

**DONGKUK HOLDINGS CO., LTD.
(FORMERLY, DONGKUK STEEL MILL CO., LTD.)
and Subsidiaries**

**Consolidated Financial Statements
as of and for the Years Ended
December 31, 2023 and 2022**

ATTACHMENT: INDEPENDENT AUDITOR'S REPORT

DONGKUK HOLDINGS CO., LTD.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
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December 31, 2023 and 2022

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Independent Auditor's Report

[English Translation of Independent Auditor's Report Originally Issued in Korean on March 14, 2024]

**To the Shareholders and Board of Directors of
DONGKUK HOLDINGS CO., LTD.
(FORMERLY, DONGKUK STEEL MILL CO., LTD.):**

Audit Opinion

We have audited the consolidated financial statements of DONGKUK HOLDINGS CO., LTD. (formerly, DONGKUK STEEL MILL CO., LTD.) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, all expressed in Korean won, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

Basis for Audit Opinion

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

Emphasis of Matter

The users of consolidated financial statements need to be attentive to the Note 39 that does not affect our audit opinion. As noted in Note 39, the Group decided to spin-off on June 1, 2023, with the approval of its shareholders on May 12, 2023. The hot-rolled steel and the cold-rolled steel segments were divided into new companies as a method of spin-off. Consequently, the Group applied Korean International Financial Reporting Interpretations Committee Interpretation 2117, *Distributions of Non-Cash Assets to Owners* and K-IFRS 1105, *Non-Current Assets Held for Sale and Discontinued Operations*. Accordingly, the Group recognizes the gain or loss from disposal of discontinued operations, and the profits or losses generated from discontinued operations are classified as profit or loss from discontinued operations, and the previous statements of profit or loss and related notes were restated.

Key Audit Matters

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

- ***Impairment Assessment of Cash-Generating-Units (CGUs)***

(1) Reasons why the matter was determined to be a Key Audit Matter

As stated in Note 11.(7) to the consolidated financial statements, the Group performed impairment assessments in accordance with K-IFRS 1036 on the CGUs for which indicators of impairment were identified.

We focused on this area as a key audit matter, to the amount of the carrying amount of the CGU in Intergis Co., Ltd., which is subject to impairment assessment, is material in the consolidated financial statements, and considering the complexity and the possibility of management bias inherent in estimation of future cash flows, as based on the value-in-use calculation.

(2) How our audit addressed the Key Audit Matter

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

- Understanding the Group's accounting policies and evaluating compliance with K-IFRSs.
- Understanding related internal controls and the Group's processes regarding identification of the CGUs, calculation of the value in use for impairment assessment, and approach to measuring the individual fair value less costs of disposal
- Verification of the rationality and validity of the identification of CGUs and the determination of impairment indicators for each subsidiary of the Group
- Evaluating the accuracy of the basic data and the rationale of key assumptions used in estimating the value in use
- Evaluating the validity of the discount rate applied to estimating the value in use with the auditor's internal expert
- Evaluating the accuracy of the basic data and rationale of key assumptions used in estimating the fair value less costs of disposal
- Evaluating the competence and objectivity of management's external expert
- Recalculating and verifying of the accuracy of the recorded impairment loss
- Retrospective review of the variance between the management's estimation of future cash flows and the actual results

Other Matters

The consolidated financial statements as of and for the year ended December 31, 2022, were audited by other auditors, whose report thereon dated March 16, 2023, expressed an unqualified opinion in accordance with the KSAs. However, the consolidated financial statements upon which the unqualified opinion was expressed by the other auditor are those before adjustments described in footnotes 39 and 40 to the consolidated financial statements. The comparative consolidated financial statements as of and for the year ended December 31, 2022, reflect the effects of those adjustments. We have not audited or reviewed the consolidated financial statements of the Group as of and for the year ended December 31, 2022, including those adjustments, nor have we engaged in any other procedures or contracts. Accordingly, we do not express an opinion or any form of assurance on the consolidated financial statements as of and for the year ended December 31, 2022 as a whole.

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

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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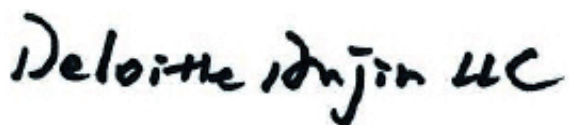
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Seung Ryel Lim.



Seoul, Korea
March 14, 2024

Notice to Readers

This report is effective as of March 14, 2024, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditor's report.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

(In Korean won)

	Notes		December 31, 2023		December 31, 2022
Assets					
Current assets					
Cash and cash equivalents	4,32,33,34	₩	259,081,014,032	₩	664,588,116,725
Deposits held by financial institutions	32,33,34		20,392,834,220		23,000,882,588
Trade receivables, net	5,32,33,34,35		316,180,511,991		791,029,705,309
Other receivables	5,32,33,34,35		7,415,547,691		78,932,508,259
Other financial assets	7,32,33,34		32,884,664,579		22,801,549,835
Inventories, net	6		222,859,549,726		1,123,577,002,512
Contract assets	26		19,913,657,584		20,549,881,918
Current income tax assets			6,981,087,494		6,156,668,381
Other current assets	8		25,087,014,489		43,530,018,093
Finance lease receivables	9,32,33,34,35		9,075,261,667		116,192,542
Total current assets			919,871,143,473		2,774,282,526,162
Non-current assets					
Deposits held by financial institutions	32,33,34		11,131,547,077		12,587,972,536
Other receivables	5,32,33,34,35		10,764,755,512		12,206,785,263
Other financial assets	7,32,33,34		40,622,894,550		23,114,609,836
Property, plant and equipment, net	11,32,33,34		430,588,849,944		3,464,334,099,610
Right-of-use assets, net	13		22,674,368,989		35,852,427,071
Intangible assets, net	14		16,768,562,820		49,586,902,932
Investment properties, net	12,32		53,611,593,875		18,735,354,863
Net defined benefit asset	19		15,051,307,413		49,989,536,380
Investments in associates and joint venture	10		892,238,896,204		5,426,259,058
Deferred tax assets			2,941,697,886		2,916,577,449
Other non-current assets	8		375,209,387		1,808,943,044
Finance lease receivables	9,32,33,34,35		5,007,510,319		405,802,678
Total non-current assets			1,501,777,193,976		3,676,965,270,720
Total assets		₩	2,421,648,337,449	₩	6,451,247,796,882
Liabilities					
Current liabilities					
Trade payables	15,32,33,34,35	₩	269,073,771,330	₩	424,960,015,118
Contract liabilities	26		10,385,773,368		11,133,597,809
Borrowings	17,32,33,34		196,279,453,961		1,820,488,529,705
Current tax liabilities			4,882,249,242		39,913,181,940
Lease liability	18,32,33,34,35		16,460,473,006		15,843,665,330
Other payables	15,32,33,34		9,558,871,333		316,355,124,325
Provisions	20		8,009,760		32,206,250,706
Other current liabilities			32,626,456,784		62,350,011,410
Other financial liabilities	16,32,33,34		1,548,876,067		100,845,907,413
Total current liabilities			540,823,934,851		2,824,096,283,756
Non-current liabilities					
Borrowings	17,32,33,34		11,507,967,668		99,518,325,528
Lease liability	18,32,33,34,35		17,197,879,699		25,305,358,953
Net defined benefit liabilities	19		1,188,210,477		998,080,345
Deferred income tax liabilities			65,476,155,014		192,472,254,556
Other payables	15,32,33,34		7,458,850,323		199,152,912
Provisions	20		159,231,478		819,572,274
Other non-current liabilities			523,156,560		34,984,216,088
Other financial liabilities	16,32,33,34		-		334,014,712
Total non-current liabilities			103,511,451,219		354,630,975,368
Total liabilities			644,335,386,070		3,178,727,259,124
Equity					
Equity attributable to owners of the Parent Company					
Share capital	23		271,066,765,000		589,228,035,000
Share premium	23		115,958,687,113		101,725,161,364
Retained earnings	24		1,958,930,686,790		1,367,731,415,208
Accumulated other comprehensive income (loss)	25		16,657,919,274		261,561,968,210
Other components of equity	25		(731,345,583,882)		809,859,414,290
			1,631,268,474,295		3,130,105,994,072
Non-controlling interests			146,044,477,084		142,414,543,686
Total equity			1,777,312,951,379		3,272,520,537,758
Total liabilities and equity		₩	2,421,648,337,449	₩	6,451,247,796,882

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Consolidated Statements of Profit or Loss
For the Years Ended December 31, 2023 and 2022

(In Korean won)		Notes	2023	2022
Revenues	26,35	W	1,841,113,699,327	W 2,098,912,392,887
Cost of sales	26,27,35		1,667,564,306,237	1,909,339,850,569
Gross profit			173,549,393,090	189,572,542,318
Selling, general and administrative expenses	26,27,35		113,486,756,995	102,798,869,919
Operating profit			60,062,636,095	86,773,672,399
Other income	28		64,008,057,853	119,158,479,060
Other expenses	28		286,668,488,348	297,095,229,876
Finance income	29		21,462,621,378	54,160,069,881
Finance costs	29		20,558,333,105	56,828,759,352
Share of net profit (loss) of associates and joint ventures accounted for using the equity method	10		686,753,328,932	155,310,982,487
Profit (loss) before income tax expense			525,059,822,805	61,479,214,599
Income tax expense (benefit)			76,022,183,883	1,247,095,881
Profit (loss) from continuing operations			449,037,638,922	60,232,118,718
Profit (loss) from discontinuing operations	39		(217,459,902,512)	351,133,312,373
Profit (loss) for the period		W	231,577,736,410	W 411,365,431,091
Profit (loss) attributable to:				
Owners of the Parent Company		W	224,999,103,014	W 398,951,680,391
Non-controlling interests			6,578,633,396	12,413,750,700
Earnings (losses) per share				
attributable to the equity holders of the Parent Company				
Basic earnings (losses) per share for continuing operations	31	W	8,849	W 518
Basic earnings (losses) per share for discontinuing operations	31		(4,349)	3,804
Diluted earnings (losses) per share for continuing operations	31		8,849	518
Diluted earnings (losses) per share for discontinuing operations	31		(4,349)	3,804

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

(In Korean won)

	Notes	2023	2022
Profit (loss) for the period	₩	231,577,736,410	₩ 411,365,431,091
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		(45,074,175,941)	(8,057,738,717)
Revaluation surplus		2,594,479,989	102,171,208,767
Remeasurements of the net defined benefit liabilities		(8,700,420,252)	25,504,528,829
Share of remeasurements of the defined benefit liability of associates and joint ventures		(4,361,060,102)	804,004,291
Share of other comprehensive income (loss) of associates and joint ventures		(2,010,434,250)	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		7,641,770,506	5,926,534,739
Share of other comprehensive income (loss) of associates and joint ventures		216,522,535,354	16,127,003,864
Other comprehensive income (loss) for the period, net of tax		166,612,695,304	142,475,541,773
Total comprehensive income (loss) for the period	₩	398,190,431,714	₩ 553,840,972,864
Income (loss) attributable to:			
Owners of the Parent Company	₩	392,046,451,146	₩ 531,996,566,114
Non-controlling interests		6,143,980,568	21,844,406,750

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Attributable to owners of the Parent Company										
(In Korean won)	Notes	Attributable to owners of the Parent Company						Non-controlling interests	Total equity	
		Share capital	Share premium	Retained earnings	Accumulated other comprehensive income (loss)	Other components of equity	Total			
Balance at January 1, 2022		₩ 589,228,035,000	₩ 101,725,161,364	₩ 981,476,584,895	₩ 153,221,215,209	₩ 844,020,794,549	₩ 2,669,671,791,017	₩ 112,740,614,534	₩ 2,782,412,405,551	
Comprehensive income (loss):										
Profit (loss) for the period		-	-	413,042,412,704	-	-	413,042,412,704	12,413,750,700	425,456,163,404	
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		-	-	(1,094,457,000)	(6,801,998,892)	(7,896,455,892)	-	(161,282,825)	(8,057,738,717)	
Revaluation surplus		-	-	28,582,869	93,236,877,337	93,265,460,206	-	8,905,748,561	102,171,208,767	
Exchange differences on translation of foreign operations		-	-	-	5,778,870,692	-	-	147,664,047	5,926,534,739	
Remeasurements of the net defined benefit liability		-	-	25,360,215,848	-	-	25,360,215,848	144,312,981	25,504,528,829	
Share of remeasurements of the defined benefit liability of associates and joint ventures		-	-	409,791,005	-	-	409,791,005	394,213,286	804,004,291	
Share of other comprehensive income (loss) of associates and joint ventures		-	-	-	16,127,003,864	-	16,127,003,864	-	16,127,003,864	
Total comprehensive income (loss) for the period		-	-	437,746,545,426	108,340,753,001	-	546,087,298,427	21,844,406,750	567,931,705,177	
Transactions with owners:										
Dividends paid		-	-	(37,400,982,800)	-	-	(37,400,982,800)	(2,007,377,525)	(39,408,360,325)	
Changes in scope of consolidation		-	-	-	-	-	-	10,004,401,178	10,004,401,178	
Transactions with non-controlling interests		-	-	-	-	167,501,251	167,501,251	(167,501,251)	-	
Treasury shares		-	-	-	-	(34,328,881,510)	(34,328,881,510)	-	(34,328,881,510)	
Total transactions with owners		-	-	(37,400,982,800)	-	(34,161,380,259)	(71,562,363,059)	7,829,522,402	(63,732,840,657)	
Increase (decrease) in change of accounting policies	40	-	-	(14,090,732,313)	-	-	(14,090,732,313)	-	(14,090,732,313)	
Balance at December 31, 2022		₩ 589,228,035,000	₩ 101,725,161,364	₩ 1,367,731,415,208	₩ 261,561,968,210	₩ 809,859,414,290	₩ 3,130,105,994,072	₩ 142,414,543,686	₩ 3,272,520,537,758	
Balance at January 1, 2023		₩ 589,228,035,000	₩ 101,725,161,364	₩ 1,367,731,415,208	₩ 261,561,968,210	₩ 809,859,414,290	₩ 3,130,105,994,072	₩ 142,414,543,686	₩ 3,272,520,537,758	
Comprehensive income (loss):										
Profit (loss) for the period		-	-	224,999,103,014	-	-	224,999,103,014	6,578,633,396	231,577,736,410	
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		-	-	(48,768,771,923)	3,704,815,900	-	(45,063,956,023)	(10,219,918)	(45,074,175,941)	
Revaluation surplus		-	-	151,246,091	2,414,473,900	-	2,565,719,991	28,759,998	2,594,479,989	
Exchange differences on translation of foreign operations		-	-	-	7,396,391,942	-	7,396,391,942	245,378,564	7,641,770,506	
Remeasurements of the net defined benefit liability		-	-	(8,228,447,887)	-	-	(8,228,447,887)	(471,972,365)	(8,700,420,252)	
Share of remeasurements of the defined benefit liability of associates and joint ventures		-	-	(4,134,460,995)	-	-	(4,134,460,995)	(226,599,107)	(4,361,060,102)	
Share of other comprehensive income (loss) of associates and joint ventures		-	-	-	214,512,101,104	-	214,512,101,104	-	214,512,101,104	
Total comprehensive income (loss) for the period		-	-	164,018,668,300	228,027,782,846	-	392,046,451,146	6,143,980,568	398,190,431,714	
Transactions with owners:										
Dividends paid		-	-	(45,751,228,500)	-	-	(45,751,228,500)	(2,514,047,170)	(48,265,275,670)	
Changes due to spin-off		(397,533,365,000)	(84,749,001,951)	472,931,831,782	(472,931,831,782)	(1,540,662,267,995)	(2,022,944,634,946)	-	(2,022,944,634,946)	
Equity contributions in kind		79,372,095,000	98,982,527,700	-	-	-	178,354,622,700	-	178,354,622,700	
Treasury shares		-	-	-	-	(542,730,177)	(542,730,177)	-	(542,730,177)	
Total transactions with owners		(318,161,270,000)	14,233,525,749	427,180,603,282	(472,931,831,782)	(1,541,204,998,172)	(1,890,883,970,923)	(2,514,047,170)	(1,893,398,018,093)	
Balance at December 31, 2023		₩ 271,066,765,000	₩ 115,958,687,113	₩ 1,958,930,686,790	₩ 16,657,919,274	₩ (731,345,583,882)	₩ 1,631,268,474,295	₩ 146,044,477,084	₩ 1,777,312,951,379	

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

(In Korean won)

	2023	2022
Cash flows from operating activities		
Cash generated from operations	₩ 543,581,266,740	₩ 919,478,060,619
Profit (loss) for the period	231,577,736,410	411,365,431,091
Adjustments	212,938,100,622	568,287,983,496
Changes in assets and liabilities from operating activities	99,065,429,708	(60,175,353,968)
Interest received	15,158,396,150	9,078,515,055
Interest paid	(54,106,450,442)	(75,628,865,959)
Dividends received	664,888,026	839,712,599
Income tax paid	(44,628,398,942)	(160,889,200,448)
Net cash provided by operating activities	460,669,701,532	692,878,221,866
Cash flows from investing activities		
Decrease in deposits held by financial institutions and other financial assets	142,933,565,526	207,984,384,660
Decrease in other receivables	232,184,304	1,606,064,155
Proceeds from disposal of property, plant and equipment	4,341,364,337	660,087,757
Proceeds from disposal of intangible assets	922,935,000	53,776,415
Proceeds from disposal of investments in associates and subsidiaries	-	37,888,374,666
Increase in government grants	6,355,000,000	6,295,000,000
Increase in deposits held by financial institutions and other financial assets	(179,310,318,328)	(215,539,710,899)
Increase in other receivables	(91,319,788)	(2,495,574,164)
Acquisition of property, plant and equipment	(100,489,036,247)	(160,948,415,806)
Prepayments for acquisition of property, plant and equipment	(1,456,141,522)	(12,646,237,833)
Acquisition of intangible assets	(1,406,226,966)	(752,453,367)
Acquisition of investments in associates and joint ventures	-	(2,019,930,000)
Net cash used in investing activities	(127,967,993,684)	(139,914,634,416)
Cash flows from financing activities		
Proceeds from borrowings	942,315,484,277	1,774,509,337,932
Decrease in other receivables	-	3,149,558,348
Increase in other payables	4,904,469,266	-
Repayments of borrowings	(1,062,450,534,510)	(1,976,154,743,584)
Repayments of principal elements of lease liabilities	(17,729,305,137)	(16,285,038,834)
Dividend paid	(48,170,186,236)	(39,407,255,565)
Acquisition of treasury shares	(542,730,177)	(34,328,881,510)
Repayments of other payables	(2,210,946,641)	-
Repayments of other financial liabilities	-	(3,612,728,703)
Changes due to spin-off	(553,326,231,843)	-
Net cash used in financing activities	(737,209,981,001)	(292,129,751,916)
Net increase (decrease) in cash and cash equivalents	(404,508,273,153)	260,833,835,534
Cash and cash equivalents at the beginning of period	664,588,116,725	405,248,336,356
Effects of exchange rate changes on cash and cash equivalents	(998,829,540)	(1,494,055,165)
Cash and cash equivalents at the end of period	₩ 259,081,014,032	₩ 664,588,116,725

DONGKUK HOLDINGS CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. General Information:

General information about Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.) (the ‘Company’) and its subsidiaries (collectively referred to the “Group”) is as follows:

The Company was incorporated on July 7, 1954, under the Commercial Code of the Republic of Korea, and merged with Union Steel Co., Ltd., a subsidiary of the Company, on January 1, 2015, to engage in manufacturing and marketing of steel plates, reformed bars, H-beams and cold-rolled steel sheets. On June 1, 2023, the Company underwent a spin-off of its hot-rolling business division and cold-rolling business division, establishing Dongkuk Steel Mill Co., Ltd. and Dongkuk Coated Metal Co., Ltd.

In addition, the Company has invested in Intergis Co., Ltd., Dongkuk Systems Co., Ltd., Dongkuk Int’l Inc., Dongkuk Corp. and several domestic and international companies.

The Company’s shares were listed on the Korea Exchange in May 1988. As of December 31, 2023, the Company has outstanding share capital amounting to ₩ 271,067 million, including preferred share of ₩ 36,781 million. As of December 31, 2023, the Company’s shareholders’ respective percentage of ownership are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Chang, Sae-Joo	10,348,345	32.54
Chang, Sae-Wook	6,658,236	20.94
JFE Steel International Europe	1,386,694	4.36
Treasury shares	698,940	2.20
Others	12,708,268	39.96
	31,800,483	100

DONGKUK HOLDINGS CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2023 and 2022, are as follows:

Name of subsidiary	2023		2022		Location	Fiscal year end	Main business
	Percentage of ownership(%) ¹	Effective percentage of ownership(%) ²	Percentage of ownership(%) ¹	Effective percentage of ownership(%) ²			
Dongkuk Steel Mexico S.A. de C.V.	100.00	100.00	100.00	100.00	Mexico	December 31	Manufacturing and sale of cold-rolled steel sheets
Dongkuk Steel India Pvt. Ltd.	75.00	75.00	75.00	75.00	India	December 31	Manufacturing and sale of cold-rolled steel sheets
Dongkuk Steel (Thailand) Ltd.	100.00	100.00	100.00	100.00	Thailand	December 31	Manufacturing and sale of cold-rolled steel sheets
Intergis Co., Ltd. ³	48.34	50.97	48.34	50.97	Korea	December 31	Stevedoring, transportation and service-related transportation
Intergis Logistica Ltda. ⁸	-	-	100.00	100.00	Brazil	December 31	Stevedoring, transportation and service-related transportation
Intergis Vina Co., Ltd	100.00	100.00	100.00	100.00	Vietnam	December 31	Service-related transportation
Intergis Japan Co., Ltd. ⁴	100.00	100.00	100.00	100.00	Japan	December 31	Service-related transportation
Intergis America INC. ⁵	100.00	100.00	-	-	U.S.A.	December 31	Service-related transportation
Intergis Busan Newport Center Co., Ltd.	80.00	80.00	80.00	80.00	Korea	December 31	Stevedoring, service related-transportation
Intergis Ungdong Center Co., Ltd.	90.00	90.00	90.00	90.00	Korea	December 31	Stevedoring, service related-transportation
Intergis Central Pier Co., Ltd.	100.00	100.00	100.00	100.00	Korea	December 31	Stevedoring, service related-transportation
Dangjin Kodae-port Operating Co., Ltd.	70.00	70.00	70.00	70.00	Korea	December 31	Port operation and management
Intergis Mexico S. de R.L. de C.V.	100.00	100.00	100.00	100.00	Mexico	December 31	Stevedoring, transportation and service-related transportation
Dongkuk International Inc.	100.00	100.00	100.00	100.00	U.S.A.	December 31	Trading
Dongkuk Corporation	95.89	95.89	95.89	95.89	Japan	December 31	Trading
DKC S.A.	100.00	100.00	100.00	100.00	Panama	December 31	Service-related transportation
Dongkuk Systems Co., Ltd.	100.00	100.00	100.00	100.00	Korea	December 31	Sale of computer equipment and maintenance of data processing
DK UNC Servico de T.I. Ltda.	100.00	100.00	100.00	100.00	Brazil	December 31	Maintenance of data processing
JB Dangjin Ferrumvill							
Investment type Private investment limited liability company ⁶	87.01	87.01	87.01	87.01	Korea	December 31	Securitization
Ferrum Infra CO., Ltd. ⁷	99.34	99.34	69.91	69.91	Korea	December 31	Golf course operation
Korea Tonnage No.16 Shipping Company S.A. ⁶	-	-	-	-	Panama	December 31	Service-related transportation

¹ The total percentage of ownership of the Group.

² The total percentage of ownership with voting rights of the Group.

³ The difference between the percentage of ownership and voting rights results from the acquisition of treasury shares.

⁴ The entity was newly incorporated and included in the subsidiaries during the prior period.

⁵ The entity was newly incorporated and included in the subsidiaries during the current period.

⁶ The entities are included in the scope of consolidation since the entities are structured entities incorporated for the Group's needs and the Group is exposed to variable returns from the entities and has the ability to affect those returns.

⁷ Excluding redeemable preferred stocks with voting rights, the effective interest for ordinary shares of the Group is 98.09%.

⁸ Liquidation was terminated during the current period and was excluded from subsidiaries.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1.2 Changes in Scope of Consolidation

The subsidiaries which are newly included or excluded from the scope of consolidation for the years ended December 31, 2023, are as follows:

Name of subsidiaries	Change in scope of consolidation	Remark
Intergis America INC.	Included	Acquisition of control (newly incorporated)
Intergis Logistica Ltda.	Excluded	Liquidation

1.3 Summarized Financial Information of Subsidiaries (before inter-company eliminations)

The condensed statements of financial position of subsidiaries as of December 31, 2023 and 2022, and the related condensed statements of comprehensive income of subsidiaries for the years ended December 31, 2023 and 2022, are as follows:

	2023											
(In millions of Korean won)	Assets		Liabilities		Equity		Revenue		Profit (loss) for the year		Total comprehensive income (loss)	
Dongkuk Steel Mexico S.A. de C.V.	₩	117,258	₩	77,458	₩	39,800	₩	225,299	₩	(1,988)	₩	3,912
Dongkuk Steel India Pvt. Ltd.		52,907		56,477		(3,570)		117,613		(2,081)		(2,074)
Dongkuk Steel (Thailand) Ltd.		41,083		23,889		17,194		77,265		(41)		399
Intergis Co., Ltd.		389,129		149,545		239,584		561,980		16,874		15,991
Intergis Logistica Ltda.		-		-		-		6,638		2,457		3,513
Intergis Vina Co., Ltd.		1,584		1,104		480		3,039		(10)		(14)
Intergis Japan Co., Ltd.		312		124		188		4,178		11		(4)
Intergis America INC.		259		22		237		374		(21)		(29)
Intergis Busan Newport Center Co., Ltd.		9,718		4,099		5,619		4,770		284		262
Intergis Ungdong Center Co., Ltd.		11,903		5,742		6,161		8,914		599		584
Intergis Central Pier Co., Ltd.		11,253		4,091		7,162		22,168		3,417		3,488
Dangjin Kodae-port Operating Co., Ltd.		8,938		3,502		5,436		9,674		904		859
Intergis Mexico S. de R.L. de C.V.		3,939		2,526		1,413		13,471		253		425
Dongkuk International Inc.		176,785		54,031		122,754		590,854		14,382		16,066
Dongkuk Corporation		186,811		135,428		51,383		106,718		6,052		3,913
DKC S.A.		14,161		1,696		12,465		4,843		1,734		1,222
Dongkuk Systems Co., Ltd.		119,001		70,461		48,540		236,763		5,484		3,895
DK UNC Servico de T.I. Ltda.		1,454		303		1,151		4,261		171		269
JB Dangjin Ferrumvill Investment type Private investment limited liability company		41,518		20,830		20,688		1,949		213		213
Ferrum Infra Co., Ltd.		222,162		65,728		156,434		20,381		6,116		5,943
Korea Tonnage No.16 Shipping Company S.A.		2,553		2,553		-		-		-		-

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

	2022										
	Assets	Liabilities	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)					
<i>(In millions of Korean won)</i>											
Dongkuk Steel China CO., Ltd.	₩ -	₩ -	₩ -	₩ 662	₩ (1,759)	₩ 3,279					
Dongkuk Steel Mexico S.A. de C.V.	122,169	86,280	35,889	217,984	2,443	6,174					
Dongkuk Steel India Pvt. Ltd.	57,769	59,266	(1,497)	133,832	(10,903)	(10,513)					
Dongkuk Steel (Thailand) Ltd.	45,792	28,997	16,795	83,911	(2,635)	(2,046)					
Intergis Co., Ltd.	385,857	158,877	226,980	667,448	25,353	41,769					
Union Logistics Jiangyin Co., Ltd.	-	-	-	1,682	(1,154)	(1,251)					
Intergis Logistica Ltda.	5,347	418	4,929	7,932	983	1,390					
Intergis Vina Co., Ltd.	2,426	1,932	494	3,976	75	86					
Intergis Japan Co., Ltd.	40	-	40	-	(8)	(7)					
Intergis Busan Newport Center Co., Ltd.	9,829	4,352	5,477	3,454	261	267					
Intergis Ungdong Center Co., Ltd.	11,959	6,262	5,697	7,199	412	330					
Intergis Central Pier Co., Ltd.	12,857	5,183	7,674	24,316	4,315	4,472					
Dangjin Koda-port Operating Co., Ltd.	9,305	3,808	5,497	11,869	1,349	1,348					
Intergis Mexico S. de R.L. de C.V.	2,488	1,500	988	10,641	568	621					
Dongkuk International Inc.	201,097	95,236	105,861	745,028	28,711	32,944					
Donguk Corporation	193,325	144,826	48,499	80,520	3,199	297					
DKC S.A.	13,218	1,975	11,243	11,199	6,657	6,064					
Dongkuk Systems Co., Ltd.	142,469	97,824	44,645	262,671	5,672	6,238					
DK UNC Servico de T.I. Ltda	1,252	370	882	4,081	124	222					
JB Dangjin Ferrumvill Investment type Private investment limited liability company	41,740	20,831	20,909	1,949	315	4,074					
Gaon Steel Co., Ltd.	-	-	-	-	(4)	(4)					
Ferrum Infra Co., Ltd.	219,428	68,546	150,882	21,201	7,183	13,580					
Korea Tonnage No.16 Shipping Company S.A.	3,346	3,346	-	-	-	-					
Korea Tonnage No.17 Shipping Company S.A.	-	-	-	-	-	-					
CE LINE 4 Corporation	-	-	-	-	-	-					
One Punch 1st Co., Ltd.	-	-	-	-	-	-					

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Statements
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1.4 Information on subsidiaries in which non-controlling interests are material to the Group

<i>(In millions of Korean won)</i>	<u>Intergis Co., Ltd.</u>	<u>Dongkuk Systems Co., Ltd.</u>	<u>Dongkuk International Inc.</u>	<u>Donguk Corporation</u>	<u>Dongkuk Steel Mexico S.A. de C.V.</u>
Cash flow from operating activities	₩ 33,257	₩ (3,681)	₩ 9,098	₩ 55,408	₩ 26,162
Cash flow from investing activities	(22,929)	(2,186)	(54)	9,675	(17,436)
Cash flow from financing activities	(12,666)	6,532	(7,999)	(25,114)	(2,549)
Net increase in cash and cash equivalents	₩ (2,338)	₩ 665	₩ 1,045	₩ 39,969	₩ 6,177
Cash and cash equivalents at the beginning of the year	12,964	644	8,788	38,350	2,060
Effects of exchange rate changes on cash and cash Equivalents	(127)	-	141	719	(2,144)
Cash and cash equivalents at the end of the year	10,499	1,309	9,974	79,038	6,093

1.5 Summarized Financial Information of Subsidiaries (before inter-company eliminations)

The ownership percentage, financial position, operational performance, and dividend amounts attributable to non-controlling interests for each significant subsidiary in the consolidated entity are detailed below.

<i>(In millions of Korean won)</i>	<u>Intergis Co., Ltd.</u>	<u>Intergis Busan Newport Center Co., Ltd.</u>	<u>Intergis Ungdong Center Co., Ltd.</u>	<u>Dangjin Kodaep-port Operating Co., Ltd.</u>
Non-controlling interest rate ¹	51.66%	20.00%	10.00%	30.00%
Accumulated non-controlling interests	₩ 117,593	₩ 3,328	₩ 3,308	₩ 2,931
Net income attributable to non-controlling interests	8,392	121	271	267
Comprehensive income attributable to non-controlling interests	8,410	121	271	267
Dividends paid to non-controlling interests	1,660	24	12	276

¹ non-controlling interests refers to the portion of equity in a subsidiary that is not directly or indirectly attributable to the parent company's shareholders. This percentage may differ from the ownership percentage calculated by subtracting the direct holdings of the parent company (or companies) within the consolidated entity from the 100% ownership stake in each subsidiary.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

2. Significant Accounting Policies:

2.1 Basis of Preparation

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended K-IFRSs and new interpretations adopted by the Group

- K-IFRS 1117 Insurance Contracts

K-IFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes K-IFRS 1104 *Insurance Contracts*.

K-IFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Group does not have any contracts that meet the definition of an insurance contract under K-IFRS 1117.

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

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

The supporting paragraphs in K-IFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

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The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

- *K-IFRS 1001 Presentation of Financial Statements – Disclosure of financial liabilities with clauses to adjust exercise price (Amendment)*

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer’s share price change is classified as financial liability as defined in paragraph 11 (2) of K-IFRS 1032.

- *K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendment)*

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

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

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

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

- *K-IFRS 1012 Income Taxes - International Tax Reform—Pillar Two Model Rules (Amendment)*

The amendments clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in K-IFRS 1012, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The Group is currently reviewing the current tax expense (income) related to Pillar two corporate taxes, and anticipates that there will be no significant financial impact.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
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2.2.2 New and amended K-IFRSs and new interpretations not yet adopted by the Group

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

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

The amendments are applied retrospectively for annual periods beginning on or after January 1 2024, with early application permitted. If an entity applies these amendments for an earlier period, it is also required to apply the 2023 amendments early.

The directors of the parent company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

- *K-IFRS 1001 Presentation of Financial Statements – Non-current Liabilities with Covenants (Amendment)*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments also specify that the right to defer settlement of a liability for at least 12 months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within 12 months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within 12 months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

- *K-IFRS 1007 Statement of Cash Flows and K-IFRS 1107 Financial Instruments: Disclosures - Supplier Finance Arrangements (Amendment)*

The amendments add a disclosure objective to K-IFRS 1007 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, K-IFRS 1117 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

DONGKUK HOLDINGS CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Statements
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To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements.
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements.
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

- *K-IFRS 1116 Leases - Lease Liability in a Sale and Leaseback (Amendment)*

The amendments to K-IFRS 1116 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in K-IFRS 1115 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

- *K-IFRS 1001 Presentation of Financial Statements – Disclosure of Virtual Assets (Amendment)*

The amendments to K-IFRS 1001 add additional disclosure requirements required by other standards for transactions related to virtual assets, setting out disclosure requirement for each case of 1) holding virtual assets, 2) holding virtual assets on behalf of customer, and 3) issuing virtual assets.

When holding a virtual asset, disclosure on the general information about virtual assets, the accounting policy applied and each virtual asset's acquisition method, cost and the fair value at the end of the reporting period is required. Also, when issuing a virtual asset, the entity's obligations and status of fulfilment of the obligation related to the issued virtual asset, the timing and amount of the recognized revenue of the sold virtual asset, the number of virtual assets held after issuance, and important contract details shall be disclosed.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The Group does not anticipate that the application of the enactment and amendments will have a significant impact on the Group's consolidated financial statements.

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Notes to the Consolidated Financial Statements

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2.3 Consolidation

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

(1) Subsidiaries

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

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

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

Intercompany transactions, balances and unrealized gains on transactions between the Group, are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

(2) Associates

Associates are entities over which the Group has significant influence. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. When using the financial statements of associates to apply the equity method, the consolidated company reviews whether the same accounting policies as those applied by the consolidated company have been applied to the same transactions or events that occurred in similar circumstances, and if necessary, the financial statements of associates to adjust.

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(3) Joint arrangements

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

2.4 Foreign Currency Translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Foreign currency translation gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign currency translation gains and losses are presented in the consolidated statement of profit or loss within 'other income or other expenses.'

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

(3) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates,
- equity is translated at the historical exchange rate, and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period.

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2.5 Financial Assets

(1) Classification

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

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

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

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

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

(2) Measurement

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

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

A. Debt instruments

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

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

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- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated statement of profit or loss within 'finance income (expense)' or 'other income (expense)' in the year in which it arises.

B. Equity instruments

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

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

(3) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (See Note 34(3) for how the Group determines whether credit risk has increased significantly)

(4) Recognition and derecognition

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

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

(5) Offsetting of financial instruments

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

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2.6 Derivative Instruments

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

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. (See Note 6 for further information about the Group's accounting for trade receivables and Note 34(3) for a description of the Group's accounting policy for impairment)

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined using the weighted-average method, except for materials-in-transit which are determined using the specific identification method.

2.9 Non-current Assets (or Disposal Group) Held for Sale

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

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2.10 Property, Plant and Equipment

Land is shown at fair value based on valuation by external independent valuer. Valuation is performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as revaluation reserves net of income tax effect in equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the consolidated statement of profit or loss.

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

	Estimated Useful Lives
Buildings	20 - 40 years
Structures	10 - 40 years
Machinery and equipment	2 - 35 years
Vessels	10 - 15 years
Others	4 - 20 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year-end. An asset's carrying amount is adjusted to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized as 'other income (expense)' in the consolidated statement of profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

2.11 Borrowing Costs

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

2.12 Government Grants

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

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2.13 Intangible Assets

Goodwill is measured as explained in Note 2.3(1) and carried at its cost, less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost, less accumulated amortization and accumulated impairment losses.

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized.

Intangible assets with definite useful life are amortized using the straight-line method or units of production method over the following estimated useful lives:

	Estimated Useful Lives
Software	4 - 10 years
Others	
Rights to use Pohang wharf ¹	Compensation period
Others	5 – 30 years

¹ Amortized calculated using the units of production method.

2.14 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost, less accumulated depreciation and impairment losses.

2.15 Impairment of Non-Financial Assets

Goodwill and Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period. When allocating an impairment loss for a cash-generating unit, the Group shall not reduce the carrying amount of an asset below its fair value less cost of disposal.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period, which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

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2.17 Financial Liabilities

(1) Classification and measurement

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

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

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

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

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

(2) Derecognition

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

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2.18 Financial Guarantee Contracts

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

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

2.19 Compound Financial Instruments

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

In accordance with the 'Interpretation Statements No. 00094' issued by the Financial Supervisory Service in Korea, the Group recognized conversion rights (preemptive rights) in equity. This accounting treatment is effective only under the Korean IFRS.

2.20 Provisions

Provisions for product warranty and others are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.21 Current and Deferred Income Taxes

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

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

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

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

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

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

2.22 Employee Benefits

(1) Postemployment benefits

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

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

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

(2) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits or when the entity recognizes costs for a restructuring.

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(3) Other long-term employee benefits

The Group provides long-term employee benefits, which are entitled to employees with long-term service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent qualified actuaries.

2.23 Revenue Recognition

(1) Sale of goods

The Group manufactures and sells a range of steel plates, reformed bars, H-beams, cold-rolled steel sheets products and others. Revenue from sale of goods is recognized when products are delivered to the purchaser. It is considered that goods are delivered when the goods have been transferred to the specific location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(2) Rendering of services

The Group renders transportation services, such as marine transportation services. The revenue from rendering of services that are separately provided to customers is recognized over time by measuring progress when the performance of service transactions can be reliably estimated. Any changes in expected revenue, cost and proportion of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue and cost which are recognized in the consolidated statement of profit or loss in the year in which management recognizes the changes in circumstances.

In addition, the Group renders IT services to a customer. The revenue is recognized over time by using the method that can reliably measure the services rendered. And for the services developed to the customer's specifications, the Group recognizes revenue over time by measuring progress using input method because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(3) Rental services

The Group renders rental services, and revenue is generally recognized over time as services are being rendered.

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2.24 Lease

(1) Lessor

The Group classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset at inception of the lease as a finance lease. A lease other than a finance lease is classified as an operating lease.

A. Financial lease

The lessor recognizes finance lease receivables at the amount of the Group's net investment in the finance lease and recognizes interest income based on a pattern reflecting a constant periodic return on the net investment in the finance lease.

B. Operating lease

Lease income from operating leases is recognized based on straight-line method over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Each leased asset is presented on the financial statements based on its nature.

(2) Lessee

The Group leases land, buildings, vessels and others. Lease contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- makes adjustments specific to the lease, for example term, country, currency and security.

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs and
- estimated restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Although the Group elected to apply the revaluation model to its land and buildings that are presented in property, plant and equipment, the Group elected not to apply that revaluation model to buildings held by the Group that are presented in the right-of-use assets.

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

A. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Information on critical accounting estimates and assumptions related to the determination of the lease term is presented in Note 3.

B. Sale and leaseback

Related to sale and leaseback, the Group is required to applying Korean IFRS 1115 Revenue from Contracts with Customers to determine whether the transfer of an asset is accounted for as a sale of that asset.

When the transfer of an assets is accounted for as a sale of the asset, the Group measures right-of-use assets arising from the sale and leaseback in proportion to the carrying amount of the assets which the right remains to the Group and recognizes only net gain or loss in relation to transferred rights.

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2.25 Greenhouse Gas Emission Permits and Obligations

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, the allowances that are received free of charge from the government are measured and recognized at zero while allowances purchased are measured at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost, less accumulated impairment losses, and those to be submitted to the government within one year from the end of the reporting period are classified as current assets.

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Group derecognizes the emission permits when the emission allowance is disposed or submitted to the government or becomes unable to be disposed or submitted, and accordingly, the future economic benefits are no longer expected to be probable. The Group derecognizes the emission obligations when the Group submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the consolidated statement of financial position.

2.26 Approval of Issuance of the Financial Statements

The consolidated financial statements were approved for issue by the board of directors on February 8, 2024, and are subject to change with approval of shareholders at their annual general meeting.

3. Critical Accounting Estimates and Assumptions:

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

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

In February 2022, a dispute broke out between Russia and Ukraine, and international sanctions have been imposed on Russia. Accordingly, it is highly uncertain to estimate the scope of impact of these disputes and sanctions on the critical accounting estimates and assumptions applied in the preparation of the consolidated financial statements and the business environment of the Group.

(1) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Notes 22 and 30).

If certain portion of the taxable income is not used for investments or increase in wages or dividend, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income taxes is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

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(2) Impairment of financial assets

The provision for impairment of financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period (Note 34).

(3) Impairment assessment on cash-generating units, investments in associates and joint ventures

The recoverable amount of cash generating units (CGU) and investment in associates and joint ventures are determined based on value-in-use calculations. To calculate the value in use management must estimate the expected future cash flows arising from the asset or CGU and select an appropriate discount rate to calculate the present value of the expected future cash flows. (Note 11).

(4) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate (Note 19).

(5) Provisions for product warranty

The Group's management determines provisions for future warranty claims with consideration to the recent trend of changes implying that the historical data and past expenses relating to product warranty claims may differ from the future claims.

(6) Lease

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

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

(7) Net realizable value of inventories

When estimating the net realizable value of inventories, the Group reflects recent fluctuation in the information on the past selling price and past costs of inventory, and the cost of the product is expected to exceed the net realizable value. For raw materials for which the cost of the product is expected to exceed the net realizable value, the current replacement cost is determined as the net realizable value.

(8) Revenue Recognition

The Group identify separate performance obligations for transport services included in part of our product export contracts with customers and recognize revenue over time. The progress is measured by estimating the performance of the service provision transaction. In addition, revenue is recognized over the period for IT service contracts with customers, and progress is measured based on cumulative contract costs. The factors for measuring the amount of revenue accompanying such estimation may change.

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(9) Depreciation of property, plant and equipment

When estimating the depreciation of property, plant and equipment, the Group applies the straight-line method to assets excluding land, assuming that the future economic benefits of the assets are generated equally every year. In addition, regarding the useful life, the Group considers the actual asset use experience, and the useful life applied by other companies and industries.

(10) Revaluation of property, plant and equipment

Land is recognized at fair value based on valuations by external independent valuers, and revaluation is made with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The official value method, in which the official land value is adjusted based on the present condition of the land to calculate the fair value.

(11) Fair value of derivatives

The Group is trading derivatives such as forward exchange transactions to manage the risk of rising foreign currency value, and the fair value of the derivatives may fluctuate according to the spot exchange rate at the time of the agreement.

4. Cash and Cash Equivalents and Deposits held by Financial Institutions:

(1) Cash and cash equivalents as of December 31, 2023 and 2022, consist of:

<i>(In millions of Korean won)</i>	2023	2022
Cash on hand	₩ 968	₩ 771
Bank deposits and others ¹	258,113	663,817
	<u>₩ 259,081</u>	<u>₩ 664,588</u>

¹ Time deposits maturing within three months from acquisition date are included.

(2) The following deposits held by financial institutions which are subject to restricted in relation to collateral for performance guarantees as of December 31, 2023 and 2022, are as follow:

<i>(In millions of Korean won)</i>	2023	2022
Restricted deposits held by financial institutions	₩ 12,393	₩ 14,089

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5. Trade Receivables and Other Receivables:

(1) Trade receivables and other receivables as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 327,730	₩ 129	₩ 817,889	₩ 132
Less: provision for impairment	(11,549)	(129)	(26,859)	(132)
Trade receivables, net	316,181	-	791,030	-
Non-trade receivables	16,717	-	88,635	917
Less: provision for impairment	(10,312)	-	(10,311)	(313)
Non-trade receivables, net	6,405	-	78,324	604
Accrued income	644	-	334	-
Deposit	222	10,296	120	10,982
Others	145	469	155	621
	7,416	10,765	78,933	12,207
	₩ 323,597	₩ 10,765	₩ 869,963	₩ 12,207

(2) Movements on allowance for doubtful accounts for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Beginning balance	₩ 37,617	₩ 48,118
Increase (decrease) in loss allowance recognized in profit or loss	4,149	(1,287)
Write off and transfer and others	(8,695)	(619)
Changes in the scope of consolidation	-	(8,520)
Changes due to spin-off	(11,549)	-
Foreign Currency translation differences, etc.	468	(75)
Ending balance	₩ 21,990	₩ 37,617

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6. Inventories:

(1) Inventories as of December 31, 2023 and 2022, consist of:

<i>(In millions of Korean won)</i>	2023			2022		
	Cost	Valuation allowance	Carrying amount	Cost	Valuation allowance	Carrying amount
Merchandise and						
Finished products	₩ 93,764	₩ (1,869)	₩ 91,895	₩ 583,189	₩ (12,723)	₩ 570,466
Semi-finished products	1,098	-	1,098	143,337	(1,903)	141,434
Raw materials	50,434	(1,326)	49,108	374,696	(12,078)	362,618
Supplies	876	-	876	14,581	-	14,581
Materials-in-transit	78,574	-	78,574	27,081	-	27,081
Others	1,309	-	1,309	7,397	-	7,397
	<u>₩ 226,055</u>	<u>₩ (3,195)</u>	<u>₩ 222,860</u>	<u>₩ 1,150,281</u>	<u>₩ (26,704)</u>	<u>₩ 1,123,577</u>

There are no inventories provided as collateral as of December 31, 2023

(2) The cost of inventories recognized as expense and included in the cost of sales amounting to ₩ 1,008,596 million (2022: ₩6,980,741 million), including losses on valuation of inventories of ₩ 526 million (2022: ₩16,728 million) and reversal of allowance for losses on valuation of inventories amounted to ₩ 1,293 million (2022: ₩109 million).

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7. Other Financial Assets:

(1) Details of other financial assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Current	Non-current	Current	Non-current
Derivative financial assets	₩ 41	₩ -	₩ 312	₩ 2,015
Financial assets at fair value through profit or loss				
Beneficiary certificates	30,275	14,506	16,111	1,000
Equity investments subject to repurchase	-	681	-	930
Redeemable preferred stocks	-	-	-	4
	30,275	15,187	16,111	1,934
Financial assets at fair value through other comprehensive income				
Equity securities				
Marketable equity securities	-	22,907	-	16,635
Non-marketable equity securities	-	2,487	-	2,488
	-	25,394	-	19,123
Financial assets at amortized cost				
Government bonds	2,569	42	6,379	43
	₩ 32,885	₩ 40,623	₩ 22,802	₩ 23,115

(2) Changes in other financial assets at equity securities for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Beginning balance	₩ 19,123	₩ 23,572
Acquisition ¹	86,477	6,053
Transfers ²	(28,060)	-
Valuation gain(loss)(before income tax), other comprehensive income	(52,146)	(10,502)
Ending balance	₩ 25,394	₩ 19,123

¹ In 2023, due to the spin-off, the Group acquired 2,043,045 shares of Dongkuk Steel Mill Co., Ltd. and 1,231,339 shares of Dongkuk Coated Metal Co., Ltd. for ₩ 63,899 million and ₩ 22,578 million, respectively.

² In 2023, due to capital increase with consideration through investment in kind, the Group replaced its holdings of Dongkuk Steel Mill Co., Ltd. and Dongkuk Coated Metal Co., Ltd. shares from financial assets at fair value through other comprehensive income to investment in associates.

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(3) Details of the major outstanding forward contracts which the Group entered into are as follows:

2023				
	Contract signing date	Contract amount (in thousand)	Contract execution date	Contract price (KRW/USD, THB/USD)
Hana Security ¹	2023.12.06	USD 183 Buy	2024.01.31 - 2023.03.31	USD 12,200
Kyobo Security ¹	2023.10.20-2023.11.01	USD 606 Buy	2024.01.31-2024.02.29	USD 589.95-621.95
Samsung Futures	2023.09.20-2023.11.16	USD 2,910 Buy	-	USD 1,298.10-1,326.40
Kasikorn Bank	2023.10.30	USD 1,000 Buy	2024.05.02	THB 35.6346
2022				
	Contract signing date	Contract amount (in thousand)	Contract execution date	Contract price (KRW/USD, THB/USD)
Hana Bank	2021.10.25	USD 32,288 Sell	2023.01.26 - 2024.10.26	KRW 1,174.00
Woori Bank	2022.04.29	USD 31,026 Sell	2023.04.27	KRW 1,259.82
Woori Bank	2022.11.09	USD 1,000 Buy	2023.01.05	KRW 1,363.70
Kookmin Bank	2022.11.15-2022.12.20	USD 15,000 Buy	2023.01.05 - 2023.01.13	KRW 1,292.60-1,328.50
Korea Development Bank	2022.12.05	USD 1,000 Buy	2023.01.25	KRW 1,291.20
Standard Chartered Bank Korea	2022.12.28	USD 1,000 Buy	2023.01.13	KRW 1,266.65
Hana Financial Investment ¹	2022.10.11-2022.10.12	USD 373 Buy	2023.01.31 - 2023.03.31	USD 12,400-12,500
Kyobo Security ¹	2022.12.08	USD 258 Buy	2023.05.31	USD 516.95
Citi Bank	2022.12.09	USD 2,015 Buy	2023.01.06 - 2023.02.06	KRW 1,299.84-1,301.50
Citi Bank	2022.12.09	EUR 129 Buy	2023.01.20	KRW 1,382.98
Kasikorn Bank	2022.11.04-2022.11.11	USD 3,449 Buy	2023.05.08 - 2023.05.15	THB 35.35-37.05

¹ The Group has entered into a future contract to cope with the risk of changes in expenses for marine transportation services (time charter expenses) during the years ended December 31, 2023 and 2022.

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8. Other Assets:

Details of other current and non-current assets as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 6,607	₩ -	₩ 16,363	₩ -
Prepaid expenses ¹	8,557	352	16,572	1,406
Prepaid value added tax	9,874	-	10,455	-
Others	49	23	140	403
	₩ 25,087	₩ 375	₩ 43,530	₩ 1,809

¹ Prepaid expenses recognized as contract assets related to contracts with customers of ₩ 2,087 million (2022: ₩ 6,436 million) are included.

9. Lease Receivables:

(1) Details of financial lease receivables as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Principal amount of receivables	Net lease investment	Principal amount of receivables	Net lease investment
Current	₩ 9,408	₩ 9,075	₩ 132	₩ 116
Non-current	5,066	5,008	429	406
	₩ 14,474	14,083	₩ 561	₩ 522

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(2) The amounts of receivables related to finance leases as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Less than 1 year	₩	9,408	₩	132
Between 1 years and 2 years		4,901		429
Between 2 years and 3 years		132		-
Over 3 years		33		-
Subtotal: Principle amount of receivables		14,474		561
Less: Unrealized Interest Income		(391)		(39)
Net lease investment	₩	14,083	₩	522

(3) The amounts reported in profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Interest income on finance lease receivables	₩	423	₩	14

10. Investments in Associates and Joint Ventures:

(1) Details of investments in associates and joint ventures as of December 31, 2023 and 2022, are as follows:

	2023		2022		Location	Financial year-end	Remarks
	Percentage of direct ownership(%)	Effective percentage of ownership(%)	Percentage of direct ownership(%)	Effective percentage of ownership(%)			
I&K Newport Co., Ltd.	50.00	50.00	50.00	50.00	Korea	December 31	Stevedoring, service-related transportation
BNCT ¹	12.50	12.50	12.50	12.50	Korea	December 31	Stevedoring, service-related transportation
VSSC Steel Center LLC ²	15.00	15.00	15.00	15.00	Vietnam	December 31	Steel manufacturing
CSP ³	-	-	30.00	30.00	Brazil	December 31	Steel industry
Dongkuk Steel Mill Co., Ltd.	30.28	30.32	-	-	Korea	December 31	Steel manufacturing
Dongkuk Coated Metal Co., Ltd.	30.34	30.39	-	-	Korea	December 31	Steel manufacturing

¹ Although the Group owns less than 20% of the percentage of voting rights, the Group applied equity method as the Group exercises significant influence through its seat in the investee's board of directors. In addition, the Group provides share certificates of BNCT to Shinhan Bank as collateral for BNCT's borrowings.

² In 2022, the Group acquired 15% of shares of VSSC Steel Center LLC. Although the Group holds less than 20% of equity shares, the Group is considered to have a significant influence as the Group has a right to participate in the investee's board of directors.

³ The Group excluded CSP from its associates by disposing of all its shares as of March 9, 2023

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- (2) Details and changes of investments in associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

		2023						
		Beginning balance	Acquisition	Share of profit (loss) of associate and joint ventures	Share of other comprehensive income of associates and joint ventures	Transfer	Ending balance	
(In millions of Korean won)								
I&K Newport Co., Ltd.	₩	3,628	₩ -	₩ 261	₩ (462)	₩ -	₩ 3,427	
VSSC Steel Center LLC		1,798	-	32	(17)	-	1,813	
Dongkuk Steel Mill Co., Ltd.		-	124,207	439,906	(3,704)	19,552	579,961	
Dongkuk Coated Metal Co., Ltd.		-	54,180	246,554	(2,205)	8,509	307,038	
	₩	5,426	₩ 178,387	₩ 686,753	₩ (6,388)	₩ 28,061	₩ 892,239	

		2022						
		Beginning balance	Acquisition	Share of profit (loss) of associate and joint ventures	Share of other comprehensive income of associates and joint ventures	Disposal	Impairment	Ending balance
(In millions of Korean won)								
CSP ¹	₩	63,932	₩ -	₩ 155,336	₩ 2,449	₩ -	₩ (221,717)	₩ -
Guangzhou DKZC Technology Co., Ltd ²		1,428	-	-	(67)	(1,361)	-	-
I&K Newport Co., Ltd.		2,593	-	231	804	-	-	3,628
VSSC Steel Center LLC		-	2,020	(256)	34	-	-	1,798
	₩	67,953	₩ 2,020	₩ 155,311	₩ 3,220	₩ (1,361)	₩ (221,717)	₩ 5,426

¹The Group excluded CSP from its associates by disposing of all its shares as of March 9, 2023

²As of March 23, 2022, Guangzhou DKZC Technology Co., Ltd. has disposed of all of its shares and has been excluded from associates.

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- (3) Condensed financial information of major associates and joint ventures as at and for the years ended December 31, 2023 and 2022, is as follows:

	2023															
(In millions of Korean won)	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Sales		Profit (loss) for the year		Other comprehensive income		Total comprehensive income (loss)	
I&K Newport Co., Ltd.	₩	7,722	₩	4,701	₩	4,979	₩	591	₩	44,204	₩	522	₩	-	₩	522
BNCT		89,178		567,693		138,001		1,138,920		159,574		(74,613)		-		(74,613)
VSSC Steel Center LLC		18,944		11,273		18,133		-		60,115		213		-		213
Dongkuk Steel Mill Co., Ltd.		1,461,340		2,070,447		1,531,728		278,699		756,188		12,952		(2,212)		10,740
Dongkuk Coated Metal Co., Ltd.		741,103		969,632		687,084		62,018		340,984		(26,814)		(7,255)		(34,069)
	2022															
(In millions of Korean won)	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Sales		Profit (loss) for the year		Other comprehensive income		Total comprehensive income (loss)	
CSP	₩	1,034,636	₩	3,384,310	₩	614,571	₩	3,064,385	₩	3,101,950	₩	500,214	₩	-	₩	500,214
I&K Newport Co., Ltd.		7,427		4,687		4,075		783		49,900		462		-		462
BNCT		90,009		603,149		62,649		1,175,945		167,046		(59,535)		-		(59,535)
VSSC Steel Center LLC		25,633		9,939		23,503		80		51,213		(1,255)		-		(1,255)

- (4) Details of adjustments from financial information of major associates and joint ventures to the book amount of investments in associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)		2023									
		Net assets at the end of the year		Interests in net assets		Unrealized loss		Goodwill		Book amount	
Dongkuk Steel Mill Co., Ltd.		₩	1,721,361	₩	521,858	₩	(467)	₩	58,570	₩	579,961
Dongkuk Coated Metal Co., Ltd.			961,633		292,282		(1,811)		16,567		307,038

(In millions of Korean won)		2022													
		Net assets at the end of the year		Interests in net assets		Accumulated impairment losses		Accumulated unrecognized losses		Unrealized loss		Goodwill		Book amount	
CSP		₩	739,990	₩	221,997	₩	(221,717)	₩	-	₩	(280)	₩	-	₩	-
I&K Newport Co., Ltd.			7,256		3,628		-		-		-		-		3,628
BNCT			(545,436)		(68,180)		(3,254)		71,434		-		-		-
VSSC Steel Center LLC			11,988		1,798		-		-		-		-		1,798

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- (5) Accumulated losses that were not recognized due to discontinuation of the equity method for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023				2022			
	Unrecognized loss		Accumulated unrecognized losses		Unrecognized loss		Accumulated unrecognized losses	
BNCT	₩	9,327	₩	80,761	₩	7,442	₩	71,434

11. Property, Plant and Equipment:

- (1) Details of property, plant and equipment as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023									
	Land		Buildings		Structures		Machinery and equipment		Vessels	

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

(In millions of Korean won)	2023							
	Land	Buildings	Structures	Machinery and equipment	Vessels	Others	Construction –in– progress	Total
Beginning	₩ 1,810,963	₩ 410,572	₩ 151,865	₩ 908,214	₩ 27,743	₩ 73,073	₩ 81,904	₩ 3,464,334
Acquisitions	2,562	8,546	160	10,162	99	3,812	71,850	97,191
Revaluation	-	-	-	-	-	-	-	-
Transfer	211	701	17,037	30,840	-	13,461	(65,732)	(3,482)
Impairment loss	-	(2,015)	(16)	(1,959)	(2,237)	(297)	-	(6,524)
Disposals	(7)	(85)	(2)	(1,459)	-	(3,775)	(450)	(5,778)
Government grants	-	-	(6,000)	(355)	-	-	-	(6,355)
Depreciation	-	(9,903)	(3,974)	(56,545)	(950)	(9,547)	-	(80,919)
Changes due to spin-off	(1,508,228)	(346,011)	(142,090)	(873,925)	(14,600)	(58,553)	(87,175)	(3,030,582)
Exchange differences and others	577	1,098	23	700	-	305	1	2,704
Ending	₩ 306,078	₩ 62,903	₩ 17,003	₩ 15,673	₩ 10,055	₩ 18,479	₩ 398	₩ 430,589

(In millions of Korean won)	2022							
	Land	Buildings	Structures	Machinery and equipment	Vessels	Others	Construction –in– progress	Total
Beginning	₩ 1,644,571	₩ 428,749	₩ 136,763	₩ 1,004,788	₩ 35,690	₩ 68,495	₩ 47,507	₩ 3,366,563
Acquisitions	296	86	19,141	3,626	4,962	14,099	146,278	188,488
Revaluation	129,042	-	-	-	-	-	-	129,042
Transfer	41,272	3,832	6,006	74,602	3,220	17,109	(108,846)	37,195
Disposals	(100)	(142)	(660)	(1,956)	-	(3,319)	-	(6,177)
Depreciation	-	(19,462)	(7,910)	(135,526)	(7,072)	(17,621)	-	(187,591)
Impairment loss	(4,515)	(2,868)	(10)	(32,749)	-	(5,662)	-	(45,804)
Changes in scope of consolidation	-	-	(1,521)	(4,898)	(9,057)	(225)	(150)	(15,851)
Exchange differences and others	397	377	55	327	-	198	(2,885)	(1,531)
Ending	₩ 1,810,963	₩ 410,572	₩ 151,864	₩ 908,214	₩ 27,743	₩ 73,074	₩ 81,904	₩ 3,464,334

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- (3) The Group applied the revaluation model for land, land was valued for the years ended December 31, 2023, by MIRAI & SAEHAN APPRAISAL CO., LTD., carried out by external independent qualified valuers. The valuation method was based on official values of standard land with similar utility values in the target land and neighboring areas as of the disclosure date, taking into account the rate of land price changes from the disclosure date to the current reference date, producer price inflation rate, location, shape, environment, usage situation and other value-forming factors of the land until the current date. The fair value of the land is evaluated based on the Public Land Price Standard Act. The fair value of the land is classified as Level 3, based on the input variables used in the valuation method (See Note 32). For the years ended December 31, 2022, the Group revaluated land and recognized revaluation surplus as accumulated other comprehensive income. If land was stated on the historical cost basis, the amounts as of December 31, 2023, would be ₩300,653 million (2022: ₩1,136,302 million).
- (4) In 2023, the capitalized borrowing costs for property, plant and equipment that are qualifying assets are ₩ 1,095 million (2022: ₩ 1,030 million), and the capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 5.59% (2022: 4.14%).
- (5) Depreciation of property, plant and equipment was charged to following accounts for the years ended December 31, 2023 and 2022:

(In millions of Korean won)	2023		2022	
Cost of sales	₩	78,101	₩	181,121
Selling, general and administrative expenses (excluding research and development expenses)		2,044		867
Research and development expenses		774		5,603
	₩	80,919	₩	187,591

(*) The above includes profit (loss) from discontinuing operations due to spin-off

- (6) Details of property, plant and equipment provided as collateral as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			
	Carrying amount	Secured amount	Borrowing amount	Secured party
Land, buildings, machinery and equipment, vessels and others(*)	₩ 396,838	₩ 186,895	₩ 86,069	Kyungnam Bank and others
(In millions of Korean won)	2022			
	Carrying amount	Secured amount	Borrowing amount	Secured party
Land, buildings, machinery and equipment, vessels and others(*)	₩ 2,918,230	₩ 2,927,356	₩ 1,213,520	Korea Development Bank and others

(*) The above includes details of collateral provided for investment properties and other assets.

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(7) Impairment Test for CGU

As of the end of the reporting period, the Group has identified a number of CGU, among which the Parent Company and some subsidiaries' CGUs have impairment indicators, and has been tested for impairment in accordance with KIFRS 1036.

The recoverable amount was determined as the higher of the fair value, less costs to sell and the value in use, and impairment losses were recognized when the recoverable amount was less than the carrying amount. The recoverable amount was calculated based on estimated cash flows derived from the five-year budget approved by the management of each company when calculating the value in use.

As a result of impairment test, impairment loss was recognized in certain CGUs and the details are as follows:

1) Impairment test on CGUs

(In millions of Korean won)

		2023			
		Intergis Co., Ltd.			Dongkuk Steel India Pvt. Ltd.
		Port stevedoring	Shipping	Forwarding	Cold-rolled
Value in use	₩	16,651	₩ 21,501	₩ 12,411	₩ (899)
Impairment loss ¹		1,262	2,516	34	3,931
Permanent growth rate		0%	0%	0%	0%
Discount rate ²		11.35%	9.50%	11.35%	19.00%
Sensitivity ³	0.5% increase of discount rate	(587)	(1,333)	(647)	-
	0.5% decrease of discount rate	642	1,486	710	-

(In millions of Korean won)

		2022			
		Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.)			Intergis Co., Ltd.
		Steel plates	Cold-rolled		Port stevedoring
Value in use	₩	621,610	₩ 837,685	₩ (8,496)	
Impairment loss ¹		6,839	39,596	4,400	
Permanent growth rate		0%	0%	0%	
Discount rate ²		10.00%	10.00%	11.34%	
Sensitivity ³	0.5% increase of discount rate	(21,915)	(31,692)	-	
	0.5% decrease of discount rate	24,097	34,982	-	

¹ When allocating the impairment losses of each CGUs to the separate assets, the carrying amount of an asset was not reduced below its fair value less costs for disposal. The Group recorded impairment loss on property, plant and equipment of ₩ 7,743 million (2022: ₩50,835 million), of which ₩ 7,743 million (2022: ₩46,363 million) was recognized in profit or loss (other expenses) and nil (2022: ₩4,472 million) in other comprehensive income and loss.

² After-tax discount rate was used when discounting the net of tax cash flows.

³ It is change in value in use. As the value in use of Dongkuk Steel India Pvt. Ltd. 's Cold-rolled CGU as of December 31, 2023, and Intergis Co., Ltd. 's Port stevedoring CGU as of December 31, 2022, are less than zero, sensitivity disclosure has been omitted.

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2) Impairment loss recognized in CGUs

	2023			
	Intergis Co., Ltd.			Donkuk Steel India Pvt. Ltd
	Port stevedoring	Shipping	Forwarding	Cold-rolled
(In millions of Korean won)				
Property, plant and equipment	₩ 351	₩ 2,242	₩ -	₩ 3,931
Right-of-use assets	832	162	4	-
Intangible assets	80	111	30	-
	₩ 1,263	₩ 2,515	₩ 34	₩ 3,931

	2022		
	Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.)		Intergis Co., Ltd.
	Steel pates	Cold-rolled	Port stevedoring
(In millions of Korean won)			
Property, plant and equipment	₩ 6,662	₩ 38,260	₩ 882
Right-of-use assets	-	-	3,417
Intangible assets	177	1,336	101
	₩ 6,839	₩ 39,596	₩ 4,400

12. Investment Properties:

(1) Details of investment properties as of December 31, 2023 and 2022, are as follows:

	2023		
	Land	Buildings	Total
(In millions of Korean won)			
Acquisition cost	₩ 27,271	₩ 31,822	₩ 59,093
Accumulated depreciation	-	(5,482)	(5,482)
Net	₩ 27,271	₩ 26,340	₩ 53,611

	2022		
	Land	Buildings	Total
(In millions of Korean won)			
Acquisition cost	₩ 16,926	₩ 3,436	₩ 20,362
Accumulated depreciation	-	(1,627)	(1,627)
Net	₩ 16,926	₩ 1,809	₩ 18,735

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

(In millions of Korean won)	2023		
	Land	Buildings	Total
Beginning balance	₩ 16,926	₩ 1,809	₩ 18,735
Depreciation	-	(104)	(104)
Exchange differences	(112)	(59)	(171)
Changes due to spin-off	10,457	24,694	35,151
Ending balance	₩ 27,271	₩ 26,340	₩ 53,611

(In millions of Korean won)	2022		
	Land	Buildings	Total
Beginning balance	₩ 58,411	₩ 2,022	₩ 60,433
Acquisition	-	-	-
Depreciation	-	(107)	(107)
Transfer	(41,272)	-	(41,272)
Exchange differences	(213)	(106)	(319)
Ending balance	₩ 16,926	₩ 1,809	₩ 18,735

(3) Fair value of investment properties as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)	2023		2022	
	Book value	Fair value	Book value	Fair value
Land	₩ 27,271	₩ 24,610	₩ 16,926	₩ 26,181
Buildings	26,340	1,647	1,809	1,810

The valuation method was based on official values of standard land with similar utility values in the target land and neighboring areas as of the disclosure date, taking into account the rate of land price changes from the disclosure date to the current reference date, producer price inflation rate, location, shape, environment, usage situation and other value-forming factors of the land until the current date. The fair value of the land is evaluated based on the Public Land Price Standard Act. The fair value of the investment properties is classified as Level 3, based on the input variables used in the valuation method (See Note 32).

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13. Lease:

(1) Details of right-of-use assets as of December 31, 2023 and 2022, are as follows:

	2023			
	Land and buildings	Machinery and equipment	Others	Total
<i>(In millions of Korean won)</i>				
Acquisition cost	₩ 60,302	₩ 7,246	₩ 13,998	₩ 81,546
Accumulated depreciation	(42,930)	(2,951)	(8,059)	(53,940)
Accumulated impairment	(331)	(1,614)	(2,987)	(4,932)
Carrying amount	₩ 17,041	₩ 2,681	₩ 2,952	₩ 22,674

	2022			
	Land and buildings	Machinery and equipment	Others	Total
<i>(In millions of Korean won)</i>				
Acquisition cost	₩ 64,761	₩ 4,475	₩ 15,002	₩ 84,238
Accumulated depreciation	(34,411)	(1,710)	(8,190)	(44,311)
Accumulated impairment	(204)	(1,002)	(2,869)	(4,075)
Carrying amount	₩ 30,146	₩ 1,763	₩ 3,943	₩ 35,852

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(2) Changes in right-of-use for the years ended December 31, 2023 and 2022, are as follows:

	2023			
	Land and buildings	Machinery and equipment	Others	Total
<i>(In millions of Korean won)</i>				
Beginning	₩ 30,146	₩ 1,763	₩ 3,943	₩ 35,852
Acquisition	4,578	2,096	1,490	8,164
Depreciation	(8,988)	(1,693)	(4,063)	(14,744)
Disposals and Contract modification	1,070	1,220	1,063	3,353
Impairment loss	(117)	(702)	(178)	(997)
Decrease due to sublease	(9,272)	-	-	(9,272)
Changes due to spin-off	(380)	(3)	593	210
Exchange differences	4	-	104	108
Ending	₩ 17,041	₩ 2,681	₩ 2,952	₩ 22,674

	2022			
	Land and buildings	Machinery and equipment	Others	Total
<i>(In millions of Korean won)</i>				
Beginning	₩ 35,282	₩ 1,602	₩ 4,766	₩ 41,650
Acquisition	6,380	1,961	5,222	13,563
Depreciation	(9,681)	(2,048)	(3,368)	(15,097)
Disposals and Contract modification	565	1,101	(100)	1,566
Impairment loss	(51)	(830)	(2,536)	(3,417)
Changes in scope of consolidation	(2,430)	-	(44)	(2,474)
Exchange differences	(4)	-	2	(2)
Others	86	(23)	-	63
Ending	₩ 30,147	₩ 1,763	₩ 3,942	₩ 35,852

(3) The amounts reported in profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Depreciation of right-of-use assets		
Land and buildings	₩ 8,988	₩ 9,681
Machinery and equipment	1,693	2,048
Others	4,063	3,368
	₩ 14,744	₩ 15,097
Interest expense relating to lease liabilities (included in finance cost)	1,704	1,604
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses)	48,625	57,951

The total cash outflow for leases in 2023 was ₩ 68,059 million (2022: ₩ 75,840 million).

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14. Intangible Assets:

(1) Intangible assets as of December 31, 2023 and 2022, consist of:

(In millions of Korean won)	2023				
	Goodwill	Membership rights	Right to use of wharf	Other intangible assets	Total
Acquisition cost	₩ 5,948	₩ 3,846	₩ 22,438	₩ 24,000	₩ 56,232
Accumulated amortization	-	-	(2,014)	(15,655)	(17,669)
Accumulated impairment	-	(123)	(20,384)	(1,287)	(21,794)
Government grants	-	-	-	-	-
Net	₩ 5,948	₩ 3,723	₩ 40	₩ 7,058	₩ 16,769

(In millions of Korean won)	2022				
	Goodwill	Membership rights	Right to use of wharf	Other intangible assets	Total
Acquisition cost	₩ 5,948	₩ 8,869	₩ 82,643	₩ 70,519	₩ 167,979
Accumulated amortization	-	(8)	(21,830)	(58,245)	(80,083)
Accumulated impairment	-	(469)	(22,219)	(5,652)	(28,340)
Government grants	-	-	(9,969)	-	(9,969)
Net	₩ 5,948	₩ 8,392	₩ 28,625	₩ 6,622	₩ 49,587

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

(In millions of Korean won)	2023				
	Goodwill	Membership rights	Right to use of wharf	Other intangible assets	Total
Beginning balance	₩ 5,948	₩ 8,392	₩ 28,625	₩ 6,622	₩ 49,587
Acquisition	-	-	-	2,406	2,406
Transfer	-	383	-	3,099	3,482
Amortization	-	-	(242)	(2,486)	(2,728)
Disposal	-	-	-	(1,333)	(1,333)
Impairment loss	-	-	-	(221)	(221)
Changes due to spin-off	-	(5,053)	(28,342)	(1,196)	(34,591)
Exchange differences and others	-	-	-	167	167
Ending balance	₩ 5,948	₩ 3,722	₩ 41	₩ 7,058	₩ 16,769

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	2022									
(In millions of Korean won)	Goodwill		Membership rights		Right to use of wharf		Other intangible assets		Total	
Beginning balance	₩	5,948	₩	8,399	₩	29,417	₩	5,781	₩	49,545
Acquisition		-		-		-		752		752
Transfer		-		-		-		4,077		4,077
Disposal		-		(6)		-		-		(6)
Amortization		-		(1)		(792)		(2,375)		(3,168)
Impairment loss		-		-		-		(1,614)		(1,614)
Changes in scope of consolidation		-		-		-		(1)		(1)
Exchange differences and others		-		-		-		2		2
Ending balance	₩	5,948	₩	8,392	₩	28,625	₩	6,622	₩	49,587

- (3) Amortization of intangible assets was charged to following accounts for the years ended December 31, 2023 and 2022, was as follows:

(in millions of Korean won)	2023	2022
Cost of sales	₩ 1,345	₩ 1,783
Selling, general and administrative expenses (excluding research and development expenses)	1,383	1,384
Research and development expenses	-	1
	₩ 2,728	₩ 3,168

¹ Amounts classified as profit/loss from discontinued operations are included.

- (4) Total amount of research and development expenditures recognized as expenses for the years ended December 31, 2023 and 2022, was as follows:

(in millions of Korean won)	2023	2022
Cost of sales	₩ -	₩ 8
Selling, general and administrative expenses	4,896	11,207
	₩ 4,896	₩ 11,215

¹ Amounts classified as profit/loss from discontinued operations are included.

- (5) Emission Rights

- 1) The quantities of emission permits which are allocated free of charge are as follows:

(In tCO ₂ -eq)	2021	2022	2023	2024	2025	Total
Allocation with nil consideration ¹	2,042,885	2,042,885	34,053	34,048	34,048	4,187,919

¹ The quantities represent for the 3rd planning period (2021-2025).

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- 2) Changes in emission permits quantities and the carrying amounts for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won, in tCO2-eq)	2023					
	2022			2023		
	Quantity	Amount		Quantity	Amount	
At January 1 and Allocation with nil consideration	2,042,885	₩	-	2,042,885	₩	-
Carrying forward	(57,798)		-	145,976		-
Changes due to spin-off	-		-	(2,154,571)		-
Purchase	3,341		47	-		-
Disposal	(72,947)		-	-		-
Surrendered to the government ¹	(1,913,666)		-	-		-
Borrowing	(1,815)		-	-		-
At December 31	-	₩	47	34,290	₩	-

(In millions of Korean won, in tCO2-eq)	2023					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and Allocation with nil consideration	34,048	₩	-	34,048	₩	-
Carrying forward	-	-	-	-	88,178	-
Changes due to spin-off	-	-	-	-	(2,154,571)	-
Purchase	-	-	-	-	3,341	47
Disposal	-	-	-	-	(72,947)	-
Surrendered to the government ¹	-	-	-	-	(1,913,666)	-
Borrowing	-	-	-	-	(1,815)	-
At December 31	34,048	₩	-	34,048	₩	47

(In millions of Korean won, in tCO2-eq)	2022					
	2021		2022		2023	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and Allocation with nil consideration	2,042,885	₩	-	2,042,885	₩	-
Carrying forward	(88,178)	-	88,178	-	-	-
Purchase	-	-	2,500	37	-	-
Disposal	(44,089)	-	-	-	-	-
Surrendered to the government ¹	(1,912,433)	-	-	-	-	-
Borrowing	1,815	-	(1,815)	-	-	-
At December 31	-	₩	-	2,131,748	₩	37

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(In millions of Korean won, in tCO ₂ -eq)	2022					
	2024		2025		Total	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1 and Allocation with nil consideration	2,024,066	₩ -	2,024,066	₩ -	10,176,787	₩ -
Carrying forward	-	-	-	-	-	-
Purchase	-	-	-	-	2,500	37
Disposal	-	-	-	-	(44,089)	-
Surrendered to the government ¹	-	-	-	-	(1,912,433)	-
Borrowing	-	-	-	-	-	-
At December 31	2,024,066	₩ -	2,024,066	₩ -	8,222,765	₩ 37

¹ Emission permits for the current period will be surrendered in June of the following year.

3) Changes in emission obligations for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)	2023	2022
At January 1	₩ 9,152	₩ 58,933
Addition	41,277	9,152
Reversal	(42,420)	(58,933)
At December 31	₩ 8,009	₩ 9,152

4) Estimated greenhouse gas emission for the years ended December 31, 2023 and 2022, is as follows:

(In tCO ₂ -eq)	2023	2022
Estimated emission	34,792	1,912,628

5) As of December 31, 2023, there are no emission permits pledged as collateral.

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(6) Impairment Tests for Goodwill

The following is a summary of goodwill allocation for each CGU:

<i>(In millions of Korean won)</i>	2023	2022
Intergis Central Pier Co., Ltd.	₩ 5,948	₩ 5,948

The recoverable amount of CGU has been determined based on value-in-use calculations and key assumptions used in the value-in-use calculations are as follows:

<i>(In percentage, %)</i>	2023
	Intergis Central Pier Co., Ltd.
Gross margin ¹	18.86%
Sales growth rate ²	0.28%
Discount rate ³	10.76%
Long-term growth rate	0%

¹ It is arithmetic average of gross margin over the next five years.

² It is arithmetic average of the sales growth rate over the next five years, and the business plan, quantity and average unit price are estimated.

³ When calculating the value in use, the post-tax discount rate was applied by using the cash flow after tax.

The impairment test suggests that the carrying amount of CGUs does not exceed the recoverable amount, so there is no impairment loss recognition amount for goodwill.

15. Trade Payables and Other Payables:

<i>(In millions of Korean won)</i>	2023	2022
Current¹		
Trade payables	₩ 269,074	₩ 424,960
	269,074	424,960
Non-trade payables	7,569	267,119
Accrued expenses	825	47,022
Deposits received	10	870
Others	1,155	1,344
	9,559	316,355
Non-current		
Deposits received	7,459	199
	7,459	199
	₩ 286,092	₩ 741,514

¹ The carrying amounts of trade payables and current other payables are considered to be the same as their fair values, due to their short-term nature.

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16. Other Financial Liabilities:

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

(In millions of Korean won)	2023		2022	
	Current ¹	Non-current	Current ¹	Non-current
Derivative financial liabilities ¹	₩ 1,549	₩ -	₩ 81,619	₩ 334
Financial guarantee liabilities	-	-	19,227	-
	₩ 1,549	₩ -	₩ 100,846	₩ 334

¹ The details of the major unsettled derivative contracts that the Group has entered into as of December 31, 2023, are described in Note 7.

17. Borrowings:

Details of borrowings as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Current		
Short-term borrowings	₩ 188,262	₩ 1,554,294
Current portion of long-term borrowings	8,017	223,095
Current portion of debentures	-	5,000
Redeemable preference shares	-	38,100
	196,279	1,820,489
Non-current		
Long-term borrowings	6,508	99,518
Debentures	5,000	-
	11,508	99,518
	₩ 207,787	₩ 1,920,007

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17.1 Short-Term Borrowings

(In millions of Korean won)	Creditor	Longest maturity date	Interest rate (%) at 2023.12.31	Carrying amount	
				2023	2022
General loans and others	Korea Development Bank and others	2024.12.31	0.43~5.79	₩ 127,514	₩ 1,378,978
Loans for facilities	Kyungnam Bank and others	2024.09.11	4.11~5.64	60,748	-
Loans for purchasing	Standard Chartered Bank Korea	-	-	-	40,834
Banker's usance	Korea Development Bank and others	-	-	-	134,482
				₩ 188,262	₩ 1,554,294

17.2 Long-Term Borrowings

(In millions of Korean won)	Creditor	Longest maturity date	Interest rate (%) at 2023.12.31	Carrying amount	
				2023	2022
Loans for renting house	Kookmin Bank and others	-	-	₩ -	₩ 253
Loans for facilities	Kyungnam Bank and others	2024.07.01	5.48~5.81	4,918	75,507
Syndicated loan	Korea Development Bank and others	-	-	-	163,800
Loans for vessels ¹	KAMCO Ship Investment Management and others	2026.12.21	4.10	2,553	3,346
Loans for operating and others ²	Kyungnam Bank and others	2028.09.29	0.60~4.82	7,054	79,707
				14,525	322,613
Less: current portion of long-term borrowings				(8,017)	(223,095)
				₩ 6,508	₩ 99,518

¹The Group's insurance benefit related to vessels (See Note 11), long-term contract of affreightment, vessel operation income account and deposits from financial institutions are pledged as collateral.

²This includes secured borrowings of ₩ 1,717 million obtained through a sale and leaseback transaction with LX Pantos Co., Ltd. (See Note 37).

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17.3 Debentures

(In millions of Korean won)	Publisher	Maturity date	Interest rate (%) at 2023.12.31	2023		
				Total	Current	Non-current
Variable interest rate Korean won debentures						
Private bonds	Intergis Co., Ltd	2026.01.25	4.80	₩ 5,000	₩ -	₩ 5,000
				5,000	-	5,000
Less : discounts on debentures				-	-	-
				₩ 5,000	₩ -	₩ 5,000
(In millions of Korean won)	Publisher	Maturity date	Interest rate (%) at 2022.12.31	2022		
				Total	Current	Non-current
Variable interest rate Korean won debentures						
Private bonds	Intergis Co., Ltd	2023.01.23	4.72	₩ 5,000	₩ 5,000	₩ -
				5,000	5,000	-
Less : discounts on debentures				-	-	-
				₩ 5,000	₩ 5,000	₩ -

17.4 Redeemable Preferred Stock Liabilities

	Details
Issuer	Ferrum Infra Co., Ltd.
Issued date/ Number of shares	Total 7,109,083 shares including 1,909,089 shares on May 28, 2013, and others ¹
Voting rights	Including voting rights
General information of preferred stock	Preferred stocks have priority over common stocks in dividends
Dividends	Non-participating, non-cumulative (1% or more and less than 2% per year based on face value)
Repayment	Preferred shareholders can claim for repayment within 20 years after 5 years from the day following the issuance of preferred stocks, and Ferrum Infra Co., Ltd. repays within 3 months with legally redeemable funds (Profit available for dividend) from the date of redemption request of preferred shareholders.

¹The Group held 181,818 shares out of the total issued shares of 7,109,083 at December 31, 2022. And the Group additionally acquired 6,927,265 shares at December 31, 2023, holds 100% of the redeemable preferred shares.

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18. Lease Liabilities:

(1) Details of lease liabilities as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Current	Non-current	Current	Non-current
Lease Liabilities	₩ 16,480	₩ 17,198	₩ 15,844	₩ 25,305

(2) Maturity analysis of lease liabilities as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Less than 1 year	₩ 16,460	₩ 15,844
Between 1 years and 2 years	9,878	14,172
Between 2 years and 3 years	3,072	9,040
More than 3 years	4,248	2,093
	₩ 33,658	₩ 41,149

19. Postemployment Benefits:

(1) Details of net defined benefit liability (asset) as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023	2022
Present value of funded defined benefit obligations	₩ 109,086	₩ 282,793
Present value of unfunded defined benefit obligations	791	659
	₩ 109,877	₩ 283,452
Less: fair value of plan assets ¹	(123,740)	(332,444)
Net book amount	(13,863)	(48,992)

¹ The amount includes contributions of ₩ 18 million (2022: ₩ 249 million) to the National Pension Fund according to the National Pension Law.

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

<i>(In millions of Korean won)</i>	2023		2022	
	Defined benefit obligations	Plan assets	Defined benefit obligations	Net defined benefit liabilities (assets)
Beginning balance	₩ 283,452	₩ (332,444)	₩ (48,992)	
Amount recognized in profit or loss				
Current service cost	13,133	-	13,133	
Interest expense(revenue)	8,363	(9,884)	(1,521)	
	21,496	(9,884)	11,612	
Remeasurements recognized in other comprehensive income				
Return on plan assets (excluding amounts included in interest income)	-	703	703	
Actuarial gains and losses arising from changes in demographic assumptions and financial assumptions	6,588	-	6,588	
Actuarial gains and losses arising from experience adjustments	775	-	775	
	7,363	703	8,066	
Retirement benefits payments				
Payments	(8,601)	6,323	(2,278)	
Settlement payments	-	-	-	
	(8,601)	6,323	(2,278)	
Employer contribution	-	(4,624)	(4,624)	
Transfer	189	94	283	
Exchange differences and others	-	12	12	
Changes due to spin-off	(194,022)	216,080	22,058	
Ending balance	₩ 109,877	₩ (123,740)	₩ (13,863)	

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	2022					
(In millions of Korean won)	Defined benefit obligations		Plan assets		Net defined benefit liabilities/assets	
Beginning balance	₩	314,058	₩	(265,054)	₩	49,004
Amount recognized in profit or loss						
Current service cost		24,456		-		24,456
Interest expense(revenue)		7,773		(6,538)		1,235
		32,229		(6,538)		25,691
Remeasurements recognized in other comprehensive income						
Return on plan assets (excluding amounts included in interest income)		-		4,358		4,358
Actuarial gains and losses arising from changes in demographic assumptions and financial assumptions		(26,754)		-		(26,754)
Actuarial gains and losses arising from experience adjustments		(11,209)		-		(11,209)
		(37,963)		4,358		(33,605)
Retirement benefits payments						
Payments*		(24,906)		22,032		(2,874)
		(24,906)		22,032		(2,874)
Employer contribution		-		(87,242)		(87,242)
Exchange differences and others		34		-		34
Ending balance	₩	283,452	₩	(332,444)	₩	(48,992)

* The amount of ₩10,848 million paid from plan assets are included in payments to the executives and employees whose postemployment benefits changed to defined contribution pension plans during 2022.

(3) Plan assets as of December 31, 2023 and 2022, consist of:

(In millions of Korean won)	2023		2022	
	₩		₩	
Time deposits	₩	53,987	₩	270,804
Retirement pension insurance		69,746		61,379
Others		7		261
	₩	123,740	₩	332,444

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

(In percentage, %)	2023		2022	
Discount rate	3.90 ~ 4.32		5.14 ~ 5.33	
Salary growth rate	3.74 ~ 5.26		3.34 ~ 5.01	

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- (5) Assuming all other assumptions remain unchanged as of December 31, 2023, the impact on the defined benefit obligation resulting from significant actuarial assumptions that could vary within a reasonable range of insurance recovery assumptions is as follows:

(In millions of Korean won)	Impact on defined benefit obligations	
	Increase by 1%	Decrease by 1%
Discount rate	₩ (4,548)	₩ 5,067
Salary growth rate	5,074	(4,637)

Due to correlations among insurance recovery assumptions, changes in assumptions are not expected to occur independently. Therefore, the sensitivity analysis above may not reflect the actual variation in the defined benefit obligation. Additionally, the present value of the defined benefit obligation in the sensitivity analysis was measured using the projected unit credit method applied to measure the defined benefit obligation in the financial statements.

- (6) The weighted-average duration of the defined benefit obligations is 2.15~9.09 years, and expected maturity analysis of undiscounted pension benefits as of December 31, 2023, is as follows:

(In millions of Korean won)	Between					Total
	Less than 1 year	1 year and 2 years	Between 2 and 5 years	More than 5 years		
Pension benefits	₩ 22,982	₩ 17,871	₩ 10,782	₩ 50,022	₩ 101,657	

- (7) The Group's contribution to be paid next year for the defined benefit plan is ₩2,843 million.

- (8) The expense recognized in the current period in relation to defined contribution plan was ₩2,153 million (2022: ₩1,708 million).

20. Provisions:

Changes in provisions for the years ended December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023			2022		
	Warranty	Others	Total	Warranty	Others	Total
Beginning balance	₩ 3,530	₩ 29,496	₩ 33,026	₩ 3,888	₩ 79	₩ 3,967
Additional provisions	1,492	2,191	3,683	1,828	29,476	31,304
Reversed	-	(27)	(27)	(5)	(59)	(64)
Used amount	(2,183)	(15)	(2,198)	(2,181)	-	(2,181)
Changes due to spin-off	(2,839)	(31,478)	(34,317)	-	-	-
Ending balance	₩ -	₩ 167	₩ 167	₩ 3,530	₩ 29,496	₩ 33,026
Current	-	8	8	3,530	28,676	32,206
Non-current	-	159	159	-	820	820

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21. Other Liabilities:

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

<i>(In millions of Korean won)</i>	2023	2022
Current		
Advances from customers	₩ 10,299	₩ 8,852
Withholding	4,491	12,084
Value-added tax withheld	5,362	10,504
Accrued wages	9,586	24,605
Accrued expenses	2,686	4,594
Others	202	1,711
	<u>32,626</u>	<u>62,350</u>
Non-current		
Long-term unearned revenues	235	17,985
Deposit received	8	76
Others	280	16,923
	<u>523</u>	<u>34,984</u>
	<u>₩ 33,149</u>	<u>₩ 97,334</u>

22. Deferred Income Tax:

(1) The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022, is as follows:

<i>(In millions of Korean won)</i>	2023	2022
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	₩ 3,022	₩ 46,934
Deferred tax assets to be recovered after more than 12 months	28,655	120,135
	<u>31,677</u>	<u>167,069</u>
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	₩ (1,550)	₩ (978)
Deferred tax liabilities to be recovered after more than 12 months	(92,661)	(355,647)
	<u>(94,211)</u>	<u>(356,625)</u>
Deferred tax assets (liabilities), net	<u>₩ (62,534)</u>	<u>₩ (189,556)</u>

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(2) Deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, consist of:

(In millions of Korean won)	2023					
	Increase (decrease)					Ending
	Beginning	Profit or loss	Comprehensive income	Spin-off	Currency translation difference	
Effect of changes in temporary differences						
Loss on valuation of inventories	₩ 5,327	₩ (4,581)	₩ -	₩ (746)	₩ -	₩ -
Net defined benefit liabilities	(750)	774	(613)	-	(1)	(590)
Depreciation	17,168	(1,137)	-	(14,774)	128	1,385
Government grants	4,425	513	-	(4,938)	-	-
Capitalization of borrowing costs	(4,173)	209	-	3,964	-	-
Investments in subsidiaries and associates	200,443	(229,458)	(13,711)	-	-	(42,726)
Property, plant and equipment	(278,741)	(1,062)	2,594	249,439	-	(27,770)
Financial assets at FVTPL/FVTOCI	24,955	1,141	(2,578)	-	-	23,518
Others	37,174	(13,819)	-	(13,747)	36	9,644
	5,828	(247,420)	(14,308)	219,198	163	(36,539)
Tax loss carryforwards	-	84,038	-	-	-	84,038
Unrecognized amount due to uncertain tax positions	(195,384)	85,351	-	-	-	(110,033)
Deferred tax assets (liabilities)	₩ (189,556)	₩ (78,031)	₩ (14,308)	₩ 219,198	₩ 163	₩ (62,534)

(In millions of Korean won)	2022					
	Increase (decrease)					Ending
	Beginning	Profit or loss	Comprehensive income	Currency translation difference		
Effect of changes in temporary differences						
Loss on valuation of inventories	₩ 1,854	₩ 3,473	₩ -	₩ -	₩ 5,327	
Net defined benefit liabilities	7,487	(136)	(8,100)	(1)	(750)	
Depreciation	7,113	10,015	-	40	17,168	
Government grants	3,364	1,061	-	-	4,425	
Capitalization of borrowing costs	(5,033)	860	-	-	(4,173)	
Investments in subsidiaries and associates	38,674	149,277	12,492	-	200,443	
Property, plant and equipment	(243,307)	(11,894)	(23,540)	-	(278,741)	
Financial assets at FVTPL/FVTOCI	6,196	16,315	2,444	-	24,955	
Others	13,607	23,436	-	131	37,174	
	(170,045)	192,407	(16,704)	170	5,828	
Tax loss carryforwards	25,985	(25,985)	-	-	-	
Unrecognized amount due to uncertain tax positions	-	(195,384)	-	-	(195,384)	
Deferred tax assets (liabilities)	₩ (144,060)	₩ (28,962)	₩ (16,704)	₩ 170	₩ (189,556)	

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(3) The income tax (charged) / credited directly to equity as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)	2023			2022		
	Before-tax effect	Tax effect ¹	After-tax effect	Before-tax effect	Tax effect	After-tax effect
Financial assets at FVTOCI	₩ (52,144)	₩ 7,070	₩ (45,074)	₩ (10,502)	₩ 2,444	₩ (8,058)
Remeasurements of the net defined benefit liabilities	(8,065)	(613)	(8,678)	33,605	(8,100)	25,505
Revaluation surplus	-	2,594	2,594	125,711	(23,540)	102,171
Exchange differences on translation of foreign operations	-	-	-	7,146	(1,219)	5,927
Change in equity method capital	-	(13,711)	(13,711)	3,220	13,711	16,931
	₩ (60,209)	₩ (4,660)	₩ (64,869)	₩ 159,180	₩ (16,704)	₩ 142,476

¹ The effects of tax rates change are included.

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

(In millions of Korean won)	2023	2022	Remarks
Investments in subsidiaries, associates and others	₩ (621,765)	₩ 853,622	No plan for disposal and uncertainty of future taxable profit
Tax loss carryforwards ¹	848,871	-	Uncertainty of realization
Others temporary differences	134,538	2,185	Uncertainty of realization

¹ Expiration of tax loss carryforwards as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)	2023	2022
More than 3 years	₩ 848,871	₩ -

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23. Share Capital and Share Premium:

(1) The Company is authorized to issue 400,000,000 shares with a ₩5,000 par value per share, of which 46,857,193 ordinary shares and 7,356,160 preferred shares have been issued as of December 31, 2023.

(2) Changes in share capital and share premium are as follows:

	2023					
	Number of shares		Share capital		Share premium	Total
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares		
<i>(In millions of Korean won)</i>						
Beginning	95,432,737	-	₩ 552,447	₩ 36,781	₩ 101,725	₩ 690,953
Changes due to spin-off	(79,506,673)	-	(397,533)	-	(84,749)	(482,282)
Capital increase due to in-kind investment	15,874,419	-	79,372	-	98,983	178,355
Ending	<u>31,800,483</u>	<u>-</u>	<u>₩ 234,286</u>	<u>₩ 36,781</u>	<u>₩ 115,959</u>	<u>₩ 387,026</u>
	2022					
	Number of shares*		Share capital		Share premium	Total
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares		
<i>(In millions of Korean won)</i>						
Beginning	95,432,737	-	₩ 552,447	₩ 36,781	₩ 101,725	₩ 690,953
Ending	<u>95,432,737</u>	<u>-</u>	<u>552,447</u>	<u>36,781</u>	<u>101,725</u>	<u>690,953</u>

* Paid-in capital is not equal to the total par value of the shares issued due to retirement of shares occurred before the previous year.

(3) The Group redeemed 7,356,160 shares of redeemable preferred shares from Kawasaki Steel Co., Ltd. for ₩36,563 million in 2003 and retired them through an appropriation of retained earnings, as approved by the board of directors. As a result, no outstanding redeemable preferred shares remain as of the end of the reporting date. In 2003, 2004 and 2006, the Company retired 10,000,000 treasury shares amounting to ₩40,855 million, 2,300,000 shares amounting to ₩22,420 million and 2,756,710 shares amounting to ₩13,523 million, respectively, through an appropriation of retained earnings according to the resolutions of the board of directors. As a result, share capital amount as of December 31, 2023, is not equal to the total par value of the ordinary shares issued, which is ₩159,002 million.

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24. Retained Earnings and Dividends:

(1) Retained earnings as of December 31, 2023 and 2022, consist of:

<i>(In millions of Korean won)</i>	2023	2022
Legal reserves ¹	₩ 96,539	₩ 91,964
Discretionary reserves ²	854,806	726,946
Unappropriated retained earnings	1,007,586	548,821
	<u>₩ 1,958,931</u>	<u>₩ 1,367,731</u>

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

² These reserves may be distributed as dividends after the shareholders' approval.

(2) Changes in retained earnings for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Beginning balance	₩ 1,367,731	₩ 981,477
Gain for the period - Equity attributable to owners of the Parent Company	224,999	398,951
Transfer of gain (loss) on valuation of financial assets (equity instruments) at fair value through other comprehensive income	(48,769)	(1,094)
Annual dividend	(45,751)	(37,401)
Remeasurements of the net defined benefit liability	(8,228)	25,360
Transfer of revaluation surplus	151	29
Share of remeasurements of the net defined benefit liability from associates and joint ventures	(4,134)	409
Changes due to spin-off	472,932	-
Ending balance	<u>₩ 1,958,931</u>	<u>₩ 1,367,731</u>

(3) A dividend in respect of the years ended December 31, 2023, of ₩600 per share, amounting to a total dividend of ₩18,661 million, is to be proposed to shareholders at the annual general meeting on March 22, 2024. These consolidated financial statements do not reflect this dividend payable.

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25. Accumulated Other Comprehensive income and Other Components of Equity:

(1) Accumulated other comprehensive income as of December 31, 2023 and 2022, consists of:

<i>(In millions of Korean won)</i>	2023	2022
Financial assets at FVTOCI (equity instruments)	₩ 1,271	₩ (2,434)
Revaluation surplus	39,268	509,785
Share of other comprehensive income of associates	(5,840)	(220,352)
Exchange differences on translation of foreign operations	(18,041)	(25,437)
Ending balance	₩ 16,658	₩ 261,562

(2) Other components of equity as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Remeasurement reserves	₩ 386,141	₩ 386,141
Gain on disposal of treasury shares	100,817	100,817
Treasury shares ¹	(8,376)	(46,937)
Other equity adjustments	(15,443)	(15,443)
Equity method additional paid-in capital	199,998	199,998
Losses from capital reduction	(1,656,595)	-
Others ²	262,112	185,283
	₩ (731,346)	₩ 809,859

¹ The Company owns 698,940 shares of treasury shares (2022: 3,930,280 shares) as of December 31, 2023. During the current period, the Company canceled 3,274,385 treasury shares related to the spin-off and acquired 43,045 treasury shares due to a stock consolidation.

² During the current period, as a result of the spin-off (effective date: June 1, 2023), there was a change due to the distribution of assets to shareholders, the difference between fair value and decrease in contributed capital, and the acquisition of shares in newly established subsidiaries, Dongkuk Steel Mill Co., Ltd. and Dongkuk Coated Metal Co., Ltd. (See Notes 7 and 10)

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26. Operating Income:

(1) Operating income and expenses for the years ended December 31, 2023 and 2022, consist of:

<i>(In millions of Korean won)</i>	2023	2022
Sales revenue		
Performance obligation at a point in time		
- Merchandise and Finished products	₩ 1,082,208	₩ 1,211,168
- Others	32,250	23,787
Performance obligation over time		
- Transportation services and others	726,656	863,957
	₩ 1,841,114	₩ 2,098,912
Cost of goods sold		
Cost of goods sold from sales of goods	996,746	1,118,904
- Cost of services sold	658,988	775,991
- Other cost of sales	11,830	14,445
	₩ 1,667,564	₩ 1,909,340
Selling, general and administrative expenses		
Wages and salaries	51,044	50,690
Postemployment benefits	3,697	4,206
Employee benefits	6,900	6,268
Transportation expenses	3,567	3,728
Commission expenses	4,176	5,013
Reversal of impairment loss for trade receivables	4,526	94
Depreciation ¹	9,755	6,763
Entertainment expenses	2,548	1,782
Service fees	9,921	5,699
Taxes and dues	4,152	6,483
Others	13,201	12,073
	₩ 113,487	₩ 102,799
Operating income	₩ 60,063	₩ 86,773

¹ Depreciation relating to right-of-use assets amounting to ₩ 6,579 million (2022: ₩ 3,743 million) is included.

(2) The Group has recognized the following assets and liabilities related to contracts with customers:

<i>(In millions of Korean won)</i>	2023	2022
Costs to fulfill a contract recognized as asset ¹	₩ 2,087	₩ 6,436
Contract assets – unbilled contract costs for IT consulting agreement and others	19,914	20,550
Contract liabilities – excess billings due to customers in relation to rendering of services	10,386	11,133
Advance payments related to product sales ²	10,299	8,852

¹ The costs incurred in advance for providing transportation services included in the product export contract by the Company are included in other assets (prepaid expenses) on the financial statements.

² The amount is included in other liabilities (advance payments) on the financial statements.

There are no provisions for losses recognized on contract assets as of December 31, 2023.

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27. Expenses by nature:

Expenses by Nature for the years ended December 31, 2023 and 2022, consists of:

<i>(In millions of Korean won)</i>	2023	2022
Changes in inventories	₩ 15,611	₩ 16,993
Use of raw materials and purchase of merchandise	922,185	1,107,555
Employee benefits	138,348	133,731
Depreciation, amortization and depreciation relating to investment property ¹	21,457	20,175
Electricity expenses	2,431	2,236
Transportation expenses	22,016	17,276
Commission expenses and service fees	540,498	623,496
Supplies expenses	4,373	8,256
Repairs expenses	4,687	2,320
Other expenses	109,445	80,101
	<u>₩ 1,781,051</u>	<u>₩ 2,012,139</u>

¹ Depreciation relating to right-of-use assets amounting to ₩ 9,632 million (2022: ₩ 1,869 million) is included.

28. Other Income and Expenses:

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

<i>(In millions of Korean won)</i>	2023	2022
Interest income	₩ 429	₩ 1,696
Gain on foreign currency exchange	36,642	16,654
Gain on disposal of financial assets at FVTPL	597	306
Gain on valuation of financial assets at FVTPL	2,265	761
Gain on disposal of investments in subsidiaries and associates	-	80,407
Gain on disposal of property, plant and equipment	2,152	56
Gain on disposal of intangible assets	-	48
Gain on transaction of derivatives	870	852
Gain on valuation of derivatives	215	24
Others	20,838	18,354
	<u>₩ 64,008</u>	<u>₩ 119,158</u>

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(2) Other expenses for the years ended December 31, 2023 and 2022, consists of:

<i>(In millions of Korean won)</i>	2023	2022
Interest expenses	₩ 402	₩ 1,987
Loss on foreign currency exchange	35,659	22,734
Loss on disposal of trade receivables	70	56
Loss on valuation of financial assets at FVTPL	63	986
Loss on transactions of derivatives	1,881	2,632
Loss on valuation of derivatives	371	452
Loss on disposal of property, plant and equipment	1,002	713
Impairment loss on plant, property and equipment	7,522	5,181
Impairment loss on intangible assets	221	103
Loss on disposal of investments in subsidiaries and associates	230,472	4,159
Impairment loss of investment in associates	-	221,717
Others	9,005	36,375
	<u>₩ 286,668</u>	<u>₩ 297,095</u>

29. Finance Income and Costs:

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

<i>(In millions of Korean won)</i>	2023	2022
Interest income	₩ 8,435	₩ 5,460
Gain on foreign currency exchange	11,871	46,426
Others	1,157	2,274
	<u>₩ 21,463</u>	<u>₩ 54,160</u>

(2) Financial costs for the years ended December 31, 2023 and 2022, consists of:

<i>(In millions of Korean won)</i>	2023	2022
Interest expense	₩ 11,461	₩ 10,369
Loss on foreign currency exchange	8,977	42,854
Others	120	3,606
	<u>₩ 20,558</u>	<u>₩ 56,829</u>

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30. Income Tax Expense (Benefit):

(1) Income tax expense (benefit) for the years ended December 31, 2023 and 2022, consist of:

<i>(In millions of Korean won)</i>	2023		2022	
Current tax				
Current tax on profits for the period	₩	12,099	₩	98,933
Adjustments in respect of prior years		(5,073)		8,419
		7,026		107,352
Deferred tax				
Changes in temporary differences	₩	162,025	₩	28,962
Changes in deferred income tax from tax loss carryforwards, others		(83,993)		-
		78,032		28,962
Changes in discontinued operations		(9,036)		(135,067)
Income tax expense (benefit)	₩	76,022	₩	1,247

(2) The reconciliation between profit (loss) before profit tax and income tax expense (benefit) for the years ended December 31, 2023 and 2022, is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Profit (loss) before income tax expense ¹	₩	316,635	₩	547,679
Tax at domestic tax rates applicable to profits (loss)		(7,094)		102,845
Tax effects of:				
Benefits not deductible for tax purposes	₩	(2,706)	₩	(976)
Expenses not deductible for tax purposes		46,883		20,794
Temporary differences for which no deferred income tax asset was recognized and others		27,303		856
Changes in tax rates		24,760		3,690
Adjustment in respect of prior years		(5,073)		8,419
Changes in discontinued operations		(9,036)		(135,067)
Others		985		686
Income tax expense (benefit)	₩	76,022	₩	1,247

¹ Amounts classified as profit/loss from discontinued operations are included.

The weighted-average applicable tax rate for profit before income tax was 26.86% in 2023 (2022: 22.33%).

(3) On 2023, the government of the Republic of Korea, where the Group is incorporated, enacted the Pillar Two income taxes legislation effective from January 1, 2024. Under the legislation, the Group will be required to pay, in the Republic of Korea, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The Group is currently assessing the impact of Pillar two legislation on its financial statements. Based on the assessments conducted thus far, it has been determined that all the Group's subsidiaries are not subject to additional taxes, as their respective countries' average effective tax rates exceed 15%. However, even if the average effective tax rate is below 15%, the Group may not be required to pay Pillar two corporate taxes due to adjustments under the Pillar two legislation. Furthermore, even if the average effective tax rate exceeds 15%, the Group may still be impacted by Pillar two corporate taxes. The application of Pillar two legislation is complex, making it difficult to reasonably estimate its impact. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

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31. Earnings (Losses) per Share:

(1) Basic earnings (losses) per share

Basic earnings (losses) per share is calculated by dividing the profit (loss) attributable to equity holders of the Parent by the weighted-average number of ordinary shares outstanding during the financial year, excluding treasury shares.

<i>(In Korean won)</i>	2023	2022
Profit for the year:	₩ 224,999,103,014	₩ 398,951,680,391
Continuing operations net income (loss)	442,459,005,526	47,818,368,018
Discontinued operations net income (loss)	(217,459,902,512)	351,133,312,373
Weighted-average number of ordinary shares in issue ¹	50,003,095 shares	92,316,620 shares
Basic earnings(losses) per share:		
Continuing operating earnings(losses) per share	8,849	518
Discontinued operations earnings(losses) per share	(4,349)	3,804

¹ Weighted-average number of ordinary shares for the years ended December 31, 2023 and 2022, is calculated as follows:

<i>(In number of shares)</i>	2023	2022
Beginning balance	91,502,457	93,502,457
Changes due to spin-off	(44,695,095)	-
Changes of treasury shares	(22,642)	(1,185,837)
Investment in-kind	3,218,375	-
Weighted-average number of ordinary shares	50,003,095	92,316,620

(2) Diluted earnings(losses) per share

Diluted earnings(losses) per share are calculated using the adjusted weighted-average number of ordinary shares outstanding, assuming all dilutive potential ordinary shares are converted into ordinary shares. As of December 31, 2023, the Group has no potential ordinary shares outstanding; therefore, basic earnings per share and diluted earnings per share are the same.

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32. Fair Value:

(1) Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 259,081	₩ 259,081	₩ 664,588	₩ 664,588
Deposits held by financial institutions	31,524	31,524	35,589	35,589
Trade receivables	316,181	316,181	791,030	791,030
Other receivables	18,180	18,180	91,139	91,139
Lease receivables	14,083	14,083	522	522
Other financial assets				
Other financial assets at amortized cost	2,610	2,610	6,422	6,422
Financial assets at FVTOCI	25,395	25,395	19,123	19,123
Financial assets at FVTPL	45,462	45,462	18,045	18,045
Derivative financial assets	41	41	2,327	2,327
	₩ 712,557	₩ 712,557	₩ 1,628,785	₩ 1,628,785
Financial liabilities				
Trade payables	₩ 269,074	₩ 269,074	₩ 424,960	₩ 424,960
Borrowings	207,787	207,787	1,920,007	1,920,007
Other payables ¹	17,018	17,018	270,447	270,447
Finance lease payables	33,658	33,658	41,149	41,149
Other financial liabilities				
Derivative financial liabilities	1,549	1,549	81,953	81,953
Financial guarantee liabilities ²	-	-	19,227	19,227
	₩ 529,086	₩ 529,086	₩ 2,757,743	₩ 2,757,743

¹ The amount excludes other payables of ₩ 46,107 million that are not financial liabilities as of December 31, 2022.

² The amounts are measured at the higher of loss allowance calculated in accordance with Korean IFRS 1109 Financial Instruments and the amount initially recognized, less cumulative amount of income recognized in accordance with Korean IFRS 1115 Revenue from Contracts with Customers.

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(2) Fair value hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	All inputs other than quoted prices included in Level 1 that are observable (either directly i.e., prices, or indirectly i.e., derived from prices) for the asset or liability
Level 3	Unobservable inputs for the asset or liability.

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value disclosed as of December 31, 2023 and 2022, are as follows:

		2023			
(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Financial instrument measured at fair value					
Financial assets at FVTOCI	₩	22,907	₩ -	₩ 2,487	₩ 25,394
Financial assets at FVTPL		3,235	41,546	681	45,462
Derivative financial assets		-	41	-	41
Derivative financial liabilities		-	332	1,217	1,549
Non-financial instruments measured at non-recurring fair value					
Land (property, plant and equipment)		-	-	306,078	306,078
Non-financial instruments disclosed at fair value					
Investment properties		-	-	61,987	61,987
		2022			
(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Financial instrument measured at fair value					
Financial assets at FVTOCI	₩	16,636	₩ -	₩ 2,487	₩ 19,123
Financial assets at FVTPL		1,453	15,658	934	18,045
Derivative financial assets		-	2,327	-	2,327
Derivative financial liabilities		-	1,467	80,486	81,953
Non-financial instruments measured at non-recurring fair value					
Land (property, plant and equipment)		-	-	1,810,963	1,810,963
Non-financial instruments disclosed at fair value					
Investment properties		-	-	27,991	27,991

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(3) Valuation technique and the inputs

Valuation techniques and inputs used in the fair value of financial instruments categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2023 and 2022, are as follows:

2023						
(In millions of Korean won)	Fair value	Level	Valuation techniques	Inputs	Range of inputs	
Financial assets at FVTOCI						
Unlisted equity securities and others	₩ 2,487	3	Discounted cash flow model	Discount rate	-	
Financial assets at FVTPL						
Beneficiary certificate	41,546	2	Discounted cash flow model	Discount rate	-	
Debt securities	681	3	Discounted cash flow model	Discount rate	-	
Derivative financial assets	41	2	Discounted cash flow model and others	Futures price index and others	-	
Derivative financial liabilities (others)	1,217	3	Discounted cash flow model and others	Discount rate	-	
Derivative financial liabilities	332	2	Discounted cash flow model and others	Discount rate	-	
Property, plant and equipment						
Land	306,078	3	(*)	(*)	(*)	
Investment property						
Land	35,647	3	(*)	(*)	(*)	
Buildings	26,340	3	Cost of repurchase technique	Residual depreciation ratio	-	
2022						
(In millions of Korean won)	Fair value	Level	Valuation techniques	Inputs	Range of inputs	
Financial assets at FVTOCI						
Unlisted equity securities	₩ 2,487	3	Discounted cash flow model	Discount rate	-	
Financial assets at FVTPL						
Beneficiary certificate	15,658	2	Discounted cash flow model	Discount rate	-	
Equity securities	934	3	Discounted cash flow model	Discount rate	-	
Derivative financial assets	2,327	2	Discounted cash flow model and others	Futures price index and others	-	
Derivative financial liabilities (others)	80,486	3	Discounted cash flow model	Forward price and others	-	
Derivative financial liabilities	1,467	2	Discounted cash flow model and others	Futures price index and others	-	
Property, plant and equipment						
Land	1,810,963	3	(*)	(*)	(*)	
Investment property						
Land	26,181	3	(*)	(*)	(*)	
Buildings	1,810	3	Cost of repurchase technique	Residual depreciation ratio	-	

(*) The valuation techniques and significant unobservable inputs for measuring fair value on land are as follows:

Valuation techniques	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
The publicly notified individual land price	Fluctuation rate of land price	Fair value increases (decreases), if rate of land price increases (decreases).
The publicly notified individual land price of similar parcels nearby the subject land and reflating corrections necessary for differences between the subject and the comparable	Local factor	Fair value increases (decreases), if local factors increase (decrease).
	Parcel conditions and others	Fair value increases (decreases), if parcel conditions and others increase (decrease)
	Land conditions affecting the sales price and others	Fair value increases (decreases), if land conditions affecting the sales price increase(decrease).

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(4) Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group performs the fair value measurements required for financial reporting purposes, including Level 3 fair values.

33. Financial Instruments by Category:

(1) Categorizations of financial instruments as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Financial assets at FVTPL	₩	45,462	₩	18,045
Financial assets at FVTOCI		25,394		19,123
Financial assets at amortized cost				
Trade receivables		316,181		791,030
Other receivables		18,181		91,140
Others		2,610		6,422
Deposits held by financial institutions		31,524		35,589
Cash and cash equivalents		259,081		664,588
Derivative instruments				
Trading derivatives		41		2,327
Others				
Finance lease receivables		14,083		522
	₩	712,557	₩	1,628,786
<i>(In millions of Korean won)</i>	2023		2022	
Financial liabilities at amortized cost				
Trade payables	₩	269,074	₩	424,960
Other payables ¹		17,018		270,447
Borrowings		207,787		1,920,007
Derivative instruments				
Trading derivatives		332		1,467
Others		1,217		80,486
Others				
Lease liabilities		33,658		41,149
financial guarantee liabilities		-		19,227
	₩	529,086	₩	2,757,743

¹ The amount excludes other payables of ₩ 46,107 million that are not financial liabilities as of December 31, 2022.

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- (2) Net gains and losses on each category of financial instruments for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023¹	2022
Financial assets at FVTPL		
Interest income	₩ 1,496	₩ 516
Gain (loss) on valuation	2,203	(226)
Gain (loss) on disposal	597	(894)
Dividend income	56	212
Financial assets at amortized cost		
Interest income	18,436	11,524
Reversal of provision for impairment	(4,119)	1,287
Gain on foreign exchange	6,161	27,807
Gain (Loss) on disposal	(70)	(56)
Financial assets at FVTOCI		
Gain (Loss) on valuation		
(Other comprehensive income or loss)	(52,141)	(10,502)
Dividend income	416	703
Derivative instruments		
Gain on transaction of trading derivatives	2,200	3,251
Others	-	28,020
Financial liabilities at amortized cost		
Interest expense ²	(51,987)	(77,682)
Loss on foreign exchange	(12,704)	(47,386)
Other		
Interest income of lease	423	14
Interest expense of lease ²	(1,704)	(1,604)
Financial guarantee income	977	3,603
Interest expense of financial guarantee liabilities	(402)	(1,701)
Interest expense of discount note	-	(90)

¹ This amount includes the profit or loss from discontinued operations due to the spin-off.

² The capitalized borrowing costs for property, plant and equipment of ₩ 1,095 million (2022: ₩ 1,030 million) are included for the years ended December 31, 2023 (See Note 11).

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34. Financial Risk Management:

(1) Financial Risk Management Purposes

The Group's activities expose it to a variety of financial risks: market (including currency, interest rate, and price), credit risk and liquidity. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is controlled by the finance team, and the finance team identifies, evaluates and manages financial risk. The finance team manages foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(2) Market risk

1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. The exposure in Japanese yen and Euro are also considered for foreign exchange risk.

The Group manages foreign exchange risk by foreign exchange regulations. The purpose of foreign exchange risk management is to minimize volatility of foreign exchange gains and losses from foreign exchange rate fluctuation.

The impact of weakened/strengthened Korea won by 10% against foreign currencies with all other variables held constant on the pretax profit for the year and equity of the Group as of December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		Impact on pretax profit		Impact on equity	
		2023	2022	2023	2022
USD/KRW	Increase	₩ 4,726	₩ (2,002)	₩ (805)	₩ (2,002)
	Decrease	(4,726)	2,002	805	2,002
JPY/KRW	Increase	249	(9,053)	249	(10,682)
	Decrease	(249)	9,053	(249)	10,682
EUR/KRW	Increase	1	(718)	1	(718)
	Decrease	(1)	718	(1)	718
CNY/KRW	Increase	-	355	-	355
	Decrease	-	(355)	-	(355)
CAD/KRW	Increase	-	2	-	2
	Decrease	-	(2)	-	(2)
BRL/ KRW	Increase	-	(167)	-	(167)
	Decrease	-	167	-	167

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2) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified in the statements of financial position either as financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss. The Group manages its price risk arising from investments in equity securities, by diversifying its portfolio. Also, the significant investment assets are managed individually in the portfolio.

The Group's investments in equity of other entities that are publicly traded are included either in the Korea Composite Stock Price Index (KOSPI), Nikkei Stock Average (NIKKEI), New York Stock Exchange (NYSE) equity index.

As of December 31, 2023 and 2022, the impact of increases/decreases of the share price by 10% with all other variables held constant on the Group's pretax profit for the year and equity is as follows:

(In millions of Korean won)		Impact on pretax profit		Impact on equity	
		2023	2022	2023	2022
KOSPI	Increase	₩ -	₩ -	₩ 4	₩ 32
	Decrease	-	-	(4)	(32)
NIKKEI	Increase	-	-	2,282	2,092
	Decrease	-	-	(2,282)	(2,092)
NYSE	Increase	-	-	416	59
	Decrease	-	-	(416)	(59)

3) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

To mitigate interest rate risk, the Group manages interest rate risk proactively by reforming capital structure for overall interest expense management, avoiding high-rate borrowings, maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates and monitoring weekly and monthly interest rate trends in domestic and international markets.

The impact of 100 bp higher/lower of interest rate with all other variables held constant on the Group's post-tax profit ended and on equity as of and for the years ended December 31, 2023 and 2022, is as follows:

(In millions of Korean won)		Impact on pretax profit		Impact on equity	
		2023	2022	2023	2022
Increase		₩ (1,360)	₩ (12,228)	₩ (1,360)	₩ (12,228)
Decrease		1,360	12,228	1,360	12,228

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(3) Credit risk

Credit risk is managed at the level of each company within the Group. Credit risk arises from cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

1) Risk management

If customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits is regularly monitored. The Group is also provided with collaterals or trade receivable credit insurance by customers depending on their credit rating or payment guarantees from the customers' financial institutions, as necessary.

The Group maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating institutions and, accordingly, credit risks associated with these financial institutions are limited.

2) Impairment of financial assets

The Group has financial assets subject to expected credit loss model:

- trade receivables for sales of goods and provision of services,
- other financial assets carried at amortized cost.

A. Trade receivables

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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On that basis, the loss allowance as of December 31, 2023 and 2022, allowance for doubtful accounts was determined as follows for both trade receivables:

(In millions of Korean won)	2023						
	Current	Less than 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	Defaulted receivables	Total
December 31, 2023							
Expected loss rate	0.11%	0.19%	21.11%	9.75%	1.38%	100.00%	-
Gross carrying amount	₩ 295,616	₩ 12,477	₩ 181	₩ 3,212	₩ 5,505	₩ 10,868	₩ 327,859
- trade receivables							
Gross carrying amount	19,914	-	-	-	-	-	19,914
- contract assets							
Loss allowance provision	359	23	39	313	76	10,868	11,678
December 31, 2022							
(In millions of Korean won)	2022						
	Current	Less than 3 months	Between 3 months and 6 months	Between 6 months and 12 months	More than 12 months	Defaulted receivables	Total
December 31, 2022							
Expected loss rate	0.49%	0.43%	67.71%	86.67%	53.50%	77.02%	-
Gross carrying amount	₩ 733,074	₩ 54,971	₩ 223	₩ 105	₩ 200	₩ 29,448	₩ 818,021
- trade receivables							
Gross carrying amount	20,550	-	-	-	-	-	20,550
- contract assets							
Loss allowance provision	3,723	237	151	91	107	22,682	26,991

B. Other financial assets amortized cost

The identified impairment loss of other financial assets at amortized cost was immaterial. As of December 31, 2023 and 2022, the maximum exposure to credit risk is as follows:

(In millions of Korean won)	2023	2022
Cash and cash equivalents	₩ 259,081	₩ 664,588
Deposits held by financial institutions	31,524	35,589
Other financial assets at amortized cost (government bond)	2,610	6,422
Other receivables	18,180	99,901
Finance lease receivables	14,083	522

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(4) Liquidity risk

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

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable, external regulatory or legal requirements.

Undiscounted cash flows analysis for financial liabilities, including interest, according to their remaining contractual maturity as of December 31, 2023 and 2022, are as follows:

(In millions of Korean won)

	2023				
	Total	Less than 1 year	Less than 2 years	Less than 5 years	More than 5 years
Non-Derivatives					
Trade payables	₩ 269,074	₩ 269,074	₩ -	₩ -	₩ -
Other payables ¹	17,252	9,558	7,615	-	79
Borrowings	213,844	201,494	3,316	9,034	-
Lease liabilities	36,027	17,568	9,906	5,502	3,051
Financial guarantee contracts ²	4,200	4,200	-	-	-
	₩ 540,397	₩ 501,894	₩ 20,837	₩ 14,536	₩ 3,130
Derivatives					
Trading derivatives	₩ 332	₩ 332	₩ -	₩ -	₩ -
Others	1,217	1,217	-	-	-
	₩ 1,549	₩ 1,549	₩ -	₩ -	₩ -

(In millions of Korean won)

	2022				
	Total	Less than 1 year	Less than 2 years	Less than 5 years	More than 5 years
Non-Derivatives					
Trade payables	₩ 424,960	₩ 424,960	₩ -	₩ -	₩ -
Other payables ¹	270,634	270,248	190	152	44
Borrowings	1,970,315	1,865,910	79,387	25,018	-
Lease liabilities	44,889	17,275	14,172	10,040	3,402
Financial guarantee contracts ²	964,105	964,105	-	-	-
	₩ 3,674,903	₩ 3,542,498	₩ 93,749	₩ 35,210	₩ 3,446
Derivatives					
Trading derivatives	₩ 1,467	₩ 1,133	₩ 334	₩ -	₩ -
Others	80,486	80,486	-	-	-
	₩ 81,953	₩ 81,619	₩ 334	₩ -	₩ -

¹ The amount excludes other payables of ₩ 46,107 million that are not financial liabilities as of December 31, 2022.

² The maximum amount of the guarantee was allocated at the earliest time the guarantee could be required.

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(5) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including lease liabilities), less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position plus net debt.

The gearing ratios as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Total borrowings	₩ 241,446	₩ 1,961,156
Less: cash and cash equivalents	(259,081)	(664,588)
Net debt (A)	(17,635)	1,296,568
Total equity (B)	1,777,313	3,272,521
Total capital (C)=(A)+(B)	₩ 1,759,678	₩ 4,569,089
Gearing ratio (A)/(C) ¹	-	28.38%

¹ The gearing ratio is negative, so it has been omitted.

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35. Related Party:

- (1) Details of associates and other related parties that have sales or other transactions with the Group or have receivables or payables balances as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Associates and joint ventures	CSP ¹	CSP
	I&K Newport Co., Ltd.	I&K Newport Co., Ltd.
	BNCT	BNCT
	VSSC Steel Center LLC	VSSC Steel Center LLC ²
	Dongkuk Steel Mill Co., Ltd. ³	-
	Dongkuk Coated Metal Co., Ltd. ³	-

¹ The entity was excluded from associates due to disposal of shares during the current period.

² The entity was included in the associates by acquiring shares during the prior period.

³ The entity was included in the associates by acquiring shares during the current period.

- (2) Sales and purchases with related parties for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>		2023	
		Sales and others ¹	Purchases and others ¹
Associates and joint ventures	CSP ²	₩ 4,075	₩ -
	I&K Newport Co., Ltd.	-	22,102
	BNCT	24,504	266
	VSSC Steel Center LLC	1,947	-
	Dongkuk Steel Mill Co., Ltd.	122,734	58,046
	Dongkuk Coated Metal Co., Ltd.	82,428	444,854
	Total ³	₩ 235,688	₩ 525,268

<i>(In millions of Korean won)</i>		2022	
		Sales and others ¹	Purchases and others ¹
Associates and joint ventures	CSP	₩ 14,396	₩ -
	I&K Newport Co., Ltd.	19	24,950
	BNCT	27,393	247
	VSSC Steel Center LLC	3,883	-
	Total ³	₩ 45,691	₩ 25,197

¹ Other incomes and other expenses are included.

² The Group disposed of its equity interest during the current period, resulting in the deconsolidation of the associate: However, transactions up to the disposal date were included.

³ The amount includes the discontinued operations loss/gain due to spin-off.

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- (3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

		2023			
		Receivables		Payables	
		Trade receivables	Others	Trade payables	Others
<i>(In millions of Korean won)</i>					
Associates and joint ventures	I&K Newport Co., Ltd.	₩ -	₩ -	₩ 2,015	₩ -
	BNCT	90	-	17	-
	VSSC Steel Center LLC	-	-	-	-
	Dongkuk Steel Mill Co., Ltd.	92,263	14,379	16,600	6,437
	Dongkuk Coated Metal Co., Ltd.	57,849	4,204	109,240	1,372
	Total	₩ 150,202	₩ 18,583	₩ 127,872	₩ 7,809
		2022			
		Receivables		Payables	
		Trade receivables	Others	Trade payables	Others
<i>(In millions of Korean won)</i>					
Associates and joint ventures	CSP	₩ 1,351	₩ 19,227	₩ -	₩ 80,486
	I&K Newport Co., Ltd.	-	-	2,066	-
	BNCT	229	-	15	-
	VSSC Steel Center LLC	-	-	-	-
	Total	₩ 1,580	₩ 19,227	₩ 2,081	₩ 80,486

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

		2023							
		Investment in cash		Redemption of investment		Lease transactions		Others	
						Redemption	Repayments		
(In millions of Korean won)									
Associates	CSP	₩	-	₩	-	₩	-	₩	-
	VSSC Steel Center LLC		-		-		-		-
	Dongkuk Steel Mill Co., Ltd.		-		-		1,537		-
	Dongkuk Coated Metal Co., Ltd.		-		-		1,096		-
	Total	₩	-	₩	-	₩	2,633	₩	-
		2022							
		Investment in cash		Redemption of investment		Lease transactions		Others	
						Redemption	Repayments		
(In millions of Korean won)									
Associates	CSP	₩	-	₩	-	₩	-	₩	3,150
	VSSC Steel Center LLC		2,020		-		-		-
	Total	₩	2,020	₩	-	₩	-	₩	3,150

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- (5) Details of payment guarantees and collaterals provided by the Group for the funding sources of the related parties as of December 31, 2023 and 2022, are as follows, and no collaterals and payment guarantees are provided by the related parties.

1) Payment guarantees provided by the Group

(In thousands of foreign currency and in millions of Korean won)	2023				
	Guaranteed by	Currency	Guaranteed amount		Remark
			Foreign currency	KRW	
Associates					
BNCT	Kyongnam Bank	KRW	- ₩	4,152	Performance guarantee for operation of BNCT
(In thousands of foreign currency and in millions of Korean won)	2022				
	Guaranteed by	Currency	Guaranteed amount		Remark
			Foreign currency	KRW	
Associates					
	The Export-Import Bank of Korea and others	USD	339,597 ₩	430,372	
CSP	Korea Export Insurance Corporation and others	USD	206,074	261,158	Borrowings
	BNDES	USD	146,619	185,811	
	BNDES	BRL	345,254	82,764	
BNCT	Kyongnam Bank	KRW	-	4,000	Performance guarantee for operation of BNCT
			₩	964,105	

2) Collateral Provided by the Group

(In millions of Korean won)		Secured assets ¹	Carrying amount	Provided by
Associate	BNCT	Share certificate of BNCT	₩ -	Shinhan Bank

¹ As of December 31, 2023, the Group provides all secured assets as collateral.

3) Payment guarantees provided by the related parties

(In thousands of foreign currency and in millions of Korean won)	2023					Remark
	Guaranteed by	Currency	Guaranteed amount			
			Foreign currency	KRW		
Associates						
Dongkuk Steel Mill Co., Ltd.	Tokyo Star Bank	JPY	8,000,000	₩	73,013	Borrowings

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(6) Key Management Compensation

(In millions of Korean won)

	2023		2022	
Short-term employee benefits and bonuses	₩	21,790	₩	30,218
Postemployment benefits		1,796		2,765
	₩	23,586	₩	32,983

The above key management refers to the directors who have significant control and responsibilities on the Group's business plans, operations and controls.

(7) The dividend paid to key management and related parties was ₩12,540 million (2022: ₩10,312 million) for the years ended December 31, 2023.

36. Consolidated Statements of Cash Flows:

(1) Adjustments

(In millions of Korean won)

	2023		2022	
Income tax expense ¹	₩	85,058	₩	136,314
Depreciation		80,919		187,591
Depreciation relating to investment properties		104		107
Amortization		2,728		3,168
Depreciation of right-of-use assets		14,744		15,097
(Reversal of) Impairment loss on trade receivables		4,119		(1,530)
Other impairment losses		30		243
Gain on valuation of derivatives		(652)		(2,184)
Gain on transaction of derivatives		(1,547)		(1,067)
Loss on (reversal of) valuation of inventories		(20,496)		16,619
Postemployment benefits		11,612		25,691
Interest income		(15,667)		(12,054)
Dividend income		(782)		(915)
Interest expenses		53,184		80,047
Gain(loss) on foreign exchange		(598)		(6,013)
Loss on disposal of property, plant and equipment		986		4,933
Impairment loss on property, plant and equipment		6,524		41,333
Gain on disposal of intangible assets		(139)		(48)
Impairment loss on intangible assets		221		1,614
Impairment loss on right-of-use assets		998		3,417
Provision addition		3,641		31,240
Loss (gain) of valuation of financial assets at FVTPL		(2,203)		226
Loss (gain) of disposal of financial assets at FVTPL		(597)		894
Loss on disposal of trade receivables		70		56
Gain on investments in associates		(686,753)		(155,311)
Impairment loss of investment in associates		-		221,717
Loss (gain) on disposal of investments in subsidiaries and associates		230,472		(76,248)
Loss on disposal of discontinued operations		442,120		-
Other losses		4,842		53,351
	₩	212,938	₩	568,288

¹ The amount includes corporate income tax expenses for discontinued operations.

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(2) Changes in assets and liabilities from operating activities:

<i>(In millions of Korean won)</i>		2023		2022
Trade receivables	₩	(280,162)	₩	18,520
Other receivables		(1,070)		(1,155)
Lease receivables		-		85
Inventories		1,344		234,675
Contract assets		636		(4,918)
Other assets		(11,998)		7,004
Trade payables		456,339		(234,265)
Other payables		(41,896)		17,591
Provisions		(2,182)		(2,181)
Other liabilities		(15,350)		(4,843)
Other financial liabilities		-		-
Contribution to pension plans		-		(87,242)
Defined benefit obligations		(6,595)		(3,446)
	₩	<u>99,066</u>	₩	<u>(60,175)</u>

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

<i>(In millions of Korean won)</i>		2023		2022
Reclassification of construction-in-progress to property, plant and equipment	₩	62,250	₩	104,769
Reclassification of construction-in-progress to intangible assets		3,482		4,077
Reclassification of investment property to property, plant and equipment		-		41,272
Transfer to non-current portion of long-term borrowings		-		121,000
Transfer to current portion of borrowings		23,416		226,895
Transfer to current portion of lease liabilities		15,048		13,919
Transfer to current portion of lease receivables		5,438		-
Transfer to current portion and other changes of other receivables		-		71,516
Transfer to current portion of other financial liabilities		-		19,227
Increase (decrease) in payables of property, plant and equipment's acquisition		(16,790)		27,541
Decrease in prepayments of property, plant and equipment's acquisition		13,495		-
Decrease in receivables of property, plant and equipment's disposal		-		583
Changes in payables of intangible assets		1,000		-
Recognition of lease receivables		4,553		-
Recognition of right-of-use assets (acquisition)		12,153		12,880
Changes in net asset due to change in scope of consolidation		-		40,989
Revaluation of land		-		128,608

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

2023											
			Effect from other changes								
	Beginning balance	Cash flow from financing activities	Spin-off	Exchange difference	Interest income	New lease	Contract modification	Others		Ending balance	
(In millions of Korean won)											
Assets											
Other receivables	₩ 19,227	₩ -	₩ -	₩ 629	₩ 429	₩ -	₩ -	₩ (20,285)		₩ -	
	₩ 19,227	₩ -	₩ -	₩ 629	₩ 429	₩ -	₩ -	₩ (20,285)		₩ -	
Liabilities											
Borrowings	₩ 1,881,907	₩ (82,035)	₩ (1,600,832)	₩ 8,747	₩ -	₩ -	₩ -	₩ -		₩ 207,787	
Redeemable preference shares	38,100	(38,100)	-	-	-	-	-	-		-	
Lease liabilities	41,149	(17,729)	(1,189)	7	-	8,164	3,256	-		33,658	
	₩ 1,961,156	₩ (137,864)	₩ (1,602,021)	₩ 8,754	₩ -	₩ 8,164	₩ 3,256	₩ -		₩ 241,445	
2022											
			Effect from other changes								
	Beginning balance	Cash flow from financing activities	Spin-off	Exchange difference	Interest income	New lease	Contract modification	Others		Ending balance	
(In millions of Korean won)											
Assets											
Other receivables	₩ 19,638	₩ (3,150)	₩ -	₩ 1,150	₩ 1,696	₩ -	₩ -	₩ (107)		₩ 19,227	
	₩ 19,638	₩ (3,150)	₩ -	₩ 1,150	₩ 1,696	₩ -	₩ -	₩ (107)		₩ 19,227	
Liabilities											
Borrowings	₩ 2,150,018	₩ (200,645)	₩ (60,477)	₩ (6,989)	₩ -	₩ -	₩ -	₩ -		₩ 1,881,907	
Redeemable preference shares	39,100	(1,000)	-	-	-	-	-	-		38,100	
Lease liabilities	42,170	(16,285)	(57)	1	-	13,753	1,487	80		41,149	
	₩ 2,231,288	₩ (217,930)	₩ (60,534)	₩ (6,988)	₩ -	₩ 13,753	₩ 1,487	₩ 80		₩ 1,961,156	

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37. Contingencies and Commitments:

- (1) As of December 31, 2023, the Group has received payment guarantees and entered into an import settlement fund loan agreement amounting to ₩243,122 million that is equivalent to USD 188,554 thousand (2022: ₩1,053,362 million that is equivalent to USD 831,186 thousand) with financial institutions, including Tokyo Star Bank for the opening of letters of credit to import raw materials.
- (2) As of December 31, 2023, the Group has agreements on maximum loan amounting to ₩235,798 million (2022: ₩1,470,550 million) with banks, including Kyungnam Bank, in relation to general operating capital, loans for facilities and others. The Group also has bank overdraft agreements amounting to ₩483 million (2022: ₩483 million) with banks, including Busan Bank, and currency-related derivative agreements amounting to ₩7,309 million (2022: ₩28,465 million) with banks, including Kasikorn Bank, as of December 31, 2023.
- (3) As of December 31, 2023, the Group entered into loan agreements secured by trade receivables for up to ₩34,000 million (2022: ₩74,500 million) with financial institutions, including Nonghyup Bank to make payments for trade payables to suppliers. Also, we have a discount agreement for trade receivables amounting to ₩10,000 million (2022: ₩50,000 million) with financial institutions, including Kyungnam Bank and others. The issuance limit of Woori Financial Group commercial paper is ₩10,000 million (2022: ₩10,000 million).
- (4) As of December 31, 2023, the Group is provided with guarantees for payment up to ₩42,077 million (2022: ₩144,016 million) related to contract performance from Kyongnam Bank, Korea software financial cooperative and others.
- (5) As of December 31, 2022, the Group has an agreement on syndicated loan amounting to ₩182,000 million with Korea Development Bank and other financial institution in relation to investment in CSP Co., Ltd., an associate, which constructed a steel mill factory in Brazil. The loan contains an 'events of default' clause that maintains debt ratio 200% or less, and EBITA/interest expense ratio 1 or more. Repayment has been made as of end of the 2023.
- (6) The Company entered into a stock purchase agreement related to the sale of CSP shares during the prior year and is obligated to indemnify for potential losses that may arise. The outflow amount and timing of resources related to the indemnification obligation under the sale agreement are uncertain, and it is estimated that the impact on the Company's financial statements will not be significant.
- (7) As of December 31, 2023, the Group has borrowings amounting to ₩329,220 million (2022: ₩428,448 million) from financial institutions, subject to early redemption provisions if the credit rating deteriorates.
- (8) As of June 1, 2023, DONGKUK HOLDINGS CO., LTD. (formerly, DONGKUK STEEL MILL Co., Ltd.) spin-off its hot rolling and cold rolling business divisions. In the accordance with Article 530 – 9 (1) of the Commercial Act, the Company, along with the newly established companies, Dongkuk Steel Mill Co., Ltd. and Dongkuk Coated Metal Co., Ltd., as spin-off entities, bear joint and several liability for the debts of the Company prior to the spin-off.
- (9) As of December 31, 2023, the cases arising from the normal course of business with the Group as a defendant or under arbitration amounted to approximately ₩68,406 million in nine cases. The Group has uncertainties of resources, amount and timing of these outflow.

Meanwhile, as of December 31, 2023, two cases (2022: two cases) in relation to the Group's maritime transportation claim between insurance company and shipper is under arbitration. The aggregate amount of these cases amounted to approximately ₩1,583 million (2022: ₩2,691 million). The results, such as agreement or arbitration, on this matter cannot be predicted at this time.

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- (10) As of December 31, 2023, the Group entered into agreements on construction and operation of Uiwang Inland Container and acquired rights to use the facilities until December 31, 2026.
- (11) In prior years, the Group disposed of the shares of Dongkuk Steel China Co. Ltd. and Union Logistics Jiangyin Co., Ltd. In preparation for the occurrence of unexpected debts during the period in which the Group had control on parties, 10% shares of Dongkuk Steel China Co. Ltd. and 10% shares of Union Logistics Jiangyin Co., Ltd. is pledged as collateral from Jiangyin Xinggang Xusheng Enterprise Management Partnership (Limited Partnership). The pledge security period is three years from May 26, 2022 to May 25, 2025.
- (12) As of December 31, 2023, the Group has entered into a contract for 2-3 stages container terminal management operation with BNCT, a related party, and the Group is provided with management services, such as container operation, maintenance on facilities and tools and equipment and others from I&K Newport Co., Ltd., a related party.
- (13) As of December 31, 2023, the Group disposed of the headquarters building and land (Ferrum tower) and signed a lease agreement for the portion of the building that the Group uses. The contractual maturity of lease liabilities related to the lease as of December 31, 2023, is as follows:

<i>(In millions of Korean won)</i>	<u>Total</u>	<u>Less than 1 year</u>	<u>Less than 2 years</u>	<u>More than 2 years</u>
Lease liabilities	₩ 12,806	₩ 9,025	₩ 3,781	₩ -

In addition, as of December 31, 2023, the Group possess an option to purchase the Ferrum tower prior to 3rd parties when the lessor intends to dispose of the building.

- (14) As of December 31, 2023, the Group did not meet the requirements of Korean IFRS 1115 for the Group's vessel disposed through sales and leaseback with LX Pantos Co., Ltd., therefore, the Group recognized transactions to receive the disposal amounts as borrowing transactions pledged the vessels as collateral.
- (15) As of December 31, 2023, the Group has entered into export-import stevedoring and transportation operation contracts with affiliates, Dongkuk Steel Mill Co., Ltd. and Dongkuk Coated Metal Co., Ltd., and is providing stevedoring and transportation services. Financial lease accounting is applied to the long-term charter contracts concluded with Dongkuk Steel Mill Co., Ltd.
- (16) As of December 31, 2023, the Group is provided with collateral, such as rights of use assets related to a long-term charter contract for the vessel DK IONE, entered into with Dongkuk Steel Mill Co., Ltd., a related party, for the ship financing loan of Korea Tonnage No. 16 Shipping Company S.A., a subsidiary.
- (17) As of December 31, 2023, the Group has entered into a long-term charter contract related to the periodical charter contract for the vessel DK INITIO and its subsidiary, DKC S.A., with Dongkuk Steel Mill Co., Ltd., an associate.
- (18) As of December 31, 2023, the Group has entered into an operating lease agreement for the leased asset (Ferrumvill) with Dongkuk Steel Mill Co., Ltd., an associate company.
- (19) Expenditures contracted for acquiring property, plant and equipment and others, but not yet incurred as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	<u>2023</u>	<u>2022</u>
Property, plant and equipment and others	₩ 561	₩ 45,269

- (20) The Group holds two promissory notes received in 2001 that remain outstanding as of December 31, 2023, and legal proceedings are currently underway.

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38. Segment Information:

The Group's reportable segments consist of Steel Manufacturing, Transportation, Trading and Management divisions. The management divisions are independent from the other segments and carry out the wide range of activities, such as common management, supporting the other segments, R&D. For the years ended December 31, 2023, major goods (or services) of each segment of the Group are as follows:

	<u>Goods (or Services)</u>
Steel Manufacturing	Cold-rolled steel sheets and others
Transportation	Stevedoring, transportation, service-related transportation and others
Trading	Intermediary Trade and others

Management of the Group assesses segment performance based on segment operating profit. The assets and are measured in a manner consistent with that in the consolidated financial statements and they are allocated based on each segment's operation.

- (1) Segment revenue and operating profit (loss) for the years ended December 31, 2023 and 2022, are as follows:

2023										
<i>(In millions of Korean won)</i>	Steel Manufacturing		Transportation		Trading		Other segment¹		Intragroup transaction adjustment	Total
Revenue	₩	420,177	₩	640,049	₩	697,572	₩	278,976	₩ (195,660)	₩ 1,841,114
External revenue		420,177		481,332		539,508		400,097	-	1,841,114
Internal revenue		-		158,717		158,064		(121,121)	(195,660)	-
Operating profit		397		23,440		20,140		1,803	14,283	60,063
Depreciation and amortization		1,595		12,440		620		7,256	(454)	21,457
Interest income		153		1,831		2,041		5,089	(250)	8,864
Interest expense		2,295		4,509		1,611		3,699	(251)	11,863
Pretax revenue		(4,329)		30,561		25,435		9,894	463,499	525,060
2022										
<i>(In millions of Korean won)</i>	Steel Manufacturing		Transportation		Trading		Other segment¹		Intragroup transaction adjustment	Total
Revenue	₩	852,554	₩	336,041	₩	825,548	₩	289,902	₩ (205,133)	₩ 2,098,912
External revenue		852,554		363,856		628,612		253,890	-	2,098,912
Internal revenue		-		(27,815)		196,935		36,012	(205,132)	-
Operating profit		(27,431)		41,695		38,645		17,879	15,986	86,774
Depreciation and amortization		8,304		8,477		477		3,776	(859)	20,175
Interest income		3,836		1,508		2,781		170	(1,139)	7,156
Interest expense		5,851		3,888		1,809		2,185	(1,377)	12,356
Pretax revenue		(290,484)		43,193		40,899		16,490	251,381	61,479

¹ Other segment includes operating segment not qualifying as a reportable segment, supporting divisions.

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(2) Segment assets and liabilities as of December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Steel Manufacturing	₩ 211,248	₩ 157,824	₩ 747,981	₩ 281,819
Transportation	451,197	172,451	453,327	184,308
Trading	363,596	189,459	394,423	240,063
Other segment	1,083,159	186,078	404,888	187,571
Intragroup transaction adjustment	312,448	(61,477)	(744,386)	(438,967)
	<u>₩ 2,421,648</u>	<u>₩ 644,335</u>	<u>₩ 1,256,233</u>	<u>₩ 454,794</u>

The segment information for assets and liabilities before elimination of intragroup transactions are reported to the chief operating decision maker.

(3) Revenue from external customers and the total of non-current assets broken down by location of the assets are shown as follows:

<i>(In millions of Korean won)</i>	Revenues		Non-current assets*	
	2023	2022	2023	2022
Korea	₩ 862,518	₩ 1,015,601	₩ 479,847	₩ 493,386
U.S.A.	438,732	561,034	1,649	1,770
Japan	103,917	67,508	4,841	5,176
Mexico	227,182	219,177	27,201	8,446
Others	208,765	235,592	10,105	22,638
Total	<u>₩ 1,841,114</u>	<u>₩ 2,098,912</u>	<u>₩ 523,643</u>	<u>₩ 531,416</u>

* Includes property, plant and equipment, right-of-use assets, intangible assets and investment properties.

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39. Establishment of the Company through spin-off:

On June 1, 2023 (the effective date of spin-off), the Company was split into Dongkuk Steel Mill Co., Ltd. (newly established company after spin-off), which engages in manufacturing Hot-rolled Steel and Dongkuk Coated Metal Co., Ltd. (newly established company after spin-off), which engages in manufacturing Cold-rolled Steel and Dongkuk Holdings Co., Ltd (formerly, Dongkuk Steel Mill Co., Ltd.)(Surviving company after spin-off), which engages in investment business.

(1) General information of spin-off

Dongkuk Steel Mill Co., Ltd. (hereinafter, referred to as, the “Splitting Company”) was split on June 1, 2023, as the effective date, in accordance with the provisions of Articles 530-2 to 530-11 of the Commercial Act, by way of spin-off, leading to the establishment of Dongkuk Steel Mill Co., Ltd. And Dongkuk Coated Metal Co., Ltd. (hereinafter, referred to as, the “Newly Established Companies”).

The newly established companies re-listed its shares on the Korea Exchange (KRX) Korea Composite Stock Price Index (KOSPI) Market in accordance with Article 38 (1) (2), 39, 41 and 42 of the Korea Exchange’s Listing Regulations. The surviving company, Dongkuk Holdings Co., Ltd.(formerly, Dongkuk Steel Mill Co., Ltd.)(hereinafter, referred to as, the “Surviving company”), relisted its shares in accordance with Article 46 of the Listing Regulations.

The main details of the spin-off are as follows:

Category	Company	Main Business
Surviving Company	Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.)	Investment business aimed at managing subsidiary and affiliated company shares
Newly Established Company	Dongkuk Steel Mill Co., Ltd.	Hot-rolling business
Newly Established Company	Dongkuk Coated Metal Co., Ltd.	Cold-rolling business

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Meanwhile, the Company allocated new shares to shareholders listed on the shareholder registry on May 31, 2023 (the effective date of the split-share allocation) at a ratio of new shares per share as shown in the table below.

	Surviving Company	Newly Established Company	Newly Established Company
	Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.)	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.
<i>(Ratio)</i>			
Ordinary Stock	0.1668826	0.5198218	0.3132956

The number of shares issued before and after the split according to the above allocation ratio is as follows:

	Before	After			
		Dongkuk Holdings Co., Ltd. (formerly, Dongkuk Steel Mill Co., Ltd.)	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.	Total
<i>(In number of shares)</i>	Dongkuk Steel Mill Co., Ltd.				
Ordinary Stock	95,432,737	15,926,064	49,608,017	29,898,656	95,432,737

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(2) The assets being transferred to the newly established companies and their respective values

The amounts of assets and liabilities transferred to the companies through the spin-off are determined based on the list of transferred assets and liabilities attached to the spin-off plan approved at the shareholders' meeting of the demerging company as of May 12, 2023. The changes in assets arising from the relevant business sectors until the spin-off date were taken into account. The detailed breakdown of assets and liabilities of the spin-off sectors transferred to the newly established companies is as follows:

<i>(In millions of Korean won)</i>	<u>Dongkuk Steel Mill Co., Ltd.</u>		<u>Dongkuk Coated Metal Co., Ltd.</u>	
Assets				
Current assets	₩	₩ <u>1,417,299</u>	₩	₩ <u>859,297</u>
Cash and cash equivalents	244,126		309,200	
Trade receivables, net	490,302		283,285	
Other receivables	2,188		479	
Inventories, net	673,643		259,451	
Other current assets	7,040		6,882	
Non-current assets		<u>2,097,092</u>		<u>974,167</u>
Deposits held by financial institution	2		-	
Other receivables	13,339		2,529	
Other financial assets	3,101		251	
Property, plant and equipment, net	2,019,411		960,663	
Intangible assets, net	32,161		2,289	
Right-of-use assets, net	14,086		301	
Investment properties, net	-		579	
Net defined benefit asset	14,477		7,548	
Other non-current assets	515		7	
Total assets		<u>3,514,391</u>		<u>1,833,464</u>
Liabilities				
Current liabilities		<u>1,594,182</u>		<u>808,090</u>
Trade payables	281,559		289,322	
Borrowings	1,008,092		445,275	
Lease liability	6,550		197	
Other payables	248,510		62,584	
Other financial liabilities	324		-	
Provisions	31,478		2,839	
Other current liabilities	17,669		7,840	
Contract liabilities	-		33	
Non-current liabilities		<u>332,125</u>		<u>62,096</u>
Borrowings	147,466		-	
Lease liability	10,330		109	
Other payables	165		137	
Deferred income tax liabilities	146,708		57,825	
Other non-current liabilities	27,456		4,025	
Total liabilities		<u>₩ 1,926,307</u>		<u>₩ 870,186</u>

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The accumulated amount of other comprehensive income related to the disposal asset group classified as held for sale is as follows:

<i>(In millions of Korean won)</i>	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.
Revaluation reserves	₩ 290,800	₩ 182,132

- (3) The key items indicated as discontinued operations profit and loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.
Revenues	₩ 1,921,534	₩ 531,803	₩ 4,927,970	₩ 1,484,244
Cost of sales	1,555,718	472,121	4,226,482	1,206,297
Gross profit	365,816	59,682	701,488	277,947
Selling, general and Administrative expenses	117,155	30,334	130,497	192,218
Operating profit	248,662	29,348	570,991	85,729
Other income	10,608	12,043	33,103	53,595
Other expenses	17,717	13,654	104,778	73,482
Finance income	11,933	11,584	31,591	10,500
Finance costs	39,687	19,516	91,843	29,206
Profit (loss) before income tax expense from discontinuing operations	213,800	19,806	439,064	47,136
Income tax expense (benefit)	1,460	7,486	115,123	19,943
Profit (loss) for the period from discontinuing operations	212,340	12,320	323,940	27,193
Total		224,660		351,133
Loss on disposal of discontinued operations		(442,120)		-
Net (loss) income from discontinued operations (loss)				
(Including loss on disposal of discontinued operations)	₩	(217,460)	₩	351,133

- (4) Cashflows from discontinued operations for the years ended December 31, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.	Dongkuk Steel Mill Co., Ltd.	Dongkuk Coated Metal Co., Ltd.
Cash flows from operating activities	₩ 93,665	₩ 4,701	₩ 261,950	₩ 305,211
Cash flows from investing activities	(57,489)	(20,665)	(96,392)	(51,659)
Cash flows from financing activities	(106,948)	172,808	(47,560)	(157,616)
Net increase (decrease) in cash and cash equivalents	₩ (70,772)	₩ 156,844	₩ 117,998	₩ 95,936

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(5) Measurement of unpaid dividends

In the case of non-cash asset distributions where all shareholders holding the same type of equity instruments are treated equally, the Group recognize the unpaid dividends at fair value of the non-cash assets (including businesses) transferred at the time when the distribution is declared and the obligation to distribute related non-cash assets arises. The unrecognized dividends recognized by the Group as of May 31, 2023 was ₩ 2,099,774 million.

The Group estimated the fair value of the businesses targeted for division to measure the unpaid dividends, using estimates and valuation models based on the independent expert judgment of external valuation agencies.

These measurements are classified as Level 3. The main input variables used for the measurement are as follows:

	<u>Dongkuk Steel Mill Co., Ltd.</u>	<u>Dongkuk Coated Metal Co., Ltd.</u>
Discount rate	10.16%	10.01%
Permanent growth rate	0%	0%

(6) Matters related to the succession of rights and obligations

The rights, obligations and other rights, obligations and factual relations of all active and passive properties of the presplit company, including legal rights and obligations, such as licenses, employment relationships, contractual relationships and lawsuits, shall be allocated to the newly established companies for the business sectors subject to division, and to the surviving company for sectors other than the business sectors subject to division.

(7) Matters concerning the responsibilities of the companies resulting from the spin-off

Based on the provision of Article 530-3, Paragraph 1 of the Commercial Act, the split is carried out through a special resolution of the shareholders' meeting. Additionally, according to Article 530-9, Paragraph 1 of the same Act, both the surviving company and each newly established company bear joint responsibility for the liabilities of the presplit Dongkuk Steel Mill Co., Ltd.

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40. Change in accounting policy:

The Group previously applied an accounting policy for measuring deferred income tax based on the expected average tax rate applicable to taxable income, including the reversal of temporary differences and the utilization of tax loss carryforwards expected to be extinguished in future periods, before deducting the tax loss carryforwards. However, in response to the K-IFRS Inquiry 2023-I-KQA007 regarding the application tax rate for deferred income tax in a company where future taxable income is expected to be zero or less, the Group has changed its accounting policy to apply the expected average tax rate applicable to taxable income after deducting tax loss carryforwards, and in cases where future taxable income is expected to be zero or less, to apply the lowest tax rate in the future expected progressive tax rate system. Additionally, the Group believes that this change in accounting policy enhances the reliability and relevance of the financial information.

The Group has retrospectively restated the previous financial statements in relation to the change in accounting policy, and the retrospective restatement has the following effects on each financial statement:

(1) Statement of financial position

(In millions of Korean won)	2022		
	Before	Adjustment	After
Deferred tax liabilities	₩ 178,381	₩ 14,091	₩ 192,472
Retained earnings	1,381,822	(14,091)	1,367,731

(2) Statement of comprehensive income

(In millions of Korean won)	2022		
	Before	Adjustment	After
Income tax expense	₩ 122,223	₩ 14,091	₩ 136,314
Profit (loss) for the period	425,456	(14,091)	411,365
Total comprehensive income (loss) for the period	567,932	(14,091)	553,841
Basic earnings (losses) per share for continuing operations	805	(287)	518
Basic earnings (losses) per share for discontinuing operations	3,804	-	3,804

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(3) Statement of Cash Flows

<i>(In millions of Korean won)</i>	2022		
	Before	Adjustment	After
Cash flows from operating activities	₩ 692,878	₩ -	₩ 692,878
Income tax expense (benefit)	425,456	(14,091)	411,365
Profit (loss) for the period	(12,844)	14,091	1,247

(4) Statement of Changes in Equity

<i>(In millions of Korean won)</i>	2022		
	Before	Adjustment	After
	Retained Earnings	Retained Earnings	Retained Earnings
Balance at January 1, 2022	₩ 981,477	₩ -	₩ 981,477
Profit (loss) for the period	413,043	(14,091)	398,952
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(1,095)	-	(1,095)
Revaluation surplus	28	-	28
Remeasurements of the net defined benefit liability	25,360	-	35,360
Share of other comprehensive income (loss) of associates and joint ventures	410	-	410
Annual dividend	(37,401)	-	(37,401)
Balance at December 31, 2022	<u>1,381,822</u>	<u>(14,091)</u>	<u>1,367,731</u>

(5) Notes

The Notes related to the adjustment of the above-mentioned Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity have been restated.