31, 2020, the Company is providing a pledge to supplementary funding and holdings on the borrowings of SGC Green Power Co., Ltd., a subsidiary of the Company.

(*2) The Company decided to sell the site of the Incheon plant to DCRE Co., Ltd., an affiliate. The consideration is KRW 110 billion, and the Company provided DCRE with 3,910,000 shares of SGC Development Co., Ltd. as a collateral in case of return of received consideration in advance and down payments to be received amounting to KRW 35 billion for sale of real estate to DCRE Co., Ltd.

(*3) The Company is providing solidarity agreement to financial institutions such as Meritz Capital regarding SGC eTEC E&C Co., Ltd.'s KRW 74.3 billion-contract related to the new officetel construction in Asan station, Cheonan City, Chungnam.

35. Related party transactions (cont'd)

(8) Details of payment guarantees and collateral provided by related parties as of December 31, 2020 are as follows (Korean won in thousands):

Relationship	Related companies	Details	Amount	Lender
Subsidiaries	SGC Development Co., Ltd.	Provided as collaterals	₩ 37,200,000	KEB Hana Bank
Subsidiaries	SGC Development Co., Ltd.	Payment guarantees	₩ 42,000,000	DCRE
Subsidiaries	SGC eTEC E&C Co., Ltd.	Payment guarantees	₩ 9,700,000	Daesang Corp.

(9) As of December 31, due to the spin-off and acquisition, the Company is jointly liable for the debts and guarantee obligations of SGC Solutions Co., Ltd. and SGC eTEC E&C Co., Ltd. in accordance with the provisions of Article 530-9, Paragraph 1 of the Commercial Act. The breakdown is as follows (Korean won in thousands):

Relationship	Related companies	Currency	Amount	Details
Subsidiaries	SGC Solutions Co., Ltd.	KRW	67,200,000	Borrowings
Subsidiaries	SGC Solutions Co., Ltd.	CNY	34,130,000	Guarantee of Liability
Subsidiaries	SGC eTEC E&C Co., Ltd.	KRW	41,246,864	Borrowings
Subsidiaries	SGC eTEC E&C Co., Ltd.(*1)	KRW	1,417,110,559	Guarantee of Liability
Subsidiaries	SGC eTEC E&C Co., Ltd.(*1)	USD	34,850,000	Guarantee of Liability
Subsidiaries	SGC eTEC E&C Co., Ltd.(*1)	SAR	27,319,715	Guarantee of Liability

(*1) Due to the spin-off and acquisition, the Company is jointly liable for performance guarantees such as solidarity agreement, contract performance guarantees and completion guarantee for the constructions performed by SGC eTEC E&C Co., Ltd.

(10) Compensation details for key members of management for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Short-term employee benefits	₩	450,255
Retirement benefits		376,087
Total	₩	826,342

36. Statements of cash flows

(1) Details of cash generated from operations for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Net profit	₩	4,787,400
Adjustments to reconcile profit to net cash flows provided by operating activities:		
Income taxes expenses		3,043,170
Loss on valuation of inventories		3,270,973
Interest expenses		4,465,881
Losses on foreign currency translations		19,945
Retirement benefits		219,465
Depreciation		12,675,330
Losses on valuation of financial instruments at fair value through profit or loss		74,250
Gains on valuation of financial instruments at fair value through profit or loss		(7,785)
(Reversal of) bad debt expenses		(20,493)
Financial guarantee income		(1,887,386)
Financial guarantee expenses		103,317
Recovery of impairment losses on goodwill		(4,627,091)
Interest income		(30,286)
Recovery of provision for restoration		(332,611)
Gains on foreign currency translations		(7,465)
Gains on disposition of property, plant and equipment		24,908
Recovery of impairment losses on intangibles		(19,333)
Amortization		667
Changes in assets and liabilities from operating activities		
Trade receivables		(21,294,785)
Other receivables		(4,524,859)
Inventories		5,537,170
Other assets		844,727
Trade payables		(9,155,040)
Other finance liabilities		(5,307,196)
Other liabilities		(102,495)
Defined benefit obligations		(1,488,371)
Other non-current liabilities		34,376
Cash generated from operations	₩	(13,703,616)

36. Statements of cash flows (cont'd)

(2) Significant non-cash transactions for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

		Amount
Increase in net assets due to business combinations	₩	573,532,439
Decrease in net assets due to spin-off		166,668,660
Setting of financial guarantee assets/liabilities, etc.		24,418,862
Reclassification to the current portion of long-term borrowings		1,875,000
Reclassification to the current portion of advance from customers		370,370
Other payables related to acquisition of property, plant and equipment		1,064,650

(3) Changes in liabilities arising from financial activities for the two-month period ended December 31, 2020 are as follows (Korean won in thousands):

			Non-cash changes		
	Nov. 1, 2020	Cash flows provided by (used in) financing activities	Present value discounts	Reclassification	Dec. 31, 2020
(Current)					
Short-term borrowings	₩ 539,472,000	₩ (10,000,000)	₩ -	₩ -	₩ 529,472,000
Current portion of long-term borrowings	12,750,000	(1,875,000)	-	1,875,000	12,750,000
Bonds (Current)	95,000,000	(20,000,000)	-	-	75,000,000
Present value discount (Current)	(90,143)	-	17,671	-	(72,472)
Lease liabilities (Current)	2,622,306	(418,205)	-	467,331	2,671,432
(Non-current)					
Bonds (Non-current)	255,417,001	-	-	-	255,417,001
Present value discount (Non-current)	(1,006,256)	-	68,210	-	(938,046)
Long-term borrowings	15,625,000	-	-	(1,875,000)	13,750,000
Lease liabilities (Non-current)	72,611,582	-	-	(396,817)	72,214,765
Total	₩ 992,401,490	₩ (33,122,972)	₩ 85,881	₩ 70,514	₩ 960,264,680

37. Cash and cash equivalents

Cash and cash equivalents in the statement of cash flow include cash and bank deposits. As of December 31, 2020, cash and cash equivalents in the statement of cash flows are adjusted to related items in the statement of financial position as follows (Korean won in thousands):

		Amount
Cash on hand	₩	3,975
Deposit		32,442,950
Deposit in foreign currency		83,430
Total	₩	32,530,355

38. Commitments and contingencies

(1) Commitments

As of December 31, 2020, the contracts with financial institutions that the Company has entered into are as follows (Korean won in thousands and USD):

	Details		Limitation		Amount used		Unused limit
KDB Bank	Loan for industrial facilities	₩	56,250,000	₩	56,250,000	₩	-
	Loan for industrial operation funds		331,400,000		301,400,000		30,000,000
	Letter of credit	$	8,000,000	$	-	$	8,000,000
Shinhan Bank	General loan	₩	18,500,000	₩	18,500,000	₩	-
	Letter of credit	$	4,000,000	$	-	$	4,000,000
NH Bank	General loan	₩	22,000,000	₩	10,000,000	₩	12,000,000
Woori Bank	General loan		6,572,000		6,572,000		-
KEB Hana Bank	General loan		38,000,000		34,250,000		3,750,000
Commercial paper	General loan		80,000,000		80,000,000		-
Leo partners investment 8th	General loan		48,500,000		48,500,000		-
Private bonds	Corporate bonds		75,000,000		75,000,000		-
Public bonds	Corporate bonds		255,417,001		255,417,001		-

(2) The payment guarantees provided to the Company as of December 31, 2020 are as follows (Korean won in thousands):

Provider	Financial institutions		Guarantee limit		Executed amount	
Gunsan Regional of Oceans and Fisheries	NH Bank	₩	2,024,000	₩	2,024,000	(*1)
DCRE	SGC Development Co., Ltd.		42,000,000		42,000,000	
KEB Hana Bank	SGC Development Co., Ltd.		37,200,000		37,200,000	

(*1) The above payment guarantee is related to the underwater tunnel GE3 construction with the term deposit of KRW 2,361,782 thousands in NH Bank pledged (Note 6).

In addition to the above, the Company is provided with payment guarantees from Seoul Guarantee Insurance Co., Ltd. as of December 31, 2020 (Note 35).

(3) As of December 31, 2020, the Company has entered a contract performance guarantee, solidarity agreement, for completion of construction, and fund supplement agreement for subsidiaries, and provides the stocks invested by the Company as collateral (Note 35).

(4) As of December 31, 2020, there is one lawsuit against the Company (Litigation amount: KRW 6,207,562 thousands). As of the end of the reporting period, the outcome of the lawsuit cannot be predicted thus no provision was recognized.

39. Collaterals and Guarantees

The Company's assets provided as collateral to financial institutions in relation to the Company's long and short-term borrowings as of December 31, 2020 are as follows (Korean won in thousands):

Collateral	Collateral holder	Maximum amount	Book value
Property, plant and equipment	KDB Bank	₩ 455,200,000	₩ 959,686,608
	Ihsan City	1,145,000	
	UNID Global Co., Ltd.	3,000,000	
Assets held-for-sale	Shinhan Bank	71,600,000	110,000,000
	KEB Hana Bank	37,800,000	
Investment in subsidiary	NH Bank	8,626,953	8,316,327
Investment in subsidiary	Daesang Corp.	25,000,000	20,406,800
Total		₩ 602,371,953	₩ 1,098,409,735

40. Fair value of Financial Instruments

(1) The book value of financial assets by category as of December 31, 2020 is as follows (Korean won in thousands):

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Book value	Fair value
Cash and cash equivalents	₩ 32,530,355	₩ -	₩ -	₩ 32,530,355	₩ 32,530,355
Short-term financial instruments	2,361,782	-	-	2,361,782	2,361,782
Trade and other receivables	63,693,126	-	-	63,693,126	63,693,126
Long-term financial instruments	1,082,000	-	-	1,082,000	1,082,000
Long-term other receivables	21,744,268	-	-	21,744,268	21,744,268
Deposits provided (non-current)	3,716,798	-	-	3,716,798	3,716,798
Quoted equity shares	-	-	1,693,615	1,693,615	1,693,615
Total	₩ 125,128,329	₩ -	₩ 1,693,615	₩ 126,821,944	₩ 126,821,944

40. Fair value of Financial Instruments (cont'd)

(2) The book value of financial liabilities by category as of December 31, 2020 is as follows (Korean won in thousands):

	Financial liabilities at amortized cost		Financial liabilities at fair value through other comprehensive income		Book value		Fair value	
Trade and other current payables	₩	36,555,044	₩	-	₩	36,555,044	₩	36,555,044
Loans and borrowings		885,378,482		-		885,378,482		885,378,482
Other financial liabilities		97,533,880		-		97,533,880		97,533,880
Total	₩	1,019,467,406	₩	-	₩	1,019,467,406	₩	1,019,467,406

(3) Fair value of financial instruments

1) The Company believes that the carrying amount of financial assets and financial liabilities recognized as amortized cost is similar to their fair value.

2) All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table analyzes financial instruments that are measured at fair value after initial recognition by classifying them from Level 1 to Level 3 according to the degree to which the fair value is observable in the market.

	Level 1		Level 2		Level 3		Total	
Financial instruments	₩		₩		₩		₩	
Quoted equity shares		1,693,615		-		-		1,693,615
	₩	1,693,615	₩	-	₩	-	₩	1,693,615

3) The Company recognizes a movement between levels when an event or a change in circumstances that results in a movement between levels occurs.

4) There was no change in the valuation method used to measure the fair value of financial instruments classified as level 2 and level 3 fair value measurements during the current period.

5) The Company does not believe that unobservable changes in input variables will result in significant changes in fair value measurements to reflect reasonable assumptions.

6) There were no significant changes in the business environment or economic environment during the current year that affect the fair value of financial assets and financial liabilities held by the Company.

41. Business Combinations

(1) General Information

On October 31, 2020, the Company merged with Gunjang Energy Co., Ltd. Gunjang Energy was liquidated due to this merger. Samkwang Glass Co., Ltd. remains after the merger. At the same time, the former E-Tech E&C Co., Ltd. was merged to Samkwang Glass Co., Ltd. by dividing the investment sector as stipulated in Articles 530-2 to 530-11 of the Commercial Act.

The legal acquirer of the spin-off and acquisition is the Company (formerly Samkwang Glass Co., Ltd.), and the legal acquiree is the investment division of E-Tech E&C Co., Ltd. However, considering the relative voting rights in the combined company after the merger and the composition of the decision-making body of the combined company, the acquirer for accounting purposes was deemed to be the investment division of E-Tech E&C Co., Ltd.

At the time of split-off, the financial position of the investment division of E-Tech E&C Co., Ltd. is as follows (Korean won in thousands):

		Amount
Assets		
Investment in subsidiaries	₩	198,822,840
Investment in associates		25,139,289
Total assets		223,962,129
Liabilities		
Borrowings	₩	70,827,127
Total liabilities		70,827,127
Total equity	₩	153,135,002

41. Business Combinations (cont'd)

(2) The fair values of identifiable assets acquired in a business combination and liabilities acquired, and the consideration transferred and goodwill are as follows (Korean won in thousands):

	Gunjang Energy Co., Ltd. - Merger		Samkwang Glass Co., Ltd. - Reverse merger	
	Amount (*1)		Amount (*1)	
Equity instruments (4,841,814 common stocks (*2) and 4,802,616 common stocks, respectively (*3))	₩	183,504,751	₩	182,019,146
Consideration total		183,504,751		182,019,146
Book value of shares in Gunjang Energy held before business combination (*2)		197,388,651		-
Total		380,893,402		182,019,146
Assets				
Cash and cash equivalents		81,696,872		16,957,164
Short-term financial instruments		2,361,782		6,000,000
Financial assets at fair value through profit or loss		-		1,760,080
Trade and other receivables		36,897,223		46,530,539
Other financial assets		-		853,500
Inventories		66,980,614		42,868,104
Other current assets		4,999,392		2,030,543
Current income tax assets		-		3,285
Long-term financial assets		1,080,000		2,000
Long-term trade and other receivables		-		1,967,677
Deferred tax assets		11,699,010		-
investment in subsidiaries		44,293,556		25,208,000
Investment in associates		18,079,344		28,608,378
Other non-current assets (held-for-sales)		-		110,000,000
Property, plant and equipment		970,737,148		143,830,706
Investment properties		-		17,098,425
Intangible assets		1,433,221		4,030,505
Right-of-use assets		71,711,240		3,549,706
Other non-current finance assets		4,046,590		2,915,636
Other non-current assets		693,333		-
Liabilities				
Trade and other payables		47,928,596		33,435,449
Borrowings		493,304,730		158,982,166
Current income tax liabilities		3,782,745		-
Other finance liabilities		2,286,911		1,564,892
Lease liabilities (current)		2,622,306		1,145,224
Current other liabilities		3,623,035		37,018,955
Borrowings		254,410,745		15,625,000

41. Business Combinations (cont'd)

	Gunjang Energy Co., Ltd. - Merger		Samkwang Glass Co., Ltd. - Reverse merger	
	Amount (*1)		Amount (*1)	
Long-term other payables		-		4,911,058
Defined benefit obligations		2,141,654		2,708,502
Provisions		3,525,894		-
Deferred tax liabilities		-		10,951,484
Lease liabilities		72,611,582		2,443,779
Other finance liabilities		5,000		438,000
Non-current other liabilities		14,478,940		285,870
Treasury stock		-		1,942,368
Amount of acquired assets and acquired liabilities, etc.		415,987,188		186,646,237
Other capital increase or decrease (*2)		35,093,786		-
Gain on bargain purchase (*3)		-		(4,627,091)
Total	₩	35,093,786	₩	(4,627,091)

(*1) The amounts of assets and liabilities recognized in the financial statements in a business combination have been tentatively determined, and the related amounts may be adjusted in the future.
(*2) It occurred as a result of a business combination under the same control with Gunjang Energy Co., Ltd. In addition, the difference between the consideration transferred and the amount recognized as identifiable assets and liabilities was recorded as capital surplus.
(*3) Consideration for transfer was determined by calculating the number of shares that would have been issued to the owners of the Company and the fair value per share of the Company at the date of split-off and acquisition, assuming that shares were issued by the investment division of E-Tech E&C Co., Ltd., the acquirer in accounting. Consideration for treasury stock not related to the business combination was not included. In addition, the difference between the consideration transferred and the amount recognized as identifiable assets and liabilities was recorded as gain on bargain purchase.

42. Spin-off

The Company split-off business units of manufacturing/processing/sales of glass products while maintaining the investment business unit for purposes of managing/investing shares in its subsidiaries and other investments as of March 18, 2020. The business units relating to glass products were transferred to SGC Solutions Co., Ltd., a newly established company. Through a resolution it was decided that the Company obtained 100% shareholding of SGC Solutions Co., Ltd. and the resolution was approved at the ad-hoc shareholders meeting held on September 29, 2020.

The details of the Company's spin-off are as follows (Korean won in thousands):

	Details
Method	Spin-off
Spin-off companies	SGC Energy Co., Ltd. (Spin-off surviving company) SGC Solutions Co., Ltd. (Spin-off new company)
Date of general shareholders' meeting for approval	September 29, 2020
Date of spin-off	October 31, 2020

42. Spin-off (cont'd)

The Company has determined the acquisition cost of investment stocks in subsidiaries as the carrying amount of net assets decreased due to the spin-off. Transferred net assets and acquisition cost of the subsidiary are as follows (Korean won in thousands):

		Amount
Assets		
Cash and cash equivalents	₩	16,957,164
Short-term financial assets		6,000,000
Trade and other receivables		46,439,508
Other financial assets		853,500
Inventories		42,868,104
Other current assets		1,761,129
Long-term financial instruments		2,000
Long-term trade and other receivables		1,967,677
Deferred tax assets		6,921,508
Property, plant and equipment		143,830,706
Investment properties		17,098,425
Intangibles assets		4,030,505
Right-of-use asset		3,549,706
Other non-current finance assets		2,915,636
Total assets	₩	295,195,568
Liabilities		
Trade and other payables		32,579,784
Borrowings and bonds		75,982,166
Other finance liabilities		1,453,685
Current lease liabilities		1,145,224
Current other liabilities		2,016,623
Long-term other payables		4,911,058
Defined benefit obligations		2,708,502
Non-current lease liabilities		2,443,779
Other finance liabilities		438,000
Non-current other liabilities		285,870
Total liabilities		123,964,691
Book value of transferred net assets (Investments in subsidiaries)	₩	171,230,877

43. Approval of financial statements

The financial statements were approved for issue by the board of directors on March 4, 2021 and will be finalized at the general shareholders' meeting on March 24, 2021.

44. Uncertainty of the impact of COVID-19

Various preventative and control measures have been implemented worldwide, including restrictions on movement, in order to contain the spread of COVID-19, and as a result, the global economy has been affected extensively. In addition, various forms of government support policies are being announced to cope with COVID-19. Recoverability of trade receivables and, impairment of property, plant and equipment and intangible assets including goodwill are mainly affected by COVID-19. Although the future spread or duration of COVID-19 may affect the estimates and assumptions of the Company, the ultimate impact cannot be reasonably estimated at this stage.

Independent auditor's review report on internal control over financial reporting

SGC Energy Co., Ltd.

The Shareholders and Board of Directors

We have reviewed the accompanying management's report on the operations of the Internal Control over Financial Reporting ("ICFR") of SGC Energy Co., Ltd. (the "Company") as of December 31, 2020. The Company's management is responsible for design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. The management's report on the operations of the ICFR of the Company states that "Based on the assessment of ICFR as of December 31, 2020, no material weakness, in any material respects, has been identified from the standpoint of the Best Practice Guideline for ICFR."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with KIFRS. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in existence as of December 31, 2020, and we did not review the ICFR subsequent to December 31, 2020. This report has been prepared for Korean regulatory purposes pursuant to the *Act on External Audit of Stock Companies* in the Republic of Korea, and may not be appropriate for other purposes or for other users.

Ernst & Young Han Young

March 18, 2021

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2020 and the review of internal accounting control system pursuant to Article 8 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

To the Shareholders, Board of Directors, and Audit Committee of
SGC Energy Co., Ltd.

We, as the Chief Executive Officer and the Internal Accounting Control System Officer("IACO") of SGC Energy Co., Ltd. ('the Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") as of December 31, 2020.

The Company's management, including IACO, is responsible for the design and operations of its IACS. We evaluated whether the Company effectively designed and operated its IACS to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of retlable financial information.We applied the IACS Standards established by the IACS Operations Committee for the assessment of design and operations of the IACS.

Based on our assessment, the Company's IACS is designed and operated effectively as of December 31, 2020 ,in all material respects, in accordance with the IACS Standards.

We have confirmed that this report is not falsely written or marked, and that it does not omit what needs to be written or marked. In addition, we confirmed that no Contents that couse serious misunderstanding were written or marked in the report contents, and with sufficient care, we checked and reviewed the content of the report in person.

March 18, 2021

Jun Young Park
Chief Executive Officer J Y Park

Young Man Kwon ymKwon
Internal Accounting Control System Officer