# TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.

## SEPARATE FINANCIAL STATEMENTS
## AS OF AND FOR THE YEARS ENDED
## DECEMBER 31, 2019 AND 2018

## ATTACHMENT: INDEPENDENT AUDITORS' REPORT

TAEYOUNG

태영건설

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# INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 12, 2020.

To the Shareholders and Those Charged with Governance of
Taeyoung Engineering and Construction Co., Ltd.:

**Report on the Audited Separate Financial Statements**

## Our Opinion

We have audited the accompanying separate financial statements of Taeyoung Engineering and Construction Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2019, and December 31, 2018, respectively, and the separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and December 31, 2018, respectively, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRSs").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2019, based on 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting', and our report dated March 12, 2020, expressed unqualified opinion.

## Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audits of the separate financial statements in the Republic of Korea as required by prevailing audit regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

**(1) Total planned cost estimate**

As explained in Note 34 to separate financial statements, the total contract amount and total scheduled cost for the contracts in progress as at the end of prior year of the Company increased by ₩31,156 million during the year, resulting in an increase of ₩19,765 million in profit or loss and an increase of ₩11,391 million in future gains and losses. When the Company recognizes revenue from construction contracts over the period, the Company recognizes on the progress rate by the accumulated costs divided by total planned costs. The total planned cost for the progress rate reflects management's significant estimates of future projections, such as material costs and outsourcing costs. We determined the total planned cost estimate as a key audit matter because it is considered that the effect of changes in the estimated total cost due to construction delays or design changes during the long-term construction period on the profit or loss and future profit or loss is important.

As of December 31, 2019, the major audit procedures performed by us in connection with total planned cost estimate are as follows:

- Understand and evaluate the Company's business procedures and its internal control related to estimating and changing the total planned cost
- Perform analytical procedures and inquire of changes in total planned costs by major items by reporting periods
- Identify contracts with significant changes in total planned cost and assess the appropriateness of their cause, and inspect supporting document if necessary
- Compare major material or outsourcing orders placed after the reporting period with items included in planned cost at the end of the year

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

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

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

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

**Auditors’ Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and communicate with it all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditors' report is Yang Won-Je.

Deloitte Anjin LLC

March 12, 2020

<u>Notice to Readers</u>

This report is effective as of March 12, 2020, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.

# TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
# (the “Company”)

**SEPARATE FINANCIAL STATEMENTS**
**AS OF AND FOR THE YEARS ENDED**
**DECEMBER 31, 2019 AND 2018**

**The accompanying separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.**

**Jae-Kyu Lee**
**Chief Executive Officer**
**Taeyoung Engineering and Construction Co., Ltd.**

SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

| | Notes | Korean won (In millions) December 31, 2019 | Korean won (In millions) December 31, 2018 |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS: | | ₩ 1,536,277 | ₩ 1,057,041 |
| Cash and cash equivalents | 5,41 | 94,125 | 63,597 |
| Accounts receivable and other receivables | 7,34,36,41 | 390,727 | 304,139 |
| Due from customers under construction contracts | 34,36 | 203,625 | 206,176 |
| Current financial assets at FVTOCI | 9 | 152 | 232 |
| Inventories | 10 | 502,612 | 206,960 |
| Other current assets | 11,36 | 345,036 | 275,937 |
| NON-CURRENT ASSETS: | | 1,313,393 | 1,224,919 |
| Non-current accounts receivable and other receivables | 6,7,36,41 | 117,234 | 136,030 |
| Non-current financial assets at FVTPL | 6,8,38,41 | 54,940 | 53,696 |
| Non-current financial assets at FVTOCI | 6,8,38,41 | 105,204 | 126,623 |
| Investments in subsidiaries and associates | 12,36,38 | 692,235 | 619,365 |
| Property, plant and equipment, net | 13,38 | 196,449 | 168,865 |
| Investment property | 14,38 | 70,822 | 71,931 |
| Intangible assets | 15 | 9,885 | 9,677 |
| Other non-current assets | 11 | 2,247 | 2,247 |
| Deferred tax asset | 32 | 64,377 | 36,485 |
| TOTAL ASSETS | | 2,849,670 | 2,281,960 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | 1,196,258 | 932,090 |
| Accounts payable and other payables | 16,36,41 | 458,651 | 448,255 |
| Due to customers under construction contracts | 34 | 105,974 | 63,398 |
| Current borrowings and debentures | 17,41 | 301,029 | 215,580 |
| Current financial liabilities | 18,41 | 86,464 | 19,045 |
| Current provisions | 20,39 | 64,351 | 56,487 |
| Other current liabilities | 21,34,36 | 139,408 | 81,673 |
| Income tax payable | | 40,381 | 47,652 |

(Continued)

| | Notes | Korean won (In millions) | |
|---|---|---|---|
| | | December 31, 2019 | December 31, 2018 |
| NON-CURRENT LIABILITIES: | | ₩ 632,535 | ₩ 441,320 |
| Non-current borrowings and debentures | 17,41 | 339,151 | 249,715 |
| Non-current financial liabilities | 18,36,41 | 174,396 | 28,692 |
| Retirement benefit obligation | 19 | 11,251 | 15,801 |
| Non-current provisions | 20 | 53,619 | 110,394 |
| Other non-current liabilities | 21 | 50,453 | 32,215 |
| Long-term tax liabilities | 32 | 3,665 | 4,503 |
| TOTAL LIABILITIES | | 1,828,793 | 1,373,410 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 22 | 39,479 | 39,479 |
| Other paid-in capital | 23 | 69,749 | 69,749 |
| Retained earnings | 24 | 910,788 | 796,423 |
| Other components of equity | 25 | 860 | 2,900 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,020,876 | 908,551 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 2,849,670 | 2,281,960 |

(Concluded)

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Notes | Translation into U.S. dollars (Note 2) (In thousands) | |
|---|---|---|---|
| | | December 31, 2019 | December 31, 2018 |
| ASSETS | | | |
| CURRENT ASSETS: | | $ 1,326,893 | $ 945,391 |
| Cash and cash equivalents | 5,41 | 81,296 | 56,880 |
| Accounts receivable and other receivables | 7,34,36,41 | 337,474 | 272,014 |
| Due from customers under construction contracts | 34,36 | 175,872 | 184,399 |
| Current financial assets at FVTOCI | 9 | 131 | 207 |
| Inventories | 10 | 434,110 | 185,100 |
| Other current assets | 11,36 | 298,010 | 246,791 |
| NON-CURRENT ASSETS: | | 1,134,387 | 1,095,536 |
| Non-current accounts receivable and other receivables | 6,7,36,41 | 101,256 | 121,662 |
| Non-current financial assets at FVTPL | 6,8,38,41 | 47,452 | 48,024 |
| Non-current financial assets at FVTOCI | 6,8,38,41 | 90,865 | 113,248 |
| Investments in subsidiaries and associates | 12,36,38 | 597,888 | 553,944 |
| Property, plant and equipment, net | 13,38 | 169,674 | 151,029 |
| Investment property | 14,38 | 61,169 | 64,333 |
| Intangible assets | 15 | 8,538 | 8,655 |
| Other non-current assets | 11 | 1,941 | 2,010 |
| Deferred tax asset | 32 | 55,603 | 32,631 |
| TOTAL ASSETS | | 2,461,279 | 2,040,927 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | 1,033,216 | 833,638 |
| Accounts payable and other payables | 16,36,41 | 396,140 | 400,908 |
| Due to customers under construction contracts | 34 | 91,530 | 56,702 |
| Current borrowings and debentures | 17,41 | 260,001 | 192,809 |
| Current financial liabilities | 18,41 | 74,680 | 17,033 |
| Current provisions | 20,39 | 55,580 | 50,521 |
| Other current liabilities | 21,34,36 | 120,408 | 73,046 |
| Income tax payable | | 34,877 | 42,619 |

(Continued)

| | Notes | Translation into U.S. dollars (Note 2) | |
|---|---|---|---|
| | | (In thousands) | |
| | | December 31, 2019 | December 31, 2018 |
| NON-CURRENT LIABILITIES: | | $ 546,325 | $ 394,705 |
| Non-current borrowings and debentures | 17,41 | 292,927 | 223,339 |
| Non-current financial liabilities | 18,36,41 | 150,627 | 25,661 |
| Retirement benefit obligation | 19 | 9,718 | 14,132 |
| Non-current provisions | 20 | 46,311 | 98,734 |
| Other non-current liabilities | 21 | 43,577 | 28,812 |
| Long-term tax liabilities | 32 | 3,165 | 4,027 |
| TOTAL LIABILITIES | | 1,579,541 | 1,228,343 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 22 | 34,098 | 35,309 |
| Other paid-in capital | 23 | 60,243 | 62,382 |
| Retained earnings | 24 | 786,654 | 712,300 |
| Other components of equity | 25 | 743 | 2,594 |
| TOTAL SHAREHOLDERS' EQUITY | | 881,737 | 812,584 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 2,461,279 | 2,040,926 |

(Concluded)

See accompanying notes to separate financial statements.

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Notes | Korean won (In millions, except per share amounts) December 31, 2019 | Korean won (In millions, except per share amounts) December 31, 2018 |
|---|---|---|---|
| Sales | 4,26,34,36 | ₩ 2,175,686 | ₩ 1,996,049 |
| Cost of sales | 27,34,36 | 1,781,514 | 1,625,659 |
| Gross profit | | 394,172 | 370,390 |
| Selling and administrative expenses | 27,36 | 123,098 | 95,406 |
| General, selling and administrative expenses | | 112,332 | 85,575 |
| Debt expenses | | 10,766 | 9,831 |
| Operating income | | 271,074 | 274,984 |
| Other non-operating income | 28 | 16,545 | 11,267 |
| Other non-operating expenses | 28 | 112,260 | 61,738 |
| Financial income - effective interest rate method | 29 | 4,685 | 3,262 |
| Financial income - the others | 29 | 3,639 | 5,130 |
| Financial expenses | 30 | 20,082 | 18,001 |
| Share of loss from investments in subsidiaries and associates | 12,31 | (5,507) | (26,067) |
| Income before income tax expense | | 158,094 | 188,837 |
| Income tax expense | 32 | 42,960 | 54,949 |
| NET INCOME | | 115,134 | 133,888 |
| OTHER COMPREHENSIVE INCOME: | | 6,327 | (35,567) |
| Items to be reclassified subsequently to profit or loss: | | 3,149 | (423) |
| Foreign currency translation differences of foreign operations | | 3,149 | (423) |
| Items not to be reclassified subsequently to profit or loss: | | 3,178 | (35,144) |
| Gain (loss) on financial assets measured at FVTOCI, net | | 8,539 | (40,659) |
| Actuarial gain on defined benefit obligation | | (4,347) | (5,705) |
| Income tax effect | | (1,014) | 11,220 |
| TOTAL COMPREHENSIVE INCOME | | 121,460 | 98,321 |
| EARNINGS PER COMMON SHARE | 33 | 1,680 | 1,957 |

(Continued)

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Notes | Translation into U.S. dollars (Note 2) (In thousands, except per share amounts) December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Sales | 4,26,34,36 | $ 1,879,155 | $ 1,785,215 |
| Cost of sales | 27,34,36 | 1,538,706 | 1,453,948 |
| Gross profit | | 340,449 | 331,267 |
| Selling and administrative expenses | 27,36 | 106,321 | 85,329 |
| General, selling and administrative expenses | | 97,022 | 76,536 |
| Debt expenses | | 9,299 | 8,793 |
| Operating income | | 234,128 | 245,938 |
| Other non-operating income | 28 | 14,290 | 10,077 |
| Other non-operating expenses | 28 | 96,960 | 55,217 |
| Financial income - effective interest rate method | 29 | 4,046 | 2,917 |
| Financial income - the others | 29 | 3,143 | 4,588 |
| Financial expenses | 30 | 17,345 | 16,100 |
| Share of loss from investments in subsidiaries and associates | 12,31 | (4,756) | (23,314) |
| Income before income tax expense | | 136,546 | 168,889 |
| Income tax expense | 32 | 37,105 | 49,145 |
| NET INCOME | | 99,441 | 119,744 |
| OTHER COMPREHENSIVE INCOME: | | 5,464 | (31,809) |
| Items to be reclassified subsequently to profit or loss: | | 2,720 | (378) |
| Foreign currency translation differences of foreign operations | | 2,720 | (378) |
| Items not to be reclassified subsequently to profit or loss: | | 2,744 | (31,432) |
| Gain (loss) on financial assets measured at FVTOCI, net | | 7,375 | (36,364) |
| Actuarial gain on defined benefit obligation | | (3,755) | (5,102) |
| Income tax effect | | (876) | 10,035 |
| TOTAL COMPREHENSIVE INCOME | | 104,905 | 87,934 |
| EARNINGS PER COMMON SHARE | 33 | 1.45 | 1.75 |

(Concluded)

See accompanying notes to separate financial statements.

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Korean won (In millions) | | | | |
|---|---|---|---|---|---|
| | Capital stock | Other paid-in capital | Retained earnings (deficit) | Other components of equity | Total equity |
| Balance as of January 1, 2018 | ₩ 39,479 | ₩ 69,749 | ₩ 648,871 | ₩ 62,036 | ₩ 820,134 |
| Changes in accounting standards | - | - | (546) | (2,970) | (3,516) |
| Balances after adjustments of comprehensive income | 39,479 | 69,749 | 648,325 | 59,066 | 816,618 |
| Dividends paid | - | - | (6,388) | - | (6,388) |
| Net income | - | - | 133,888 | - | 133,888 |
| Gain (loss) on financial assets measured at FVTOCI, net | - | - | - | (30,820) | (30,820) |
| Disposal of financial assets at FVTOCI | - | - | 24,923 | (24,923) | - |
| Foreign currency translation differences of foreign operations | - | - | - | (423) | (423) |
| Actuarial gain on defined benefit obligation | - | - | (4,324) | - | (4,324) |
| Balance as of December 31, 2018 | 39,479 | 69,749 | 796,424 | 2,900 | 908,551 |
| Translation into U.S. dollars (in thousands) | $ 35,309 | $ 62,382 | $ 712,300 | $ 2,594 | $ 812,584 |
| | | | | | |
| Balance as of January 1, 2019 | ₩ 39,479 | ₩ 69,749 | ₩ 796,424 | ₩ 2,900 | ₩ 908,551 |
| Changes in accounting standards | - | - | - | - | - |
| Balances after adjustments of comprehensive income | 39,479 | 69,749 | 796,423 | 2,900 | 908,550 |
| Dividends paid | - | - | (8,867) | - | (8,867) |
| Net income | - | - | 115,133 | - | 115,133 |
| Gain (loss) on financial assets measured at FVTOCI, net | - | - | - | 6,473 | 6,473 |
| Disposal of financial assets at FVTOCI | - | - | 11,662 | (11,662) | - |
| Foreign currency translation differences of foreign operations | - | - | - | 3,149 | 3,149 |
| Actuarial gain on defined benefit obligation | - | - | (3,295) | - | (3,295) |
| Other | - | - | (267) | - | (267) |
| Balance as of December 31, 2019 | 39,479 | 69,749 | 910,788 | 860 | 1,020,876 |
| Translation into U.S. dollars (in thousands) | $ 34,098 | $ 60,243 | $ 786,654 | $ 743 | $ 881,737 |

(Concluded)

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Notes | Korean won (In millions) December 31, 2019 | Korean won (In millions) December 31, 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | ₩ (25,793) | ₩ 105,389 |
| Net income | | 115,133 | 133,888 |
| Adjustments for income and expense | 42 | 198,681 | 185,490 |
| Change in working capital | 42 | (259,365) | (136,578) |
| Income tax paid | | (80,242) | (77,411) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | (81,152) | (70,165) |
| Cash inflows from investing activities | | 59,676 | 99,192 |
| Interest received | | 3,012 | 6,216 |
| Dividends received | | 3,639 | 5,130 |
| Disposal of current financial assets at FVTOCI | | 1,816 | 3,673 |
| Decrease in non-current accounts receivable and other receivables | | 13,003 | 6,051 |
| Decrease in long-term financial instruments | | 644 | 600 |
| Disposal of non-current financial assets at FVTPL | | 6,150 | 7,633 |
| Disposal of non-current financial assets at FVTOCI | | 29,976 | 69,879 |
| Disposal of investments in associates | | 145 | - |
| Disposal of property, plant and equipment | | 974 | 10 |
| Disposal of investment property | | 238 | - |
| Disposal of intangible assets | | 79 | - |
| Cash outflows from investing activities | | (140,828) | (169,357) |
| Acquisition of current financial assets at FVTOCI | | 1,768 | 3,920 |
| Increase in non-current accounts receivable and other receivables | | 28,013 | 15,837 |
| Increase in long-term financial instruments | | - | 129 |
| Acquisition of non-current financial assets at FVTPL | | 7,480 | 912 |
| Acquisition of non-current financial assets at FVTOCI | | 28 | 27 |
| Acquisition of investments in subsidiaries | | 71,057 | 124,999 |
| Acquisition of investments in associates | | 7,465 | 700 |
| Acquisition of property, plant and equipment | | 24,531 | 22,034 |
| Acquisition of intangible assets | | 486 | 799 |

(Continued)

| | Notes | Korean won (In millions) | |
|---|---|---|---|
| | | December 31, 2019 | December 31, 2018 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | ₩ 137,473 | ₩ (15,487) |
| Cash inflows from financing activities | | 1,300,057 | 781,497 |
| Proceeds from current borrowings | | 1,035,668 | 644,988 |
| Increase in other current financial liabilities | | 289 | - |
| Proceeds from non-current borrowings | | 263,685 | 134,891 |
| Increase in other non-current financial liabilities | | 415 | 1,618 |
| Cash outflows from financing activities | | (1,162,584) | (796,984) |
| Interest paid | | 21,712 | 20,101 |
| Dividend paid | | 8,870 | 6,388 |
| Repayment of current borrowings | | 1,109,215 | 706,073 |
| Decrease in other current financial liabilities | | 2,944 | - |
| Repayment of non-current borrowings | | 15,700 | 63,100 |
| Decrease in lease liability | | 3,100 | - |
| Decrease in other non-current financial liabilities | | 1,043 | 1,322 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 30,528 | 19,737 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | 42 | 63,597 | 43,859 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 42 | 94,125 | 63,597 |

(Concluded)

TAEYOUNG ENGINEERING AND CONSTRUCTION CO., LTD.
SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | Notes | Translation into U.S. dollars (Note 2) (In thousands) December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | $ (22,278) | $ 94,257 |
| Net income | | 99,441 | 119,746 |
| Adjustments for income and expense | 42 | 171,602 | 165,898 |
| Change in working capital | 42 | (224,015) | (122,152) |
| Income tax paid | | (69,306) | (69,234) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | (70,094) | (62,754) |
| Cash inflows from investing activities | | 51,541 | 88,715 |
| Interest received | | 2,601 | 5,559 |
| Dividends received | | 3,143 | 4,588 |
| Disposal of current financial assets at FVTOCI | | 1,568 | 3,285 |
| Decrease in non-current accounts receivable and other receivables | | 11,231 | 5,412 |
| Decrease in long-term financial instruments | | 556 | 537 |
| Disposal of non-current financial assets at FVTPL | | 5,312 | 6,827 |
| Disposal of non-current financial assets at FVTOCI | | 25,890 | 62,498 |
| Disposal of investments in associates | | 125 | - |
| Disposal of property, plant and equipment | | 841 | 9 |
| Disposal of investment property | | 206 | - |
| Disposal of intangible assets | | 68 | - |
| Cash outflows from investing activities | | (121,635) | (151,469) |
| Acquisition of current financial assets at FVTOCI | | 1,527 | 3,506 |
| Increase in non-current accounts receivable and other receivables | | 24,195 | 14,164 |
| Increase in long-term financial instruments | | - | 115 |
| Acquisition of non-current financial assets at FVTPL | | 6,461 | 816 |
| Acquisition of non-current financial assets at FVTOCI | | 24 | 24 |
| Acquisition of investments in subsidiaries | | 61,372 | 111,796 |
| Acquisition of investments in associates | | 6,448 | 626 |
| Acquisition of property, plant and equipment | | 21,188 | 19,707 |
| Acquisition of intangible assets | | 420 | 715 |

(Continued)

| | Notes | Translation into U.S. dollars (Note 2) | |
|---|---|---|---|
| | | (In thousands) | |
| | | December 31, 2019 | December 31, 2018 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | $ 118,737 | $ (13,851) |
| Cash inflows from financing activities | | 1,122,869 | 698,951 |
| Proceeds from current borrowings | | 894,514 | 576,861 |
| Increase in other current financial liabilities | | 250 | - |
| Proceeds from non-current borrowings | | 227,747 | 120,643 |
| Increase in other non-current financial liabilities | | 358 | 1,447 |
| Cash outflows from financing activities | | (1,004,132) | (712,802) |
| Interest paid | | 18,753 | 17,978 |
| Dividend paid | | 7,661 | 5,713 |
| Repayment of current borrowings | | 958,037 | 631,494 |
| Decrease in other current financial liabilities | | 2,543 | - |
| Repayment of non-current borrowings | | 13,560 | 56,435 |
| Decrease in lease liability | | 2,677 | - |
| Decrease in other non-current financial liabilities | | 901 | 1,182 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 26,365 | 17,653 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | 42 | 54,929 | 39,226 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 42 | 81,296 | 56,880 |

(Concluded)

See accompanying notes to separate financial statements.

## 1. GENERAL:

Taeyoung Engineering and Construction Co., Ltd. ("Taeyoung E&C" or the "Company") was incorporated on November 20, 1973, in order to engage in the business of civil engineering and construction and dealing in rental of real estate. The Company's name was changed to Taeyoung Co., Ltd. on June 26, 1985, and finally to Taeyoung Engineering and Construction Co., Ltd. on March 28, 2007. Taeyoung E&C's headquarters is located at Ilsan-gu, Goyang-si, Gyounggi-do, Korea, and has a branch office in Yeouido-dong, Yongdungpo-gu, Seoul, Korea.

Taeyoung E&C's stock was listed on the Korea Stock Exchange on November 13, 1989. As of December 31, 2019, the Company's total issued common stock and preferred stock amounted to KRW 39,479 million and KRW 1,279 million, respectively.

The Company was appointed as the controlling shareholder of SBS Co., Ltd. on December 13, 1990, and is the controlling shareholder of SBS Media Holdings Co., Ltd., the parent company of SBS Co., Ltd., as of December 31, 2019.

The Company's common shareholders as of December 31, 2019, are as follows:

| | Number of shares | Ownership percentage (%) |
|---|---|---|
| Yoon Suk Min and others | 23,527,620 | 30.80 |
| Seoam Scholarship Foundation | 5,766,150 | 7.55 |
| Treasury stock | 8,120,000 | 10.63 |
| Others | 38,986,230 | 51.02 |
| Total | 76,400,000 | 100.00 |

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean won and prepares the separate financial statements in conformity with Korean International Financial Reporting Standards ("K-IFRSs"), in Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRSs and Korean accounting principles and practices. The separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in Korean language financial statements, but not required for a fair presentation of the Company's financial position, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the separate financial statements.

The U.S. dollar amounts presented in these separate financial statements were computed by translating the Korean won into U.S. dollars based on the Bank of Korea base rate at December 31, 2019, and December 31, 2018, respectively, solely for the convenience of the readers. These convenience translations into U.S. dollars should not be construed as representations that the Korean won amounts have been, could have been or could in the future be, converted at this or any other rate of exchange.

(1) Basis of Preparation

The Company prepares separate financial statements in accordance with K-IFRS 1027, 'Separate Financial Statements.' Separate financial statements are those presented by an entity in which the entity could elect, subject to the requirements in K-IFRS 1027, to account for its investments in subsidiaries, joint ventures and associates either at cost, in accordance with K-IFRS 1109 'Financial Instruments', or using the equity method as described in K-IFRS 1028 'Investments in Associates and Joint Ventures.'

The principal accounting policies are set out below. Except for the effect of the Amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the separate financial statements as of and for the year ended December 31, 2019 are consistent with the accounting policies used to prepare the separate financial statements as of and for the year ended December 31, 2018.

Separate financial statements are prepared on the basis of historical cost, except for certain non-current assets and financial assets measured at the revalued amount or fair value at the end of each reporting period as explained in the accounting policy below. Historical costs are generally measured at the fair value of the consideration pay to acquire the asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of K-IFRS 1017 Leases; share-based payment transactions included within the scope of K-IFRS 1102; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 Inventories or value in use in K-IFRS 1036 Impairment of Assets.

1) New interpretations and amendments to K-IFRSs adopted

- Enactment of K-IFRS 1116 Leases

The Company has applied K-IFRS 1116 Leases on January 1, 2019, the date of initial application.
K-IFRS 1116 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in '(13) Leases.' The impact of the adoption of K-IFRS 1116 on the Company's separate financial statements is described below.
The date of initial application of K-IFRS 1116 for the Company is January 1, 2019.

The Company has applied K-IFRS 1116 using the cumulative catch-up approach, with these practical expedients:

- To recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
- Not to restate comparative information applying K-IFRS 1017 Leases and K-IFRS 2104 Determining Whether an Arrangement Contains a Lease.

① Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to K-IFRS 1116 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with K-IFRS 1017 and K-IFRS 2104 will continue to be applied to those contracts entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. K-IFRS 1116 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in K-IFRS 1017 and K-IFRS 2104.

The Company applies the definition of a lease and related guidance set out in K-IFRS 1116 to all contracts entered into or changed on or after January 1, 2019.

② Impact on Lessee Accounting

(i) Former operating leases

K-IFRS 1116 changes how the Company accounts for leases previously classified as operating leases under K-IFRS 1017, which were off separate statements of financial position.

- Recognizes right-of-use assets and lease liabilities in the separate statements of financial position, initially measured at the present value of the future lease payments
- Recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion and interest in the separate statements of cash flows

Lease incentives (e.g., rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities, whereas under K-IFRS 1017, they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line basis.
Under K-IFRS 1116, right-of-use assets are tested for impairment in accordance with K-IFRS 1036.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognize a lease expense on a straight-line basis as permitted by K-IFRS 1116.

The Company used these practical expedients when applying the cumulative catch-up approach to leases previously classified as an operating lease applying K-IFRS 1017:

- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- To rely on its assessment of whether leases are onerous applying International Accounting Standard (“IAS”)37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review
- To elect not to recognize right-of-use asset and lease liability to leases for which the lease term ends within 12 months of the date of initial application
- To exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease

(ii) Former finance leases

The main differences between K-IFRS 1116 and K-IFRS 1017 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by a lessee to a lessor. K-IFRS 1116 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by K-IFRS 1017. This change did not have a material effect on the Company’s separate financial statements.

Applying K-IFRS 1116, the right-of-use asset and lease liabilities are accounted for as of January 1, 2019.

③ Impact on Lessor Accounting

K-IFRS 1116 does not change substantially how a lessor accounts for leases. Under K-IFRS 1116, the lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, K-IFRS 1116 has changed and expanded the disclosures required, in particular, with regard to how the lessor manages the risks arising from its residual interest in leased assets.

Under K-IFRS 1116, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under K-IFRS 1017).
Because of this change, the Company has reclassified certain of its sub-lease agreements as finance leases. As required by K-IFRS 1109, an allowance for expected credit losses ("ECLs") has been recognized on the finance lease receivables.

④ Financial impact of the initial application of K-IFRS 1116

The lessee's incremental borrowing rate used when measuring lease liabilities at January 1, 2019, is 2.51%.

The table below demonstrates the relationship between the discounted amount of operating lease commitments as of December 31, 2018, applied K-IFRS 1017 using the incremental borrowing rate at the date of initial application, and the amount of lease liabilities at the date of initial application.

| (Korean won in millions) | Amounts |
|---|---|
| Operating lease agreements as of December 31, 2018 (a) | ₩ 3,510 |
| Short-term leases and leases for which the underlying asset is of low value (b) | 845 |
| Discount on present value (c) | 91 |
| Financial lease liabilities under K-IFRS 1017 as of December 31, 2018 (d) | - |
| Present value of variable lease payments that depend on an index or a rate (e) | - |
| Present value of non-cancelable lease payments that were not formerly included as operating lease (f) | - |
| Lease liabilities as of January 1, 2019 (g = a-b-c+d-e+f) | 2,573 |

- K-IFRS 1109 – Financial Instruments (Amendments)

The amendments to K-IFRS 1109 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the Company's separate financial statements.

- K-IFRS 1028 – Long-Term Interests in Associates and Joint Ventures (Amendment)

The amendment clarifies that K-IFRS 1109, including its impairment requirements, applies to other financial instruments in an associate or a joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture. The Company applies K-IFRS 1109 to such long-term interests before it applies K-IFRS 1028. In applying K-IFRS 1109, the Company does not take account of any adjustments to the carrying amount of long-term interests required by K-IFRS 1028 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with K-IFRS 1028). The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the Company's separate financial statements.

- Annual Improvements to K-IFRS Standards 2015-2017 Cycle

The annual improvements include amendments to four standards, such as K-IFRS 1012 Income Taxes, K-IFRS 1023 Borrowing Costs, K-IFRS 1103 Business Combinations and K-IFRS 1111 Joint Arrangements.

① K-IFRS 1012 Income Taxes

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

② K-IFRS 1023 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

④ K-IFRS 1103 Business Combinations

The amendments to K-IFRS 1103 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest ("PHI") in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

⑤ K-IFRS 1111 Joint Arrangements

The amendments to K-IFRS 1111 clarify that when an entity that participates in, but does not have joint control of, a joint operation, that is, a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

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

- K-IFRS 1019 Employee Benefits Plan Amendment, Curtailment or Settlement (Amendments)

The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement), but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). K-IFRS 1019 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in the second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under paragraph 99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are only applied prospectively to the plan amendment ( or curtailment of settlement) in the fiscal year and subsequent years when this amendment is first applied. The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the Company's separate financial statements.

- K-IFRS 1115 Revenue from Contracts with Customers (Amendment)

The amendment clarifies that it does not reduce the scope of disclosure even if K-IFRS 1115 is applied by revising the meaning of 'contract' referred to in paragraph 129.1 to 'individual contract' in relation to 'additional disclosure of cost application method.' In addition, because K-IFRS 1115 does not distinguish between the types of contracts, service contracts that were not covered by the previous revenue standard, K-IFRS 1011 paragraph 45.1, may also be subject to paragraph Korean 129.1 of K-IFRS 1115. This clarifies that the scope of the contract that is subject to the disclosure requirement in accordance with paragraph 129.1 may be broadened compared to the previous revenue standard. The Company does not anticipate that the application of the enactment and amendments will have a significant impact on the Company's separate financial statements.

- K-IFRS 2123 Interpretation Uncertainty over Income Tax Treatments (Amendment)

K-IFRS 2123 Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. There is no significant effect on the Company's financial Statements arising from the imperpretation. The interpretation requires an entity to:

① determine whether uncertain tax positions are assessed separately or as a group and

② assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The impact on the Company's separate financial statements from the application of the enactment and amendments is as follows:

| | | | (Korean won in millions) |
|---|---|---|---|
| Classification | January 1, 2019 Before change | Adjustment | After change |
| ASSETS | | | |
| CURRENT ASSETS: | ₩1,057,040 | ₩ - | ₩1,057,040 |
| Cash and cash equivalents | 63,597 | - | 63,597 |
| Accounts receivable and other receivables | 304,139 | - | 304,139 |
| Due from customers under construction contracts | 206,176 | - | 206,176 |
| Current financial assets at FVTOCI | 232 | - | 232 |
| Inventories | 206,960 | - | 206,960 |
| Other current assets | 275,937 | - | 275,937 |
| NON-CURRENT ASSETS: | 1,224,919 | 2,573 | 1,227,492 |
| Non-current accounts receivable and other receivables | 136,030 | - | 136,030 |
| Non-current financial assets at FVTPL | 53,696 | - | 53,696 |
| Non-current financial assets at FVTOCI | 126,623 | - | 126,623 |
| Investments in subsidiaries and associates | 619,365 | - | 619,365 |
| Property, plant and equipment, net (*1) | 168,865 | 2,573 | 171,439 |
| Investment property | 71,931 | - | 71,931 |
| Intangible assets | 9,677 | - | 9,677 |
| Other non-current assets | 2,247 | - | 2,247 |
| Deferred tax asset | 36,485 | - | 36,485 |
| TOTAL ASSETS | 2,281,959 | 2,573 | 2,284,532 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | ₩ 932,089 | ₩ 1,720 | ₩ 933,810 |
| Accounts payable and other payables | 448,255 | - | 448,255 |
| Due to customers under construction contracts | 63,398 | - | 63,398 |
| Current borrowings and debentures | 215,580 | - | 215,580 |
| Current financial liabilities | 19,045 | 1,720 | 20,765 |

| (Korean won in millions) | | | |
|---|---|---|---|
| Classification | January 1, 2019 Before change | Adjustment | After change |
| Current provisions | 56,487 | - | 56,487 |
| Other current liabilities | 81,673 | - | 81,673 |
| Income tax payable | 47,652 | - | 47,652 |
| NON-CURRENT LIABILITIES: | 441,320 | 853 | 442,172 |
| Non-current borrowings and debentures | 249,715 | - | 249,715 |
| Non-current financial liabilities (*1) | 28,692 | 853 | 29,545 |
| Retirement benefit obligation | 15,801 | - | 15,801 |
| Non-current provisions | 110,394 | - | 110,394 |
| Other non-current liabilities | 32,215 | - | 32,215 |
| Long-term tax liabilities | 4,503 | - | 4,503 |
| TOTAL LIABILITIES | 1,373,409 | 2,573 | 1,375,982 |
| SHAREHOLDERS' EQUITY | - | - | - |
| Capital stock | 39,479 | - | 39,479 |
| Other paid-in capital | 69,749 | - | 69,749 |
| Retained earnings | 796,423 | - | 796,423 |
| Other components of equity | 2,900 | - | 2,900 |
| TOTAL SHAREHOLDERS' EQUITY | 908,550 | - | 908,550 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,281,959 | 2,573 | 2,284,532 |

(*1) This is the effect of the right-of-use assets and lease liabilities from the first application of K-IFRS 1116 'Lease.'

On the other hand, there is no effect of the change in the above accounting policy on each item of capital as of the initial application date.

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

- K-IFRS 1103 Definition of a Business (Amendment)

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Moreover, additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

- References to the Conceptual Framework in K-IFRS Standards (Amendment)

Together with the revised Conceptual Framework, which became effective upon publication on December 21, 2018, the International Accounting Standards Board (“IASB”) has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to K-IFRSs 1102, 1103, 1106, 1114, 1001, 1008, 1034, 1037, 1038, 2112, 2119, 2120, 2122 and 2032.

Not all amendments, however, update those pronouncements with regard to references to, and quotes from, the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the Framework (2007), the IASB Framework of 2010 or the new revised Framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

- K-IFRS 1109 – Financial Instruments and K-IFRS 1107 – Financial Instruments: Disclosure (Amendments)

The amendments mainly deal with the addition of temporary exceptions from applying specific hedge accounting requirements while the uncertainty arises from interest rate benchmark reform. The amendment requires that for the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform. When applying the prospective assessment, the amendments further require that an entity shall assume that the hedged risk or the interest rate benchmark on which the hedged item or the hedging instrument is based is not altered as a result of the reform. Additionally, for a hedge of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement that the risk component shall be separately identifiable only at the inception of the hedging relationship. Meanwhile, an entity shall prospectively cease applying the temporary exceptions to a hedged item at the earlier of: (a) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or (b)when the hedging relationship that the hedged item is part of is discontinued.

The amendments are applied prospectively on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

The separate financial statements have been approved by the board of directors on February 21, 2020, and will be finalized at the shareholders' meeting on March 20, 2020.

(2) Cash and cash equivalents

The Company's cash and cash equivalents include cash, bank deposits and other highly liquid investments with maturities of three months or less at the time of acquisition, which are highly liquid. The overdraft is included in the short-term borrowing account in the separate financial statements.

(3) Financial assets

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

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

1) Classification of financial assets

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

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

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

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

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

1-1) Amortized cost and effective interest method

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

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

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

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

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

1-2) Debt instruments classified as at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. Fair value is determined in the manner described in Note 41. The corporate bonds are initially measured at fair value, plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds, as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method, are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

1-3) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

1-4) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (Note 29). Fair value is determined in the manner described in Note 41.

2) Foreign exchange gains and losses

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

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investment revaluation reserve.
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item.
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investment revaluation reserve.

3) Impairment of financial assets

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

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

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

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

3-1) Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

3-2) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that financial assets that meet the following criterion are generally not recoverable:

- When there is a breach of financial covenants by the debtor

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 60 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3-3) Credit-impaired financial assets

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

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

3-4) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

3-5) Measurement and recognition of ECLs

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

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

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Company expects to receive from the holder, the debtor or any other party.

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

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

4) Derecognition of financial assets

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

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

(4) Inventory

The Company assesses the acquisition cost of inventories using the following method. The Company records the cost and amount of inventories by the continuing method of accounting during the year and adjusts its records by periodic actual inventory.

| | Valuation method |
|---|---|
| Temporary establishment and supplies | First-in, first-out method |
| Finished housing, unfinished housing and building lots | Actual cost method |

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

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

(5) Investments in subsidiaries, associates and joint ventures

The Company's financial statements are separate financial statements in accordance with K-IFRS 1027, and the investments of subsidiaries, associates and joint ventures are based on direct equity investments, but not based on the reported performance and net assets of the investee. The Company selected and processed the cost method according to K-IFRS 1027 for investments in subsidiaries, associates and joint ventures. Meanwhile, dividends received from subsidiaries, associates and joint ventures are recognized in profit or loss when the right to receive dividends is established.

(6) Interests in joint operations

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

When a group entity undertakes its activities under joint operations, the Company as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the K-IFRSs applicable to the particular assets, liabilities, revenues and expenses.
When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Company's separate financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Company does not recognize its share of the gains and losses until it resells those assets to a third party.

(7) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

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

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 20–50 years using the straight-line method.

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

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

(8) Property, plant and equipment

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

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

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

| | Estimated useful lives (years) |
|---|---|
| Buildings | 20–50 |
| Building facilities and structures | 5–20 |
| Machinery | 4–5 |
| Heavy machinery | 4–5 |
| Vehicles | 4–5 |
| Fixture | 4–5 |

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately. The Company reviews the depreciation method; the estimated useful lives; and the residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

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

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Intangible assets consist of industrial property rights, memberships, customer relations, management and operation rights, and other intangible assets, etc., and are amortized using the straight-line method over a useful life of five to 15 years, with the residual value of zero from the time when the assets are available for use. However, membership rights are regarded as intangible assets with an indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. For an intangible asset with an indefinite useful life, the Company is reviewing continuously whether it is reasonable for the asset being estimated with indefinite useful life at the end of each reporting period. If its useful life is changed from indefinite to finite, it is accounted for on a prospective basis. The estimated useful life and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

(10) Financial liabilities and equity instruments

1) Classification as debt or equity

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

2) Equity instruments

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

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

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

4) Financial liabilities

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

5) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Fair value is determined in the manner described in Note 41.

6) Financial liabilities measured subsequently at amortized cost

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

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

7) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above) or
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

8) Foreign exchange gains and losses

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

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

9) Derecognition of financial liabilities

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

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

(11) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

(12) Revenue recognition

The Company primarily recognizes revenues from sales and construction of properties, environmental, plant and real estate.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

The Company recognizes the fulfillment of its obligation to perform under construction of general civil engineering environment, plant and other unprofitable assets, as the process by which the assets controlled by the customers are created, and recognizes the revenue according to the fulfillment obligation. The Company calculates the progress according to the cost-based input method (i.e., proportionate to the costs incurred in respect of the work performed so far relative to the projected cost) in order to measure the progress of fulfilling these performance obligations.

In addition, the Company constructs and sells residential properties in accordance with long-term contracts with customers. These contracts are concluded before the construction of real estate begins. If the entity has a contractual limit on the transfer of real estate to another customer under the terms of the contract, and if the Company has an entitlement to enforceable payments for the services already performed, revenue from residential real estate, etc., is recognized over the period according to the cost-based input method. If, on the other hand, the Company does not have an entitlement to enforceable payment for an already performed job, the entity recognizes revenue in accordance with the delivery criteria.

The Company has the right to charge customers for construction upon the achievement of milestones related to a series of business activities. When a specific milestone is reached, the customer sends out a related work statement signed by a third-party evaluator and issues an invoice related to the milestone consideration. Contract assets that are recognized for all previously performed operations are reclassified to account receivables at the time the customer is charged. If the milestone payments exceed the revenue recognized up to that date in accordance with the cost-based input method, the Company recognizes the difference as a contractual liability. The Company believes that there is no significant financial component in the construction contract with the customer because the difference between the revenue recognition based on the cost-based input method and the milestone payment is less than one year.

(13) Leases

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

1) Accounting policy applied on or after January 1, 2019

1-1) The Company as lessee

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

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

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

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

The lease liability is presented as a separate line in the separate statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

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

The Company applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Note 2.(8) ‘Property, Plant and Equipment’ policy.

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

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

1-2) The Company as lessor

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

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

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

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

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

2) Accounting policy applied before January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2-1) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the separate statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2-2) The Company as lessor

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

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

(14) Borrowing costs

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or manufacture of qualifying assets as part of the cost of such assets until the qualifying assets are used for their intended use or are available for sale. A qualifying asset is an asset that requires a substantial period of time to become available for sale or intended use. Temporary operating investment income arising from the borrowings borrowed for the purpose of acquiring qualifying assets is deducted from the cost of capitalizable borrowings. Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(15) Retirement benefit costs

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

The retirement benefit obligation recognized in the separate statements of financial position represents the present value of the defined benefit obligation, less the fair value of plan assets. Defined benefit obligations are calculated by an actuary using the projected unit credit method. The present value of the defined benefit obligation is measured by discounting estimated future cash outflows by the interest rate of high-quality corporate bonds with similar maturity as the expected postemployment benefit payment date. In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds are used.

The remeasurement of the net defined benefit liability (asset), comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, and return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) and any change in the effect of the asset ceiling, are recognized in other comprehensive income in the separate statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified in profit or loss of the current year. Past service costs are recognized in profit and loss when the plan amendment or curtailment occurs and net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate determined at the beginning of the annual reporting period.

The net defined benefit liability (asset) in the separate financial statements is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(16) Foreign currencies

For the preparation of separate financial statements, the Company's management performance and financial status are presented in "KRW," a functional currency and a presentation currency for preparing financial reports.

When preparing the Company's separate financial statements, transactions in currencies other than the functional currency (foreign currency) are recorded at the exchange rate on the trading day. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Meanwhile, non-monetary foreign currency items measured at fair value are retranslated at the exchange rate on the day the fair value is determined, but non-monetary foreign currency items measured at historical cost are not converted.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

(17) Income tax

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

1) Current tax

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

2) Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

3) Current and deferred taxes for the year

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

(18) Derivative financial instruments

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

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

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

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

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of financial instruments

As described in Note 41, the Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 41 provides detailed information about key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The management of the Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(2) Calculation of loss allowance

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

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

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

(3) Measurement and useful lives of property, plant, equipment or intangible assets

The Company assesses whether there is any indication that a non-financial asset may be impaired at the end of each reporting period. For assets with an indefinite useful life, impairment test is performed annually or if any indication of impairment exists. Non-financial assets other than those with indefinite life are tested to see if there is an indication that the carrying amount exceeds the recoverable amount. The Company's management shall estimate expected future cash flows occurring from the asset or the cash-generating unit to which it belongs to assume the asset's value in use and apply appropriate discount rate to calculate the present value of the cash flows.

(4) Impairment of assets

The Company assesses whether there is any indication that a non-financial asset may be impaired at the end of each reporting period. For assets with an indefinite useful life, impairment test is performed annually or if any indication of impairment exists. Non-financial assets other than those with indefinite life are tested to see if there is an indication that the carrying amount exceeds the recoverable amount. The Company's management shall estimate expected future cash flows occurring from the asset or the cash-generating unit to which it belongs to assume the asset's value in use and apply appropriate discount rate to calculate the present value of the cash flows.

(5) Postemployment benefit obligations

The Company operates defined benefit retirement benefit plans. Defined benefit obligations are determined at the end of each reporting period using an actuarial valuation method that requires management assumptions on discount rates, expected rate of salary increase and mortality rate. The estimation of postemployment benefit obligation includes significant uncertainties due to its long-term characteristics and assumptions used. The characteristic of postemployment benefit plan that serves for the long-term period causes significant uncertainties when the postemployment benefit obligation is estimated.

(6) Deferred tax

Recognition and measurement of deferred tax assets and liabilities require management’s judgments. In particular, recognition of deferred tax assets and the scope of recognition are significantly affected by assumptions, expectations and management’s judgement about the future events or conditions that are subject to change.

(7) Total contract revenue and total contract cost

Total contract revenue is measured as per the initial contract price and yet subject to increase due to change order, recompenses or incentive to be received and to decrease due to liquidated damages attributable to the Company from delay of completion. Therefore, measuring contract revenue is influenced by numerous uncertainties associated to the consequences of future events. In addition, the amount of contract revenue is affected by the percentage of completion that is estimated by reference to the total cumulative cost incurred, and the total contract cost is estimated by reference to the expected future figures, such as the material costs, the labor costs, the contract period.

## 4. SEGMENT INFORMATION:

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

The management of the Company determines the operating segments based on the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Company's operating segments are composed of construction, leisure, broadcasting, environment and others.

(2) Segment revenue

The Company's revenue by segment for the years ended December 31, 2019 and 2018, is as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Construction | ₩ 2,150,429 | ₩ 1,972,784 |
| Others | 25,256 | 23,265 |
| Total revenue | 2,175,686 | 1,996,049 |

(3) Segment profit

The Company's profit by segment for the years ended December 31, 2019 and 2018, is as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Construction | ₩ 393,838 | ₩ 376,569 |
| Others | 333 | (6,179) |
| Gross profit | 394,171 | 370,390 |
| Selling and administrative expenses | 123,098 | 95,406 |
| Other non-operating income and expenses | (95,715) | (50,471) |
| Financial income | 8,324 | 8,393 |
| Financial expenses | 20,082 | 18,001 |
| Share of losses of subsidiaries and associates | (5,507) | (26,067) |
| Income before income tax | 158,093 | 188,836 |

The Company's segments are classified at the business units' level, at which the Company generates separately identifiable revenue and costs, and the related information is reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(4) Segment assets and liabilities

The Company's assets by segment as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Construction | ₩ 2,493,048 | ₩ 1,991,663 |
| Others | 356,621 | 290,296 |
| Total segment assets | 2,849,669 | 2,281,959 |
| Unallocated assets | - | - |
| Total assets | 2,849,669 | 2,281,959 |

The Company's liabilities by segment as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Construction | ₩ 1,786,813 | ₩ 1,330,703 |
| Others | 41,981 | 42,706 |
| Total segment liabilities | 1,828,794 | 1,373,409 |
| Unallocated liabilities | - | - |
| Total liabilities | 1,828,794 | 1,373,409 |

(5) Other segment information

The Company's depreciation, amortization and acquisition of non-current assets by segment for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | Depreciation and amortization | | Acquisition of non-current assets | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Construction | ₩ 4,035 | ₩ 324 | ₩ 29,923 | ₩ 22,833 |
| Others | 1,292 | 1,359 | - | - |
| Total | 5,327 | 1,682 | 29,923 | 22,833 |

(6) Geographical segment

The Company's headquarters is located in Korea, and its main business is in Korea, United Arab Emirates, Oman and Bangladesh. Details of revenue from external customers by geographical locations for the years ended December 31, 2019 and 2018, and information about non-current assets by geographical location as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | Sales from external customers | | Non-current assets | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| Korea | ₩ 2,157,079 | ₩ 1,991,815 | ₩ 1,311,991 | ₩ 1,224,888 |
| United Arab Emirates | - | - | 31 | 30 |
| Oman | 354 | (4,755) | - | - |
| Bangladesh | 18,252 | 8,989 | 1,370 | - |
| Total | 2,175,686 | 1,996,049 | 1,313,393 | 1,224,919 |

(7) Information on major customers

The proportion of sales and total sales to customers that account for more than 10% of sales for the years ended December 31, 2019 and 2018, is as follows:

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Sales | Composition ratio | Sales | Composition ratio |
| Company A | ₩ 351,826 | 16.17% | ₩ 476,421 | 23.87% |
| Company B | 254,647 | 11.70% | 207,263 | 10.38% |

On the other hand, the effect of the estimated change in the construction sector contract for the recognition of progress-based revenue by applying the cost-based input method was noted in Note 34.

## 5. CASH AND CASH EQUIVALENTS:

The Company's cash and cash equivalents are managed in the same amount in the separate statements of financial position and separate statements of cash flows. Details of cash and cash equivalents as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Deposits and savings | ₩ 93,917 | ₩ 63,472 |
| Other cash equivalents | 208 | 125 |
| Total | 94,125 | 63,597 |

## 6. RESTRICTED DEPOSITS:

As of December 31, 2019 and 2018, the following deposits are subject to withdrawal restriction as guarantee for liabilities and other contingent liabilities, etc. (Korean won in thousands):

| Accounts | Institutions | December 31, 2019 | December 31, 2018 | Remarks |
|---|---|---|---|---|
| Non-current accounts receivable and other receivables (long-term financial instruments) | Woori Bank and others | ₩ 1,365 | ₩ 2,010 | Guarantee deposits for checking accounts, etc. |
| Non-current FVTPL and FVTOCI | Construction Guarantee Cooperative and others | 20,816 | 18,968 | Secured for collateralized borrowings, etc. |
| | Korea Development Bank and others | 71,099 | 64,948 | Payment guarantee for Social Overhead Capital (“SOC”) projects, etc. |

## 7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

(1) The Company’s accounts receivable and other receivables as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Short-term financial instruments | ₩ 8,000 | ₩ - | ₩ 8,000 | ₩ - |
| Accounts receivable - construction | 224,496 | - | 148,277 | - |
| Less allowance for doubtful accounts | (11,160) | - | (11,495) | - |
| Accounts receivable - construction, net | 213,336 | - | 136,781 | - |
| Accounts receivable - house and office sales | 5,218 | - | 544 | - |
| Less allowance for doubtful accounts | - | - | (4) | - |
| Accounts receivable - house and office sales, net | 5,218 | - | 540 | - |
| Other accounts receivable | 113,125 | - | 118,791 | - |
| Less allowance for doubtful accounts | (10,942) | - | (6,678) | - |
| Other accounts receivable, net | 102,183 | - | 112,113 | - |
| Loans | 61,990 | 23,507 | 50,053 | 13,575 |

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Less allowance for doubtful accounts | - | (15,413) | (3,349) | (9,107) |
| Loans, net | 61,990 | 8,094 | 46,704 | 4,469 |
| Long-term financial instruments | - | 1,365 | - | 2,010 |
| Deposits (*1) | - | 108,797 | - | 130,382 |
| Less discount on present value (*1) | - | (1,023) | - | (831) |
| Deposits, net (*1) | - | 107,774 | - | 129,551 |
| Total | 390,727 | 117,234 | 304,139 | 136,030 |

(*1) The deposits include security deposits for branch offices and employee housing and are discounted to present value at interest rate of three-year fixed-term deposit.

(2) Credit risk and allowance accounts

These receivables and other receivables are classified as amortized cost financial assets.

The average credit contribution period for sales is 60 days and no interest is charged on trade receivables.

The Group assesses the receivables with past due whether there is objective evidence of impairment, and recognizes a loss allowance by reference to past default experience of the debtor and an analysis of the debtor's current financial position. For receivables without an objective evidence of impairment are considered to have low credit risk, and therefore, the Group measures the loss allowance for those receivables at an amount equal to 12-month period ECL.

The Company assesses the receivables with past due whether there is objective evidence of impairment, and recognizes a loss allowance by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The Company is not proceeding enforcement activities to recover written-off receivables.

1) As of December 31, 2019 and 2018, aging analysis for three months of accounts receivable and other receivables that are not impaired is as follows (Korean won in millions):

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Four to six months | Seven to 12 months | More than 12 months | Total |
| Accounts receivable - construction | ₩ 2,284 | ₩ 496 | ₩ 12,336 | ₩ 15,115 |
| Other accounts receivable | 6,872 | 7,191 | 13,931 | 27,994 |
| Loans | 1,310 | 15,217 | 29,732 | 46,259 |
| Total | 10,465 | 22,904 | 55,999 | 89,368 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Four to six months | Seven to 12 months | More than 12 months | Total |
| Accounts receivable - construction | ₩ 14,507 | ₩ 541 | ₩ 5,741 | ₩ 20,789 |
| Other accounts receivable | 7,035 | 3,563 | 8,505 | 19,103 |
| Loans | 1,447 | 12,356 | 33,210 | 47,013 |
| Total | 22,989 | 16,459 | 47,456 | 86,904 |

2) As of December 31, 2019 and 2018, impaired accounts receivable and other receivables are as follows (Korean won in millions):

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Not later than six months | Seven to 12 months | More than 12 months | Total |
| Accounts receivable - construction | ₩ - | ₩ - | ₩ 9,795 | ₩ 9,795 |
| Other accounts receivable | 861 | 2,800 | 6,614 | 10,275 |
| Loans | 824 | 961 | 13,575 | 15,360 |
| Total | 1,685 | 3,760 | 29,985 | 35,430 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Not later than six months | Seven to 12 months | More than 12 months | Total |
| Accounts receivable - construction | ₩ - | ₩ 5,296 | ₩ 5,300 | ₩ 10,595 |
| Other accounts receivable | 3,616 | - | 2,284 | 5,899 |
| Loans | 549 | - | 11,876 | 12,425 |
| Total | 4,165 | 5,296 | 19,459 | 28,919 |

3) Changes in allowance for doubtful accounts for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Non-impaired bond | | Impaired bond | Total |
| | Subject of collective evaluation | Subject of individual evaluation | | |
| Opening balance | ₩ 1,713 | ₩ - | ₩ 28,919 | ₩ 30,633 |
| Recalibrate loss allowance (*1) | 371 | - | 10,660 | 11,031 |
| Write-off | - | - | (4,149) | (4,149) |
| Ending balance | 2,085 | - | 35,430 | 37,515 |

(*1) Of the loss recognition amount, credit loss arising from loans and receivables, excluding trade receivables, is KRW 10,666 million.

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Non-impaired bond | | Impaired bond | Total |
| | Subject of collective evaluation | Subject of individual evaluation | | |
| Opening balance - restatement | ₩ 1,389 | ₩ - | ₩ 27,334 | ₩ 28,723 |
| Provision under K-IFRS 1039 | - | - | 27,334 | 27,334 |
| Adjustment according to application of K-IFRS 1109 | 1,389 | - | - | 1,389 |
| Recalibrate loss allowance (*1) | 325 | - | 9,367 | 9,692 |
| Write-off | - | - | (7,782) | (7,782) |
| Ending balance | 1,713 | - | 28,919 | 30,633 |

(*1) Of the loss recognition amount, credit loss arising from loans and receivables, excluding trade receivables, is KRW 4,243 million.

In determining the recoverability of receivables, the Company considers any change in the credit quality of the receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

## 8. FINANCIAL ASSETS AT FVTPL:

(1) As of December 31, 2019 and 2018, financial assets at FVTPL are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| FVTPL: | | | | |
| Unlisted stocks, etc. | ₩ - | ₩ 54,940 | ₩ - | ₩ 53,696 |
| Total | - | 54,940 | - | 53,696 |

(2) As of December 31, 2019 and 2018, acquisition cost and book value of financial assets at FVTPL are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Acquisition cost | Accumulated losses | Book value |
| Unlisted stocks, etc. | ₩ 112,790 | ₩ (57,849) | ₩ 54,940 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Acquisition cost | Accumulated losses | Book value |
| Unlisted stocks, etc. | ₩ 110,369 | ₩ (56,673) | ₩ 53,696 |

## 9. FINANCIAL ASSETS AT FVTOCI:

(1) As of December 31, 2019 and 2018, financial assets at FVTOCI are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Equity securities: | | | | |
| Listed securities | ₩ - | ₩ 52,998 | ₩ - | ₩ 76,610 |
| Unlisted securities | - | 52,207 | - | 50,013 |
| Bonds: | | | | |
| Government bonds | 152 | - | 232 | - |
| Total | 152 | 105,204 | 232 | 126,623 |

(2) As of December 31, 2019 and 2018, acquisition cost and book value of financial assets at FVTOCI are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Acquisition cost | Accumulated gains (losses) | Book value |
| Equity securities: | | | |
| Listed securities | ₩ 50,726 | ₩ 2,271 | ₩ 52,998 |
| Unlisted securities | 55,367 | (3,160) | 52,207 |
| Bonds: | | | |
| Government bonds | 179 | (27) | 152 |
| Total | 106,272 | (915) | 105,357 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Acquisition cost | Accumulated gains (losses) | Book value |
| Equity securities: | | | |
| Listed securities | ₩ 64,789 | ₩ 11,820 | ₩ 76,610 |
| Unlisted securities | 55,867 | (5,854) | 50,013 |
| Bonds: | | | |
| Government bonds | 269 | (36) | 232 |
| Total | 120,925 | 5,931 | 126,855 |

## 10. INVENTORIES:

As of December 31, 2019 and 2018, details of inventories are as follows (Korean won in millions):

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Acquisition cost | Accumulated losses on valuation | Book value | Acquisition cost | Accumulated losses on valuation | Book value |
| Unfinished housing | ₩ 126,629 | ₩ - | ₩ 126,629 | ₩ 16,720 | ₩ | ₩ 16,720 |
| Building lots | 359,876 | - | 359,876 | 180,145 | - | 180,145 |
| Supplies | 15,839 | - | 15,839 | 9,671 | - | 9,671 |
| Temporary establishment | 267 | - | 267 | 424 | - | 424 |
| Total | 502,612 | - | 502,612 | 206,960 | - | 206,960 |

## 11. OTHER ASSETS AND CONTRACT COST:

(1) As of December 31, 2019 and 2018, details of other assets are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Advance payments | ₩ 258,092 | ₩ - | ₩ 216,439 | ₩ - |
| Prepaid expenses | 1,597 | - | 1,460 | - |
| Prepaid construction cost | 84,760 | - | 57,451 | - |
| Other current assets | 587 | - | 587 | - |
| Subtotal | 345,036 | - | 275,937 | - |
| Other investment assets | - | 2,247 | - | 2,247 |
| Total | 345,036 | 2,247 | 275,937 | 2,247 |

(2) As of December 31, 2019 and 2018, the contract cost included in the prepaid construction cost is as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Contract settlement cost | ₩ - | ₩ - |
| Contract execution cost | 72,265 | 47,613 |

During the current term, the amortization cost of KRW 39,398 million was recognized. There is no impairment loss recognized during the current year in relation to the amortized cost.

## 12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES:

(1) As of December 31, 2019 and 2018, details of direct investments in subsidiaries and associates are as follows (Korean won in millions):

| Name | Main business | Location | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| | | | Ownership percentage (%) | Book value | Ownership percentage (%) | Book value |
| Subsidiaries: | | | | | | |
| SBS Media Holdings Co., Ltd. (*1) | Non-financial holding company | Korea | 64.4 | ₩ 223,661 | 61.2 | ₩ 223,661 |
| Pocheon Bio Energy Co., Ltd. | Disposal of waste | Korea | 51.0 | 195 | 51.0 | 195 |
| TSK Corporation., Ltd. (*2) | Construction and maintenance of sewage facility | Korea | 62.6 | 134,183 | 75.0 | 134,183 |
| Blueone Co., Ltd. | Operation of golf resort | Korea | 87.7 | 91,288 | 87.7 | 91,288 |
| Daegu South AMC Co., Ltd. | Construction and operation of Daegu southern circular road | Korea | 100.0 | 200 | 100.0 | 200 |
| Yangsan Seokgye AMC Co., Ltd. | Construction of Yangsan Seockgye | Korea | 100.0 | 200 | 100.0 | 200 |

| Name | Main business | Location | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| | | | Ownership percentage (%) | Book value | Ownership percentage (%) | Book value |
| | Industrial Complex | | | | | |
| INJE Spidium Co., Ltd. | Construction of a racecourse | Korea | 100.0 | - | 100.0 | - |
| Uni City Co., Ltd. | Real estate sale | Korea | 58.5 | 30,442 | 58.5 | 30,372 |
| NEO City Co., Ltd. (*4) | Real estate development | Korea | 69.0 | 10,350 | 69.0 | 6,900 |
| Mcieta Development Co., Ltd. (*3) | Real estate development | Korea | 100.0 | 90,467 | 75.1 | 58,089 |
| Mcieta Co., Ltd. (*3) | Property management | Korea | 100.0 | 309 | 80.1 | 249 |
| Ecocity Development Co., Ltd. | Real estate development | Korea | 80.0 | 19,200 | 80.0 | 19,200 |
| PTSILO Co., Ltd. (*5) | Unloading of cereal crop | Korea | 70.0 | 35,000 | - | - |
| DAEDONG INDUSTRY (*5) | Asset management | Korea | 100.0 | 100 | - | - |
| Subtotal | | | | 635,594 | | 564,537 |
| Associates: | | | | | | |
| Taeyoung Industry Co., Ltd. | Trade and plant control | Korea | 30.4 | 12,365 | 30.4 | 12,365 |
| Woori Byeongyoung Co., Ltd. | General construction | Korea | 26.7 | - | 26.7 | - |
| Eco-city Corporation | Real estate sale | Korea | 40.0 | 16,800 | 40.0 | 16,800 |
| Busan ENE Co., Ltd. | Disposal of waste | Korea | 30.0 | 12,921 | 30.0 | 12,921 |
| The 2nd Chungmu Co., Ltd. | Barrack facility and executive accommodation operation management | Korea | 26.9 | ₩ - | 26.9 | ₩ - |
| Yangsan Seokgye Industrial Complex Company | Real estate development | Korea | 20.0 | 2,000 | 20.0 | 2,000 |
| Gyoungsan Eco Energy Co., Ltd. | Resource recovery facility management | Korea | 50.0 | - | 50.0 | 5,507 |
| Pyeong Hwa BTL Co., Ltd. | Barrack facility and executive accommodation operation management | Korea | 20.5 | - | 20.5 | - |
| CHUNGMU Co., Ltd. | Barrack facility and executive accommodation operation management | Korea | 38.1 | - | 38.1 | - |

| Name | Main business | Location | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| | | | Ownership percentage (%) | Book value | Ownership percentage (%) | Book value |
| Jeonju Recycling Energy Co., Ltd. | Resource facility management operation | Korea | 26.3 | 2,859 | 26.3 | 2,859 |
| Shin Gyeongju Regional Development Co., Ltd. | Property management | Korea | 43.0 | 83 | 43.0 | 83 |
| Shin Gyeongju Station Area Public Development Co., Ltd. | Real estate development | Korea | 39.8 | 1,233 | 39.8 | 1,233 |
| Songdu Industrial Complex Development Co., Ltd. | Real estate development | Korea | 26.0 | 260 | 26.0 | 260 |
| INNER CITY Development | Real estate development | Korea | 40.0 | 800 | 40.0 | 800 |
| G Park Development Co., Ltd. (*5) | Real estate development | Korea | 39.9 | 1,995 | - | - |
| Suwon Galleria Station Area Mixed Use Development PFV Company (*5) | Real estate development | Korea | 20.0 | 1,000 | - | - |
| Gimhae Daedong Hightech Industrial Complex Co., Ltd. (*5) | Real estate development | Korea | 26.1 | 1,305 | - | - |
| Cheonan Pungse Industrial Complex Development Co., Ltd. (*5) | Real estate development | Korea | 50.0 | 1,250 | - | - |
| Gunpo Mixed Use Development PFV Company (*5) | Real estate development | Korea | 35.4 | 1,770 | - | - |
| Subtotal | | | | 56,640 | | 54,827 |
| Total | | | | 692,235 | | 619,365 |

(*1) Among the investments in subsidiaries, SBS Media Holdings Co., Ltd. is a marketable security, and the market value of the shares held by the Company is KRW 175,131 million. The share of ownership increased due to the treasury stock acquisition by SBS Media Holdings Co., Ltd.
(*2) The share of the Company dropped due to the participation in non-controlling shareholders' paid-in increase.
(*3) The share of ownership increased due to the acquisition of a non-controlling interest.
(*4) Paid-in capital increase was made evenly during the current year.
(*5) It is newly acquired by the Company.

(2) Changes in investments in subsidiaries and associates for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition cost | Disposal | Others (*1) | December 31, 2019 |
| Subsidiaries: | | | | | |
| SBS Media Holdings Co., Ltd. | ₩ 223,661 | ₩ - | ₩ - | ₩ - | ₩ 223,661 |
| Pocheon Bio Energy Co., Ltd. | 195 | - | - | - | 195 |
| TSK Corporation., Ltd. | 134,183 | - | - | - | 134,183 |
| Blueone Co., Ltd. | 91,288 | - | - | - | 91,288 |
| Daegu South AMC Co., Ltd. | 200 | - | - | - | 200 |
| Yangsan Seokgye AMC Co., Ltd. | 200 | - | - | - | 200 |
| INJE Spidium Co., Ltd. | - | - | - | - | - |
| Uni City Co., Ltd. | 30,372 | 69 | - | - | 30,442 |
| NEO City Co., Ltd. | 6,900 | 3,450 | - | - | 10,350 |

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition cost | Disposal | Others (*1) | December 31, 2019 |
| Mcieta Development Co., Ltd. | 58,089 | 32,378 | - | - | 90,467 |
| Mcieta Co., Ltd. | 249 | 60 | - | - | 309 |
| Ecocity Development Co., Ltd. | 19,200 | - | - | - | 19,200 |
| PTSILO Co., Ltd. (*5) | - | 35,000 | - | - | 35,000 |
| DAEDONG INDUSTRY | - | 100 | - | - | 100 |
| Subtotal | 564,537 | 71,057 | - | - | 635,594 |
| Associates: | | | | | |
| Taeyoung Industry Co., Ltd. | 12,365 | - | - | - | 12,365 |
| Woori Byeongyoung Co., Ltd. | - | - | - | - | - |
| Eco-city Corporation | 16,800 | - | - | - | 16,800 |
| Busan ENE Co., Ltd. | 12,921 | - | - | - | 12,921 |
| The 2nd Chungmu Co., Ltd. | - | - | - | - | - |
| Yangsan Seokgye Industrial Complex Company | 2,000 | - | - | - | 2,000 |
| Gyoungsan Eco Energy Co., Ltd. | 5,507 | - | - | (5,507) | - |
| Pyeong Hwa BTL Co., Ltd. | - | - | - | - | - |
| CHUNGMU Co., Ltd. | - | - | - | - | - |
| Jeonju Recycling Energy Co., Ltd. | 2,859 | - | - | - | 2,859 |
| Shin Gyeongju Regional Development Co., Ltd. | 83 | - | - | - | 83 |
| Shin Gyeongju Station Area Public Development Co., Ltd. | 1,233 | - | - | - | 1,233 |
| Songdu Industrial Complex Development Co., Ltd. | 260 | - | - | - | 260 |
| INNER CITY Development | 800 | - | - | - | 800 |
| G Park Development Co., Ltd. | - | 1,995 | - | - | 1,995 |
| Suwon Galleria Station Area Mixed Use Development PFV Company | - | 1,000 | - | - | 1,000 |
| Gimhae Daedong Hightech Industrial Complex Co., Ltd. | - | 1,450 | (145) | - | 1,305 |
| Cheonan Pungse Industrial Complex Development Co., Ltd. | - | 1,250 | - | - | 1,250 |
| Gunpo Mixed Use Development PFV Company | - | 1,770 | - | - | 1,770 |
| Subtotal | 54,827 | 7,465 | (145) | (5,507) | 56,640 |
| Total | 619,365 | 78,522 | (145) | (5,507) | 692,235 |

(*1) The amount of KRW 5,507 million was recognized as an impairment loss for the year ended December 31, 2019, as the recoverability is uncertain.

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition cost | Disposal | Others (*1) | December 31, 2019 |
| Subsidiaries: | | | | | |
| SBS Media Holdings Co., Ltd. | ₩ 223,661 | ₩ - | ₩ - | ₩ - | ₩ 223,661 |
| Pocheon Bio Energy Co., Ltd. | 16,520 | - | - | (16,324) | 195 |
| TSK Corporation., Ltd. | 9,183 | 124,999 | - | - | 134,183 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition cost | Disposal | Others (*1) | December 31, 2019 |
| Blueone Co., Ltd. | 101,031 | - | - | (9,743) | 91,288 |
| INJE Spidium Co., Ltd. | - | - | - | - | - |
| Daegu South AMC Co., Ltd. | 200 | - | - | - | 200 |
| Yangsan Seokgye AMC Co., Ltd. | 200 | - | - | - | 200 |
| Mcieta Development Co., Ltd. | 58,089 | - | - | - | 58,089 |
| Mcieta Co., Ltd. | 249 | - | - | - | 249 |
| NEO City Co., Ltd. | 6,900 | - | - | - | 6,900 |
| Uni City Co., Ltd. | 30,372 | - | - | - | 30,372 |
| Ecocity Development Co., Ltd. | 19,200 | - | - | - | 19,200 |
| Subtotal | 465,606 | 124,999 | - | (26,067) | 564,537 |
| Associates: | | | | | |
| Taeyoung Industry Co., Ltd. | 12,365 | - | - | - | 12,365 |
| Woori Byeongyoung Co., Ltd. | - | - | - | - | - |
| Eco-city Corporation | 16,800 | - | - | - | 16,800 |
| Busan ENE Co., Ltd. | 12,921 | - | - | - | 12,921 |
| The 2nd Chungmu Co., Ltd. | - | - | - | - | - |
| Yangsan Seokgye Industrial Complex Company | 2,000 | - | - | - | 2,000 |
| Gyoungsan Eco Energy Co., Ltd. | 5,507 | - | - | - | 5,507 |
| Pyeong Hwa BTL Co., Ltd. | - | - | - | - | - |
| CHUNGMU Co., Ltd. | - | - | - | - | - |
| Jeonju Recycling Energy Co., Ltd. | 2,859 | - | - | - | 2,859 |
| Songdu Industrial Complex Development Co., Ltd. | 260 | - | - | - | 260 |
| Shin Gyeongju Regional Development Co., Ltd. | 83 | - | - | - | 83 |
| Shin Gyeongju Station Area Public Development Co., Ltd. | 1,233 | - | - | - | 1,233 |
| INNER CITY Development | 100 | 700 | - | - | 800 |
| Subtotal | 54,127 | 700 | - | - | 54,827 |
| Total | 519,733 | 125,699 | - | (26,067) | 619,365 |

(*1) The amounts recognized as impairment losses due to uncertainty in recoverability for Pocheon Bio Energy Co., Ltd. and Blueone Co., Ltd. for the year ended December 31, 2018, are KRW 16,324 million and KRW 9,743 million, respectively.

## 13. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition | Disposal | Depreciation | Others (*1) | December 31, 2019 |
| Owned assets: | | | | | | |
| Land | ₩ 80,663 | ₩ | ₩ (222) | ₩ - | ₩ - | ₩ 80,441 |
| Buildings | 17,932 | - | - | (504) | - | 17,428 |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition | Disposal | Depreciation | Others (*1) | December 31, 2019 |
| Machinery | 50 | 38 | - | (22) | - | 66 |
| Heavy machinery | - | 70 | - | (15) | - | 55 |
| Vehicles | 319 | 191 | (176) | (90) | - | 244 |
| Fixture | 565 | 98 | - | (171) | - | 492 |
| Construction in progress | 69,337 | 24,134 | (736) | - | 1,016 | 93,751 |
| Right-of-use assets: | - | 4,906 | (75) | (3,432) | 2,573 | 3,972 |
| Total | 168,865 | 29,436 | (1,209) | (4,233) | 3,589 | 196,449 |

(*1) The effects of changes in accounting policies and capitalization of borrowing costs are included.

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2018 | Acquisition | Disposal | Depreciation | Others (*1) | December 31, 2018 |
| Land | ₩ 80,515 | ₩ 147 | ₩ - | ₩ - | ₩ - | ₩ 80,663 |
| Buildings | 18,435 | - | - | (504) | - | 17,932 |
| Machinery | 38 | 34 | - | (21) | - | 50 |
| Heavy machinery | - | - | - | - | - | - |
| Vehicles | 426 | - | - | (107) | - | 319 |
| Fixture | 104 | 520 | - | (59) | - | 565 |
| Construction in progress | 53,122 | 21,333 | (9,369) | - | 4,251 | 69,337 |
| Total | 152,640 | 22,034 | (9,369) | (690) | 4,251 | 168,865 |

(*1) Capitalization of borrowing costs and the account substitution effect of prepaid construction cost are included.

(2) Capitalized borrowing costs during the years 2019 and 2018 are KRW 1,016 million and KRW 1,837 million, respectively.

(3) Right-of-use assets

The Company leased buildings and machinery, and the average lease term is 2.39 years. The legal ownership of the right-of-use assets is held by the lessor as collateral for the lease liabilities.

1) Details of right-of-use assets for the year ended December 31, 2019, are as follows (Korean won in millions):

| | Acquisition cost | Accumulated depreciation | December 31, 2019 |
|---|---|---|---|
| Land | ₩ 121 | ₩ (41) | ₩ 79 |
| Buildings | 1,158 | (480) | 678 |
| Heavy machinery | 4,986 | (2,555) | 2,431 |
| Vehicles | 1,119 | (335) | 784 |
| Total | 7,384 | (3,412) | 3,972 |

2) The amounts recognized in profit or loss in relation to the lease for the year ended December 31, 2019, are as follows (Korean won in millions):

| | Amounts |
|---|---|
| Depreciation | ₩ 3,432 |
| Interest expense | 97 |
| Expense in relation to short-term lease | 8,952 |
| Expense in relation to low-value assets | 143 |
| Total | 12,624 |

The contracted amount of short-term lease as of December 31, 2019, is KRW 29 million. In addition, the total cash outflow from lease during the year ended December 31, 2019, is KRW 3,100 million.

## 14. INVESTMENT PROPERTY:

(1) Changes in investment property for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition | Disposal | Depreciation | Others | December 31, 2019 |
| Land | ₩ 38,176 | ₩ - | ₩ (212) | ₩ - | ₩ | ₩ 37,965 |
| Buildings | 33,755 | - | - | (897) | - | 32,858 |
| Total | 71,931 | - | (212) | (897) | - | 70,822 |

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2018 | Acquisition | Disposal | Depreciation | Others | December 31, 2018 |
| Land | ₩ 38,176 | ₩ - | ₩ - | ₩ - | ₩ - | ₩ 38,176 |
| Buildings | 34,652 | - | - | (897) | - | 33,755 |
| Total | 72,828 | - | - | (897) | - | 71,931 |

(2) Details of gains and losses through investment property for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Rental revenue | ₩ 5,035 | ₩ 5,164 |
| Operating expenses | (1,389) | (848) |
| Depreciation | (897) | (897) |
| Gains (losses) on disposal of investment property | (7) | - |
| Total | 2,743 | 3,419 |

(3) The Company provides investment properties as operating leases, and the lease term is between one year and five years. The lessee does not have the option to purchase the leased asset at the end of the lease term.

The non-guaranteed residual value does not represent a significant risk to the Company as it relates to real estate located in areas that have consistently increased in value over the past five years. No indicator is identified that this situation may change.

The maturities of operating lease contracts as of December 31, 2019, are as follows (Korean won in millions):

| | Amounts |
|---|---|
| Less than one year | ₩ 5,259 |
| Less than two years | 1,111 |
| Less than three years | 47 |
| Less than four years | 47 |
| Less than five years | 24 |
| Over five years | - |
| Total | 6,488 |

(4) The carrying amounts and the fair value of investment property as of December 31, 2019, are as follows (Korean won in millions):

| | Book value | Fair value (*1) |
|---|---|---|
| Land | ₩ 37,965 | ₩ 70,730 |
| Buildings | 32,858 | 80,729 |
| Total | 70,822 | 151,459 |

(*1) Fair value of investment properties is measured by valuation techniques using Level 3 inputs, which are observable inputs for the asset or liability.

The fair value of the investment property was determined based on an assessment conducted by an independent appraisal firm with appropriate qualifications and experience in relation to the evaluation of real estate in the area.

## 15. INTANGIBLE ASSETS:

Changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2019 | Acquisition | Amortization | Disposal | Others | December 31, 2019 |
| Other | ₩ 566 | ₩ 388 | ₩ (198) | ₩ - | ₩ - | ₩ 756 |
| Membership | 9,111 | 99 | - | (80) | - | 9,130 |
| Total | 9,677 | 486 | (198) | (80) | - | 9,885 |

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2018 | Acquisition | Amortization | Disposal | Others | December 31, 2018 |
| Other | ₩ 261 | ₩ 400 | ₩ (95) | ₩ - | ₩ - | ₩ 566 |
| Membership | 8,432 | 680 | - | - | - | 9,111 |
| Total | 8,693 | 1,080 | (95) | - | - | 9,677 |

## 16. ACCOUNTS PAYABLE AND OTHER PAYABLES:

Details of accounts payable and other payables as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Other accounts payable | ₩ 416,285 | ₩ 414,639 |
| Accrued expenses | 27,300 | 27,120 |
| Dividend payable | 1 | 3 |
| Withholding deposits received | 15,066 | 6,493 |
| Total | 458,651 | 448,255 |

The Company has financial risk management policies of maintaining proper current ratio in place to ensure that all payables are paid within the preagreed credit terms.

## 17. BORROWINGS AND DEBENTURES:

(1) Details of borrowings and debentures as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Short-term borrowings | ₩ 150,791 | ₩ - | ₩ 150,791 | ₩ 115,588 | ₩ - | ₩ 115,588 |
| Long-term borrowings | 50,277 | - | 50,277 | - | 50,150 | 50,150 |
| Debentures, gross | 100,000 | 340,000 | 440,000 | 100,000 | 200,000 | 300,000 |
| Discount on debentures | (39) | (849) | (888) | (8) | (435) | (443) |
| Debentures, net | 99,961 | 339,151 | 439,112 | 99,992 | 199,565 | 299,557 |
| Total | 301,029 | 339,151 | 640,180 | 215,580 | 249,715 | 465,295 |

(2) Details of short-term borrowings as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| Division | Financial institution | Annual interest rate (%) | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Loan | Bank Dhofar | 8.50 | ₩ 4,041 | ₩ 3,588 |
| | Korea Development Bank | 3.19 – 3.25 | 62,000 | 62,000 |
| | KEB Hana Bank | - | - | 10,000 |
| | Shinhan Bank | 3.80 | 40,000 | 40,000 |
| | Woori Bank | 3.20 | 30,000 | - |
| | THE DAEGU BANK LTD. | 3.23 | 10,000 | - |
| Project finance (“PF”) loan agreement | BNK Securities | 2.50 – 2.95 | 4,750 | - |
| Total | | | 150,791 | 115,588 |

(3) Details of long-term borrowings as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| Division | Financial institution | Annual interest rate (%) | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| PF loan agreement | MIRAE ASSET DAEWOO | 5.51 | ₩ 25,000 | ₩ 25,000 |
| | Shinhan Bank | 4.21 – 4.61 | 2,640 | 3,045 |
| | Korean Federation of Community Credit Cooperatives | 4.21 – 4.61 | 3,520 | 4,060 |
| | Shinhan Capital | 4.21 – 4.61 | 2,640 | 3,045 |
| | KTB Investment & Securities Co., Ltd. | 4.60 | 8,239 | 7,500 |
| | BNK Securities Co., Ltd. | 4.60 | 8,239 | 7,500 |
| Subtotal | | | 50,277 | 50,150 |
| Less: Current maturity of long-term borrowings | | | (50,277) | - |
| Total | | | - | 50,150 |

(4) Details of debentures as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | Issue date | Maturity date | Annual interest rate (%) | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|---|
| The 56th non-guaranteed debentures | 2017-01-05 | 2019-01-05 | 4.50 | ₩ - | ₩ 10,000 |
| The 57th non-guaranteed debentures | 2017-01-31 | 2019-01-31 | 4.56 | - | 50,000 |
| The 58th non-guaranteed debentures | 2017-08-11 | 2019-08-11 | 4.20 | - | 30,000 |
| The 59th non-guaranteed debentures | 2017-08-25 | 2020-02-25 | 4.40 | 10,000 | 10,000 |
| The 60th non-guaranteed debentures | 2017-08-28 | 2020-02-28 | 4.40 | 10,000 | 10,000 |
| The 61st non-guaranteed debentures | 2017-09-04 | 2019-09-04 | 4.00 | - | 10,000 |
| The 62nd non-guaranteed debentures | 2017-09-20 | 2020-03-20 | 4.15 | 80,000 | 80,000 |
| The 63rd non-guaranteed debentures | 2018-03-08 | 2021-03-08 | 4.68 | 80,000 | 80,000 |
| The 64th non-guaranteed debentures | 2018-11-13 | 2021-05-13 | 4.05 | 20,000 | 20,000 |
| The 65th non-guaranteed debentures | 2019-03-06 | 2022-03-06 | 3.09 | 100,000 | - |
| The 66th non-guaranteed debentures | 2019-07-23 | 2022-07-22 | 2.14 | 140,000 | - |
| Subtotal | | | | 440,000 | 300,000 |
| Less: Current maturity of debentures | | | | (100,000) | (100,000) |
| Less: Discount on debentures | | | | (849) | (435) |
| Total | | | | 339,151 | 199,565 |

(5) Payment schedules for the Company's long-term debts and debentures as of December 31, 2019, are as follows (Korean won in millions):

| Years | Long-term borrowings | Debentures | Total |
|---|---|---|---|
| 2020 | ₩ 50,277 | ₩ 100,000 | ₩ 150,277 |
| 2021 | - | 100,000 | 100,000 |
| 2022 | - | 240,000 | 240,000 |
| Total | 50,277 | 440,000 | 490,277 |

## 18. OTHER FINANCIAL LIABILITIES:

(1) Details of other financial liabilities as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Financial guarantee liabilities | ₩ 76,860 | ₩ 102,600 | ₩ 179,460 | ₩ 12,593 | ₩ 14,434 | ₩ 27,027 |
| Long-term deposits received | - | 8,972 | 8,972 | - | 8,617 | 8,617 |
| Rental deposits received | 5,620 | 3,790 | 9,410 | 6,554 | 6,138 | 12,693 |
| lease liabilities (*1) | 3,020 | 1,382 | 4,402 | - | - | - |
| Long-term other accounts payable | - | 57,524 | 57,524 | - | - | - |
| Foreign exchange forward liabilities | 1,039 | 314 | 1,353 | - | - | - |
| Subtotal | 86,539 | 174,582 | 261,121 | 19,148 | 29,189 | 48,337 |
| Present value discount (*2) | (75) | (186) | (261) | (103) | (497) | (600) |
| Total | 86,464 | 174,396 | 260,860 | 19,045 | 28,692 | 47,737 |

(*1) Lease liabilities are related to the right-of-use assets (refer to Note 13).
(*2) Long-term deposits received and rental deposits received consist of investment asset rent and deposits of condominium membership, and these are discounted to present value at weighted-average borrowing interest rate.

(2) Details of lease liabilities as of December 31, 2019, are as follows (Korean won in millions):

| | Minimum lease payment | Present value of Minimum lease payment |
|---|---|---|
| Less than one year | ₩ 3,110 | ₩ 3,020 |
| Less than five years | 1,374 | 1,369 |
| Over five years | 15 | 13 |
| Total | 4,498 | 4,402 |

## 19. RETIREMENT BENEFIT OBLIGATION:

(1) Defined benefit type retirement benefit plan

The Company operates a defined benefit plan for its employees. According to the plan, the employees will be paid their average amount of the final three months' salaries, multiplied by the number of years vested, adjusted for payment rate and other. The actuarial valuation of the plan assets and the retirement benefit liability is performed by a reputable actuary using the projected unit credit method.

(2) Details of retirement benefit obligation as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Present value of defined benefit obligation | ₩ 85,981 | ₩ 83,277 |
| Fair value of plan assets | (74,730) | (67,476) |
| Employee benefit obligation, net | 11,251 | 15,801 |

(3) Changes in net defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Present value of the defined benefit obligation | Plan assets | Total |
| Beginning balance | ₩ 83,277 | ₩ (67,476) | ₩ 15,801 |
| Current service cost | 9,378 | - | 9,378 |
| Interest cost (income) | 1,748 | (1,378) | 370 |
| Subtotal | 94,402 | (68,854) | 25,548 |
| Remeasurements: | | | |
| The return on plan assets, excluding amounts included in interest in above | - | 241 | 241 |
| Actuarial losses (gains) arising from changes in experience adjustment | 428 | - | 428 |
| Actuarial losses (gains) arising from changes in demographic assumptions | 2,855 | - | 2,855 |
| Actuarial losses (gains) arising from changes in financial assumptions | 1,064 | - | 1,064 |
| Subtotal | 4,347 | 241 | 4,588 |
| Contributions to the plan | - | (16,000) | (16,000) |
| Payments from the plan | (12,768) | 9,883 | (2,885) |
| Ending balance | 85,981 | (74,730) | 11,251 |

(4) The fair value of plan assets as of December 31, 2019 and 2018, consists of the following (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Debt securities | ₩ 59,704 | ₩ 28,851 |
| Term deposit | 14,775 | 38,294 |
| Other | 251 | 331 |
| Total | 74,730 | 67,476 |

Investment strategies and policies for plan assets seek for a balanced approach of minimization of risk and maximization of return. The objective of minimizing the volatility of assets related to debt is basically achieved through diversified investment in assets, partial asset liability countermeasures and hedging. In order to achieve this, the Company is investing extensively in many types of assets. The allocation of assets to obtain a fixed return is partly countered by pension liabilities, which are similar to bonds and have long-term characteristics. Meanwhile, actual profit from plan assets as of December 31, 2019 and 2018, is KRW 1,137 million and KRW 907 million, respectively.

(5) Principal actuarial assumptions used for the purposes of actuarial valuations of retirement benefit obligations as of December 31, 2019 and 2018, are as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Discount rate for defined benefit obligations | 2.00% | 2.29% |
| Expected rate of salary increase | 2.00%+ base-up rate | 2.00%+ base-up rate |

(6) The sensitivity analysis below has been determined based on reasonably possible changes in actuarial assumptions, while holding all other assumptions constant as of December 31, 2019 and 2018 (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| 1% change in discount rate | ₩ (5,245) | ₩ 5,985 | ₩ (3,481) | ₩ 3,877 |
| 1% change in expected rate of salary increase | 5,925 | (5,294) | 3,855 | (3,528) |

The above sensitivity analysis does not demonstrate actual fluctuations in defined benefit obligation, since actuarial assumptions are correlated and adjustment to a single set of assumptions would not occur in independence of others. Moreover, the present value of defined benefit obligation in the above sensitivity analysis is calculated using the projected unit credit method applied to measure retirement benefit obligation in the separate statements of financial position.

## 20. PROVISIONS:

(1) Provisions as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Provision for construction losses (*1) | ₩ 6,465 | ₩ - | ₩ 6,465 | ₩ 11,789 | ₩ - | ₩ 11,789 |
| Litigation | 46,869 | - | 46,869 | 40,723 | - | 40,723 |
| Construction warranties | 3,999 | 41,728 | 45,727 | 656 | 37,526 | 38,182 |
| Other | 6,772 | 10,623 | 17,395 | 1,904 | 72,306 | 74,211 |
| Repair | 246 | 1,269 | 1,515 | 1,414 | 561 | 1,975 |
| Total | 64,351 | 53,619 | 117,971 | 56,487 | 110,394 | 166,881 |

(*1) In accordance with K-IFRS 1115, the Company recognizes loss provisions for contract costs expected to be incurred in excess of the contract amount.

(2) Changes in provisions for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2019 | Increase (decrease) (*5) | December 31, 2019 | Current | Non-current | Total |
| Provision for construction losses | ₩ 11,789 | ₩ (5,324) | ₩ 6,465 | ₩ 6,465 | ₩ - | ₩ 6,465 |
| Litigation (*1) | 40,723 | 6,145 | 46,869 | 46,869 | - | 46,869 |
| Construction warranties (*2) | 38,182 | 7,545 | 45,727 | 3,999 | 41,728 | 45,727 |
| Other (*3) | 74,211 | (56,816) | 17,395 | 6,772 | 10,623 | 17,395 |
| Repair (*4) | 1,975 | (460) | 1,515 | 246 | 1,269 | 1,515 |
| Total | 166,881 | (48,910) | 117,971 | 64,351 | 53,619 | 117,971 |

(*1) The Company has recognized provision for litigations whose results are reasonably estimated as of December 31, 2019 and 2018 (the details of litigations and legal proceedings are presented in Note 40).

(*2) The Company recognizes anticipated costs to be incurred in relation to major construction contracts as construction warranties. The amount is not discounted to the present value as the numerical effect is immaterial.

(*3) Provision for contingencies includes supplemental funding agreements as of December 31, 2019 and 2018.

(*4) As of the end of the reporting period, the Company sets repair provisions by multiplying other sales by a certain percentage according to the initial business agreement.

(*5) The amounts include addition, reversal and expenditures of provision.

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2018 | Increase (decrease) (*5) | December 31, 2018 | Current | Non-current | Total |
| Provision for construction losses | ₩ - | ₩ 11,789 | ₩ 11,789 | ₩ 11,789 | ₩ - | ₩ 11,789 |
| Litigation (*1) | 18,253 | 22,471 | 40,723 | 40,723 | - | 40,723 |
| Construction warranties (*2) | 27,439 | 10,743 | 38,182 | 656 | 37,526 | 38,182 |
| Other (*3) | 72,515 | 1,695 | 74,211 | 1,904 | 72,306 | 74,211 |
| Repair (*4) | 1,313 | 662 | 1,975 | 1,414 | 561 | 1,975 |
| Total | 119,520 | 47,361 | 166,881 | 56,487 | 110,394 | 166,881 |

## 21. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Advances received - housing and office | ₩ 137,158 | ₩ 50,453 | ₩ 81,084 | ₩ 32,215 |
| Unearned income | 254 | - | 589 | - |
| Other advances received | 1,996 | - | - | - |
| Total | 139,408 | 50,453 | 81,673 | 32,215 |

## 22. SHARE CAPITAL:

The Company authorized 267,600,000 shares of KRW 500, of which 76,400,000 common shares and 2,557,480 preferred shares have been issued as of December 31, 2019.

## 23. OTHER PAID-IN CAPITAL:

Details of other paid-in capital as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Capital in excess of par value | ₩ 77,878 | ₩ 77,878 |
| Treasury stock | (31,457) | (31,457) |
| Gain on disposal of treasury stock | 23,323 | 23,323 |
| Other | 5 | 5 |
| Total | 69,749 | 69,749 |

## 24. RETAINED EARNINGS:

(1) Details of retained earnings as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Legal reserve: | | |
| Allowance for profit (*1) | ₩ 20,558 | ₩ 20,558 |
| Voluntary reserve: | | |
| Appropriated retained earnings for financial structure improvement | 7,337 | 7,337 |
| Appropriated retained earnings for business stabilization | 3,396 | 3,396 |
| Other | 715,936 | 570,864 |
| Unappropriated retained earnings (*2) | 163,560 | 194,268 |
| Total | 910,788 | 796,423 |

(*1) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve an amount equal to at least 10% of the cash dividends for each accounting period until the reserve equals 50% of the capital stock. The legal reserve may not be available for the payment of cash dividends, but may be used to reduce a deficit or may be transferred to capital.

(*2) On January 1, 1998, and June 1, 1998, the Company revalued its property and equipment in accordance with the Asset Revaluation Act. Revaluation gain amounted to KRW 43,702 million and was transferred to reserve for asset revaluation after deduction of related taxes amounting to KRW 3,374 million. The reserve for asset revaluation may not be available for the payment of cash dividends, but may be used to reduce a deficit or may be transferred to capital.

(2) Changes in retained earnings for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance at beginning of year | ₩ 796,423 | ₩ 648,871 |
| Effects of changes in accounting policy | - | (546) |
| Payment of dividends | (8,867) | (6,388) |
| Reclassification of financial assets measured at FVTOCI (*1) | 11,662 | 24,923 |
| Net income | 115,133 | 133,888 |
| Remeasurement of defined benefit obligation | (3,295) | (4,324) |
| Other | (267) | - |
| Balance at end of year | 910,788 | 796,423 |

(*1) During the current and past year, cumulative valuation gains, previously recognized as other capital components, were reclassified to retained earnings when some financial assets were disposed of at FVTOCI.

(3) Changes in remeasurement of defined benefit obligation for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance at beginning of year | ₩ (4,385) | ₩ (60) |
| Changes in this term | (4,347) | (5,705) |
| Income tax effect | 1,052 | 1,381 |
| Balance at end of year | (7,680) | (4,385) |

## 25. OTHER COMPONENTS OF EQUITY:

(1) Details of other components of equity as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Net change in fair value of FVTOCI | ₩ (694) | ₩ 4,495 |
| Exchange differences on translating foreign operations | 1,554 | (1,595) |
| Total | 860 | 2,900 |

In other comprehensive income, FVTOCI measurement and financial asset valuation gains and losses related to debt instruments are cumulative valuation gains and losses, excluding those replaced by retained earnings at disposal, after deducting the amount reclassified from cumulative valuation gains and losses to profit or loss on disposal.
Equity instruments measured at FVTOCI are not recognized for impairment, and cumulative gains and losses resulting from the valuation of those equity instruments are not subsequently reclassified to profit or loss. Cumulative gain that has been replaced by retained earnings in relation to these equity instruments during the current year is KRW 11,662 million.

(2) Changes in share of net change in fair value of FVTOCI for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance at beginning of year | ₩ 4,495 | ₩ 63,208 |
| Effects of changes in accounting policy | - | (2,970) |
| Valuation gain (loss) on financial assets at FVTOCI | 8,539 | (40,659) |
| Tax effect on FVTOCI | (2,066) | 9,840 |
| Disposal of FVTOCI (*1) | (11,662) | (24,923) |
| Balance at end of year | (694) | 4,495 |

(*1) During the disposal of some FVTOCI financial assets for the years ended December 31, 2019 and 2018, cumulative valuation gains previously recognized as other components of equity have been reclassified as retained earnings.

(3) Changes in exchange differences on translating foreign operations for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Balance at beginning of year | ₩ (1,595) | ₩ (1,173) |
| Valuation on translation of overseas branch’s net assets | 3,149 | (423) |
| Balance at end of year | 1,554 | (1,595) |

Exchange differences relating to the translation of the results and net assets of the Company’s foreign operations from their functional currencies to the Company’s presentation currency (Korean won) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of a foreign operation.

## 26. SALES:

Sales for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Revenue recognized over time: | | |
| Domestic construction revenue | ₩ 1,802,997 | ₩ 1,840,945 |
| Overseas construction revenue | 18,607 | 4,234 |
| House/office sales | 320,890 | 75,523 |
| Rental revenue | 8,469 | 9,889 |
| Other revenue | 16,788 | 13,377 |
| Subtotal | 2,167,750 | 1,943,967 |
| Revenue recognized at a point in time: | | |
| House/office sales | 7,936 | 52,083 |
| Subtotal | 7,936 | 52,083 |
| Total | 2,175,686 | 1,996,049 |

## 27. CLASSIFICATION OF EXPENSES BY NATURE:

Details of classification of expenses by nature for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Selling and administrative expenses | Costs of sales | Total |
| Change in inventories: | | | |
| Finished housing | ₩ - | ₩ 132,150 | ₩ 132,150 |
| Raw materials used | - | 287,859 | 287,859 |
| Employee benefits | 47,128 | 85,888 | 133,017 |
| Outsourcing expenses | - | 1,106,419 | 1,106,419 |
| Heavy equipment rental expenses | - | 2,756 | 2,756 |
| Utilities | 1 | 9,989 | 9,989 |
| Taxes and dues | 2,557 | 29,745 | 32,301 |
| Rental expenses | 689 | 7,767 | 8,455 |
| Depreciation | 858 | 4,272 | 5,130 |
| Insurance premium | 2,648 | 17,525 | 20,174 |
| Ordinary development expenses | 24,153 | 23,797 | 47,950 |
| Service fees | 6,028 | 36,941 | 42,969 |
| Amortization | 198 | - | 198 |
| Safety control expenses | - | 11,042 | 11,042 |
| Housing management expenses | 13,941 | - | 13,941 |
| Warranty expenses | 4,187 | 14,989 | 19,176 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Selling and administrative expenses | Costs of sales | Total |
| Bad debt expenses | 10,766 | - | 10,766 |
| Other | 9,945 | 10,376 | 20,321 |
| Total | 123,098 | 1,781,514 | 1,904,612 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Selling and administrative expenses | Costs of sales | Total |
| Change in inventories: | | | |
| Finished housing | ₩ - | ₩ 58,889 | ₩ 58,889 |
| Raw materials used | - | 296,883 | 296,883 |
| Employee benefits | 41,132 | 82,686 | 123,817 |
| Outsourcing expenses | - | 1,039,357 | 1,039,357 |
| Heavy equipment rental expenses | - | 6,017 | 6,017 |
| Utilities | - | 7,201 | 7,201 |
| Taxes and dues | 1,717 | 23,182 | 24,899 |
| Rental expenses | 712 | 8,909 | 9,621 |
| Depreciation | 615 | 972 | 1,587 |
| Insurance premium | 2,096 | 11,843 | 13,939 |
| Ordinary development expenses | 17,384 | 7,890 | 25,274 |
| Service fees | 4,238 | 26,131 | 30,368 |
| Amortization | 95 | - | 95 |
| Safety control expenses | - | 11,099 | 11,099 |
| Housing management expenses | 8,923 | - | 8,923 |
| Warranty expenses | 5,198 | 16,019 | 21,217 |
| Bad debt expenses | 9,831 | - | 9,831 |
| Other | 3,467 | 28,582 | 32,049 |
| Total | 95,406 | 1,625,659 | 1,721,066 |

## 28. OTHER NON-OPERATING INCOME AND EXPENSES:

Details of other non-operating income and expenses for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Other non-operating income: | | |
| Gains on foreign currency transactions | ₩ 38 | ₩ - |
| Gains on disposal of property, plant and equipment | 29 | 10 |
| Gains on disposal of investment property | 33 | - |
| Gains on disposal of inventories | 1 | - |
| Gains on disposal of financial instruments at FVTPL | 1,093 | 520 |
| Gain on valuation of financial instruments at FVTPL | 1,657 | 367 |
| Gains on financial guarantee | 5,326 | 3,870 |
| Reversal of litigation provision | 269 | 3,126 |
| Gains on foreign exchange forward transaction | 34 | - |
| Other | 8,064 | 3,374 |
| Subtotal | 16,545 | 11,267 |
| Other non-operating expenses: | | |
| Losses on foreign currency transactions | (277) | - |
| Losses on disposal of property, plant and equipment | (189) | (9,369) |
| Losses on disposal of intangible assets | (2) | - |
| Losses on disposal of investment property | (7) | - |
| Losses on disposal of inventories | (966) | (460) |
| Losses on financial guarantee | (76,360) | (9,727) |
| Losses on disposal of financial instruments at FVTPL | (3) | (161) |
| Loss on valuation of financial instruments at FVTPL | (2,834) | (5,140) |
| Losses on disposal of financial instruments (government bonds) at FVTOCI | (42) | - |
| Losses on foreign exchange forward transaction | (211) | - |
| Losses on valuation of foreign exchange forward contracts | (1,353) | - |
| Donations | (779) | (78) |
| Provision for other provisions | (15,423) | (9,765) |
| Litigation provision expenses | (13,802) | (25,597) |
| Other | (11) | (1,442) |
| Subtotal | (112,260) | (61,738) |
| Total | (95,715) | (50,471) |

## 29. FINANCIAL INCOME:

(1) Details of financial income for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Interest income under the effective interest rate method: | | |
| Financial assets at amortized cost | ₩ 4,668 | ₩ 3,248 |
| Financial assets measured at FVTOCI | 17 | 14 |
| Subtotal | 4,685 | 3,262 |
| Dividend income | 3,639 | 5,130 |
| Total | 8,324 | 8,393 |

(2) Details of financial income by type of financial assets or financial liabilities for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financial assets at amortized cost | ₩ 4,668 | ₩ 3,248 |
| Financial assets measured at FVTPL | 269 | - |
| Financial assets measured at FVTOCI | 2,486 | 3,943 |
| Investments in subsidiaries and associates | 901 | 1,201 |
| Total | 8,324 | 8,393 |

## 30. FINANCIAL EXPENSES:

(1) Details of financial expenses for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Interest expenses on borrowings | ₩ 8,262 | ₩ 9,022 |
| Interest expenses on debentures | 14,273 | 12,647 |
| Subtotal | 22,535 | 21,669 |
| Less: Qualifying assets' cost | (2,988) | (4,059) |
| Subtotal after deduction | 19,547 | 17,609 |
| Amortized costs at discount on present value | 536 | 392 |
| Total | 20,082 | 18,001 |

(2) Details of financial income by type of financial assets or financial liabilities for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financial liabilities at amortized cost | ₩ 20,082 | ₩ 18,001 |

(3) Weighted-average capitalized interest rates on borrowings for the years ended December 31, 2019 and 2018, are 3.69% and 4.43%, respectively.

## 31. SHARE OF PROFITS AND LOSSES OF SUBSIDIARIES AND ASSOCIATES:

Details of share of profits and losses of subsidiaries and associates for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Gains on disposal of investments in subsidiaries and associates | ₩ - | ₩ - |
| Impairment losses of investments in subsidiaries and associates | (5,507) | (26,067) |
| Total | (5,507) | (26,067) |

## 32. INCOME TAX EXPENSES RELATING TO CONTINUING OPERATION:

(1) Details of income tax expenses as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current income tax expenses: | | |
| Changes in income tax payable | ₩ 68,439 | ₩ 73,136 |
| Adjustments recognized in the current year in relation to the current tax of prior year | 49 | (286) |
| Current tax expense on non-distributed income | 3,665 | 4,503 |
| Deferred income tax expenses: | | |
| The occurrence and reversal of temporary differences | (27,911) | (34,747) |
| Tax item recognized in other comprehensive income | (1,135) | 11,220 |
| Deferred income tax changes due to changes in accounting standards | - | 1,123 |
| Tax item recognized in retained earnings | (146) | - |
| Total | 42,960 | 54,949 |

(2) A reconciliation between income tax expense and accounting income before income tax expense for the years ended December 31, 2019 and 2018, is as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Income before income tax expense | ₩ 158,093 | ₩ 188,836 |
| Income tax expense calculated at 24.2% (2019) and 24.2% (2018) | 38,259 | 45,698 |
| Adjustments: | | |
| Non-taxable income and non-deductible expense | 938 | 63 |
| Effect of changes in temporary difference not recognized as deferred tax assets | 674 | 7,760 |
| Others | (624) | (2,790) |
| Subtotal | 988 | 5,034 |
| Adjustments recognized in the current year in relation to the current tax of prior year | 49 | (286) |
| Current tax expense on non-distributed income | 3,665 | 4,503 |
| Income tax expense recognized in profit or loss related to continuing operations | 42,960 | 54,949 |
| Average effective tax rate (= Income tax expense ÷ Income before income tax expense) | 27.2% | 29.1% |

(3) Tax items recognized in other comprehensive income for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Tax items in other comprehensive income: | | |
| Gain (loss) on valuation of financial assets measured at FVTOCI | ₩ (2,066) | ₩ 9,840 |
| Remeasurement of defined benefit obligation | 1,052 | 1,381 |

(4) Details of deferred tax assets (liabilities) as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Income (expense) | Other comprehensive income (expense) | Transfer to retained earnings | December 31, 2019 |
| Defined benefit obligation | ₩ 19,571 | ₩ 108 | ₩ 1,052 | ₩ - | ₩ 20,731 |
| Provisions for construction warranties | 9,240 | 1,826 | - | - | 11,066 |
| Provisions for construction losses | 2,853 | (1,289) | - | - | 1,565 |
| Allowance for doubtful accounts | 5,185 | 1,790 | - | - | 6,975 |
| Financial assets measured at FVTOCI | 14,663 | 164 | - | - | 14,827 |
| Net change in fair value of FVTOCI | (2,383) | 3,723 | (2,066) | - | (727) |
| Provisions for litigation | 9,855 | 1,487 | - | - | 11,342 |
| Prepaid construction costs | 4,091 | (5,118) | - | (146) | (1,173) |
| Losses on impairment of intangible assets | 165 | - | - | - | 165 |
| Financial guarantee liabilities | 1,579 | 41,851 | - | - | 43,429 |
| Provisions for repair | 478 | (111) | - | - | 367 |
| Employee benefits | 786 | 37 | - | - | 824 |
| High-priced purchase of financial assets measured at FVTOCI | (70) | - | - | - | (70) |
| Plan assets | (16,249) | (1,759) | - | - | (18,008) |
| Land | (13,242) | 501 | - | - | (12,741) |
| Asset revaluation gain on land | (16,056) | 44 | - | - | (16,012) |
| Provisions for other | 17,959 | (13,749) | - | - | 4,210 |
| Investment in affiliated companies | (1,539) | - | - | - | (1,539) |
| Right-of-use assets | - | (961) | - | - | (961) |
| Lease liabilities | - | 1,065 | - | - | 1,065 |
| Other | (403) | (556) | - | - | (958) |
| Total | 36,485 | 29,052 | (1,014) | (146) | 64,377 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2018 | Income (expense) | Other comprehensive income (expense) | Transfer to retained earnings | December 31, 2018 |
| Defined benefit obligation | ₩ 16,368 | ₩ 1,823 | ₩ 1,381 | ₩ - | ₩ 19,571 |
| Provisions for construction warranties | 6,640 | 2,600 | - | - | 9,240 |
| Provisions for construction losses | 1,220 | 1,633 | - | - | 2,853 |
| Allowance for doubtful accounts | 5,195 | (572) | - | 562 | 5,185 |
| Financial assets measured at FVTOCI | 13,508 | 1,155 | - | - | 14,663 |
| Net change in fair value of FVTOCI | (20,180) | 7,957 | 9,840 | - | (2,383) |
| Provisions for litigation | 4,417 | 5,438 | - | - | 9,855 |
| Prepaid construction costs | (1,402) | 4,932 | - | 560 | 4,091 |
| Losses on impairment of intangible assets | 165 | - | - | - | 165 |
| Financial guarantee liabilities | 3,376 | (1,798) | - | - | 1,579 |
| Provisions for repair | 318 | 160 | - | - | 478 |
| Employee benefits | 631 | 155 | - | - | 786 |
| High-priced purchase of financial assets measured at FVTOCI | (70) | - | - | - | (70) |
| Plan assets | (14,142) | (2,107) | - | - | (16,249) |
| Land | (13,638) | 396 | - | - | (13,242) |
| Asset revaluation gain on land | (16,056) | - | - | - | (16,056) |
| Provisions for other | 17,549 | 410 | - | - | 17,959 |
| Investment in affiliated companies | (1,539) | - | - | - | (1,539) |
| Other | (624) | 221 | - | - | (403) |
| Total | 1,738 | 22,404 | 11,220 | 1,123 | 36,485 |

(6) Details of taxable temporary differences in relation to subsidiaries, investment assets for which deferred tax liabilities have not been recognized and equity interest as of December 31, 2019 and 2018, are as follows (Unit: Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Taxable temporary differences (subsidiaries, etc.) | ₩ (145,484) | ₩ (144,329) |
| Deductible temporary differences (subsidiaries, etc.) | 165,579 | 135,741 |

## 33. EARNINGS PER SHARE:

Details of basic earnings per share as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Net income | ₩ 115,133 | ₩ 133,888 |
| Dividends for preferred stock | (396) | (243) |
| Net income for common stock | 114,736 | 133,645 |
| Weighted-average number of common shares | 68,280,000 | 68,280,000 |
| Basic earnings per common share (Korean won) | 1,680 | 1,957 |

The Company does not have any dilutive securities issued so that dilutive earnings per share equal the basic earnings per share. Meanwhile, weighted-average number of common shares outstanding for the years ended December 31, 2019 and 2018, are as follows:

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Period | The number of common shares | Weighted average | The cumulative number of days |
| Balance at beginning of year | 1.1–12.31 | 68,280,000 | 365 | 24,922,200,000 |
| Days outstanding | | | | 365 |
| Weighted-average number of common shares | | | | 68,280,000 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Period | The number of common shares | Weighted average | The cumulative number of days |
| Balance at beginning of year | 1.1–12.31 | 68,280,000 | 365 | 24,922,200,000 |
| Days outstanding | | | | 365 |
| Weighted-average number of common shares | | | | 68,280,000 |

## 34. CONSTRUCTION CONTRACTS:

(1) The details of construction contracts in construction business due from and to customers as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cumulative construction costs incurred | ₩ 4,215,906 | ₩ 3,728,025 |
| Plus: Recognized profits to date | 1,050,153 | 879,092 |
| Less: Recognized losses to date | 74,488 | 77,273 |
| Subtotal | 5,191,571 | 4,529,845 |
| Less: Progress billings | 5,137,708 | 4,397,782 |
| Total | 53,863 | 132,063 |
| Due from customers for contract works (*1) | 166,302 | 207,250 |
| Due to customers for contract works | 105,974 | 63,398 |
| Less: Provision for construction losses | 6,465 | 11,789 |
| Total | 53,863 | 132,063 |

(*1) The above amount of due from customers for contract works is based on the ECL before reflection.

(2) Details of construction contracts in construction business for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | Total contract amounts | Estimated total contract costs | Expected total losses on construction contract |
| Domestic | ₩ 4,782,673 | ₩ 4,144,353 | ₩ 21,424 |
| Overseas | 261,475 | 283,854 | 36,339 |
| Total | 5,044,148 | 4,428,207 | 57,764 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Total contract amounts | Estimated total contract costs | Expected total losses on construction contract |
| Domestic | ₩ 6,023,090 | ₩ 4,895,367 | ₩ 36,875 |
| Overseas | 96,262 | 132,267 | 36,005 |
| Total | 6,119,352 | 5,027,635 | 72,880 |

(3) As of the end of the reporting period, the transaction price allocated to performance obligations that have not been partially satisfied in the construction contracts, which include contracts in construction business, is as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | New contracts | Added or changed contracts | Recognized revenue | December 31, 2019 |
| Domestic | ₩2,865,770 | ₩1,428,652 | ₩ 94,592 | ₩1,802,997 | ₩2,586,017 |
| Overseas | 2,356 | 162,517 | 2,695 | 18,607 | 148,962 |
| Real estate sales | 427,934 | 584,318 | (22,968) | 320,890 | 668,394 |
| Total | 3,296,059 | 2,175,488 | 74,319 | 2,142,493 | 3,403,372 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | New contracts | Added or changed contracts | Recognized revenue | December 31, 2019 |
| Domestic | ₩3,251,147 | ₩1,322,811 | ₩ 132,756 | ₩1,840,945 | ₩2,865,770 |
| Overseas | 32,898 | - | (26,308) | 4,234 | 2,356 |
| Real estate sales | - | 503,457 | - | 75,523 | 427,934 |
| Total | 3,284,045 | 1,826,268 | 106,448 | 1,920,701 | 3,296,059 |

(4) The balance of contract assets as of December 31, 2019 and 2018, is as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Construction contract | ₩ 166,302 | ₩ 207,250 |
| Real estate sales contract | 38,050 | - |
| Subtotal | 204,352 | 207,250 |
| Allowance for losses | (727) | (1,075) |
| Total | 203,625 | 206,176 |

The Company recognizes a loss allowance for contract assets in accordance with K-IFRS 1109, In the case of contract assets arising from transactions that fall within the scope of K-IFRS 1115, the ECL for the entire period is recognized.

(5) The changes in ECLs for contract assets during the current term are as follows (Korean won in millions):

| | December 31, 2019 | | |
|---|---|---|---|
| | 12-month ECL | | |
| | Non-loss | Loss | Total |
| Opening balance | ₩ 1,075 | ₩ - | ₩ 1,075 |
| Recalibrated loss allowance | (348) | - | (348) |
| Ending balance | 727 | - | 727 |

| | December 31, 2018 | | |
|---|---|---|---|
| | 12-month ECL | | |
| | Non-loss | Loss | Total |
| Opening balance - restatement | ₩ 935 | ₩ - | ₩ 935 |
| Provision under K-IFRS 1039 | - | - | - |
| Adjustment according to application of K-IFRS 1109 | 935 | - | 935 |
| Recalibrated loss allowance | 140 | - | 140 |
| Ending balance | 1,075 | - | 1,075 |

(6) Details of due to customers under construction contracts and advances from house and office sales for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Contract of subcontracting (*1) | ₩ 105,974 | ₩ 63,398 |
| Real estate sales contract (*2) | 187,611 | 113,299 |
| Total | 293,585 | 176,697 |

(*1) It is composed of due to customers under construction contracts in the separate financial statements.
(*2) Among other liabilities in the separate financial statements, it is composed of the advances from house and office sales.

The contract liability related to the construction contract is the balance charged/recovered to the customer in accordance with the construction contract. If the claim is made in accordance with the contract billing and collection schedule, the amount received exceeds the revenue recognized until then in accordance with the cost input method.

Revenue recognized during the years ended December 31, 2019 and 2018, in connection with the carried-forward contract liabilities is KRW 176,697 million and KRW 63,660 million, respectively. In addition, no revenue was recognized during the years ended December 31, 2019 and 2018, in relation to the performance obligations that were implemented in the previous period.

(7) The details of major real estate construction projects related to housing and office unit sales business as of December 31, 2019 and 2018, are summarized as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Total real estate sales contract | Accumulated sales revenue recognized | Due from customers for contract work | Accounts receivable - real estate sales | Advances received - real estate sales |
| Development of Detached House in Unyangdong, Gimpo | ₩ 39,885 | ₩ 13,735 | ₩ 4,853 | ₩ - | ₩ - |
| Sungsu Knowledge Industry Center Development | 128,509 | - | - | - | 53,571 |
| Construction Project of Hanam Gamil District | 151,996 | 80,385 | - | - | 9,325 |
| Hanam Gamil Housing Construction Project | 68,896 | 41,522 | - | - | 20,146 |
| Administrative City 6-4 Living Area | 311,576 | 217,521 | 33,197 | - | - |
| Suwon Godeung Residential Environment Improvement Project | 126,340 | - | - | - | 50,453 |
| Private Participation in Public Housing of Daegu Donam | 460,207 | 59,060 | - | 20 | 31,607 |
| Yangsan Sasong Housing Construction Project | 297,771 | 25,711 | - | 5,198 | 22,509 |
| Total | 1,585,180 | 437,934 | 38,050 | 5,218 | 187,611 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Total real estate sales contract | Accumulated sales revenue recognized | Due from customers for contract work | Accounts receivable - real estate sales | Advances received - real estate sales |
| Gasan Knowledge Industry Center Development | ₩ 76,562 | ₩ 32,785 | ₩ - | ₩ - | ₩ - |
| Development of Detached House in Unyangdong, Gimpo | 39,885 | 1,763 | - | - | 2,143 |
| Sungsu Knowledge Industry Center Development | 128,509 | - | - | - | 32,215 |
| Construction Project of Hanam Gamil District | 151,996 | 22,196 | - | - | 23,388 |
| Hanam Gamil Housing Construction Project | 68,896 | 33,586 | - | - | 15,418 |
| Administrative City 6-4 Living Area | 311,576 | 51,564 | - | - | 40,134 |
| Total | 777,423 | 141,894 | - | - | 113,299 |

(8) As total construction prices and costs of the construction contracts existed at December 31, 2018, changed during the year, the profit or loss and others changed accordingly. Details of these changes are as follows (Korean won in millions):

| Segment | Changes in total contract price and estimated total contract cost | Impact on profit or loss for the year | Impact on profit or loss for succeeding year | Changes in due from (due to) customers for contract work | Provision for losses on contract work |
|---|---|---|---|---|---|
| Civil engineering | ₩ 2,470 | ₩ 3,738 | ₩ (1,268) | ₩ 3,738 | ₩ 4,086 |
| Construction | 28,686 | 16,027 | 12,659 | 16,027 | 2,379 |
| Total | 31,156 | 19,765 | 11,391 | 19,765 | 6,465 |

(9) Details of major contracts using the stage-of-completion method by cost input basis for revenue recognition, the contract prices of which are more than 5% of the sales in prior year, are as follows (Korean won in millions):

| | Contract date | Contract completion date | Percentage of completion (%) | Due from customers for contract work | | Accounts receivable – construction | | Accounts receivable – real estate sales | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross amount | Allowance for doubtful accounts | Gross amount | Allowance for doubtful accounts | Gross amount | Allowance for doubtful accounts |
| Changwon Seokjeon Redevelopment Maintenance Project | 2017-03-01 | 2019-12-31 | 100.00 | ₩ - | ₩ - | ₩ 72,744 | ₩473 | ₩ - | ₩ - |
| West Sea Line (Hongseong – Songsan) Double-track Railway Section 2 Construction | 2015-04-20 | 2021-06-30 | 83.20 | 1,995 | - | - | - | - | - |
| Busan Yongho District 3 Redevelopment | 2019-11-01 | 2022-12-20 | 5.72 | 9,567 | 62 | - | - | - | - |
| Changwon Jungdong Unicity 1BL | 2016-04-11 | 2019-10-31 | 100.00 | - | - | - | - | - | - |
| Changwon Jungdong Unicity 2BL | 2016-04-11 | 2019-10-31 | 100.00 | - | - | - | - | - | - |
| Sejong – Pocheon Expressway Anseong – Guri Construction (Section 13) | 2016-12-13 | 2022-12-12 | 31.53 | 8,415 | - | - | - | - | - |
| Changwon Jungdong Unicity 3BL | 2016-09-19 | 2019-12-31 | 100.00 | - | - | 7,446 | 48 | - | - |
| Changwon Jungdong Unicity 4BL | 2016-09-19 | 2019-12-31 | 100.00 | - | - | 9,268 | 60 | - | - |
| Changwon Jungdong Unicity Commercial Facility | 2016-09-22 | 2019-12-31 | 100.00 | - | - | - | - | - | - |
| Gwangmyeong Station Complex PF Project Phase 2 | 2018-04-01 | 2021-08-16 | 32.97 | - | - | - | - | - | - |
| Eco City DesiAn 8BL | 2017-12-01 | 2020-04-30 | 90.37 | 186 | 1 | 5,392 | 35 | - | - |
| Eco City DesiAn 3BL | 2018-09-01 | 2021-01-31 | 55.03 | 6,112 | 40 | 5,280 | 34 | - | - |
| Eco City DesiAn 14BL | 2019-04-01 | 2021-10-14 | 14.21 | - | - | 4,955 | 32 | - | - |

| | Contract date | Contract completion date | Percentage of completion (%) | Due from customers for contract work | | Accounts receivable – construction | | Accounts receivable – real estate sales | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross amount | Allowance for doubtful accounts | Gross amount | Allowance for doubtful accounts | Gross amount | Allowance for doubtful accounts |
| Bupyeong J Tower 3rd Knowledge Industry Center Development Project | 2019-01-01 | 2020-11-30 | 36.77 | 8,297 | 54 | - | - | - | - |
| Paju Unjeong Detached House Construction | 2018-12-01 | 2020-07-31 | 59.63 | 39,607 | 257 | - | - | - | - |
| Military Unit relocation and site development civil engineering business | 2006-05-30 | 2020-12-31 | 93.66 | - | - | 2,116 | 14 | - | - |
| Gwangmyeong Complex Development PF | 2016-04-19 | 2020-01-22 | 97.72 | - | - | 27,000 | 176 | - | - |
| Changwon Relocation and Development Project of Military Unit | 2011-12-30 | 2019-09-30 | 100.00 | - | - | - | - | - | - |
| Administrative City 6-4 Living Area | 2017-12-29 | 2020-09-30 | 72.22 | 33,197 | - | - | - | - | - |
| Daegu Donam Private Participation Public Housing District | 2019-05-01 | 2021-10-31 | 14.28 | - | - | - | - | 20 | - |
| Yangsan Sasong Housing Construction Project | 2019-04-30 | 2021-11-10 | 14.46 | - | - | - | - | 2,764 | - |

## 35. JOINT VENTURE CONSTRUCTIONS:

The details of major joint venture constructions as of December 31, 2019, are summarized as follows (Korean won in millions):

| | Total amount of construction | Share in total amount | Ownership percentage (%) |
|---|---|---|---|
| Changwon Jungdong Unicity 1BL | ₩ 534,774 | ₩ 312,629 | 58.46 |
| Changwon Jungdong Unicity 4BL | 517,405 | 302,475 | 58.46 |
| Changwon Jungdong Unicity Commercial Facility | 255,813 | 199,381 | 77.94 |
| Changwon Jungdong Unicity 3BL | 415,393 | 242,839 | 58.46 |
| Eco City DesiAn 14BL | 170,880 | 136,704 | 80.00 |
| Changwon Jungdong Unicity 2BL | 305,215 | 178,429 | 58.46 |
| Changwon Relocation and Development Project of Military Unit | 416,017 | 205,429 | 49.38 |
| Eco City DesiAn 8BL | 143,830 | 115,064 | 80.00 |
| Busan Yongho District 3 Redevelopment | 304,110 | 167,261 | 55.00 |
| Eco City DesiAn 3BL | 143,606 | 114,885 | 80.00 |
| Changwon Seokjeon Redevelopment Maintenance Project | 284,659 | 156,563 | 55.00 |
| West Sea Line (Hongseong–Songsan) Double-track Railway Section 2 Construction | 134,015 | 107,212 | 80.00 |
| Eco City DesiAn 12BL | 118,926 | 95,141 | 80.00 |

## 36. RELATED-PARTY TRANSACTIONS:

(1) Details of related parties as of December 31, 2019, are as follows:

| The nature of the relationship | Related parties |
|---|---|
| Parent company | - |
| Subsidiaries | SBS Media Holdings Co., Ltd.; Pocheon Bio Energy Co., Ltd.; TSK Corporation., Ltd.; Blueone Co., Ltd.; Daegu South AMC Co., Ltd.; Yangsan Seokgye AMC Co., Ltd.; INJE Spidium Co., Ltd.; Uni City Co., Ltd.; NEO City Co., Ltd.; Mcieta Development Co., Ltd.; Mcieta Co., Ltd.; Ecocity Development Co., Ltd.; PTSILO Co., Ltd.; DAEDONG INDUSTRY; Eco System Co., Ltd.; TSK Water Co., Ltd.; HuvisWater Corporation; HuvisWater Vietnam; Ulsan E&P Co., Ltd.; Centro Co., Ltd.; TSK Green Energy Co., Ltd.; TSK N Water Tech Co., Ltd.; TSK M&S Inc.; Yeosu Expo Enviro Co., Ltd.; Busan Bio Energy Co., Ltd.; SBS MediaNet Inc.(previously SBS Plus Inc.); SBS International, INC.; SBS Neo Partners Co., Ltd.; SBS Viacom; GFNL Co., Ltd.; SBS Plus Co., Ltd.; etc. |

| The nature of the relationship | Related parties |
|---|---|
| Associates | Taeyoung Industry Co., Ltd.; Woori Byeongyoung Co., Ltd.; Eco-city Corporation; Busan ENE Co., Ltd.; The 2nd Chungmu Co., Ltd.; Yangsan Seokgye Industrial Complex Company; Gyoungsan Eco Energy Co., Ltd.; Pyeong Hwa BTL Co., Ltd.; CHUNGMU Co., Ltd.; Jeonju Recycling Energy Co., Ltd.; Shin Gyeongju Regional Development Co., Ltd.; Shin Gyeongju Station Area Public Development Co., Ltd.; Songdu Industrial Complex Development Co., Ltd.; INNER CITY Development; G Park Development Co., Ltd.; Suwon Galleria Station Area Mixed Use Development PFV Company; Gimhae Daedong Hightech Industrial Complex Co., Ltd.; Cheonan Pungse Industrial Complex Development Co., Ltd.; Gunpo Mixed Use Development PFV Company; etc. |
| Associates of subsidiaries | Seoul Broadcasting System Co., Ltd.; Lee&S Sports Co., Ltd.; STT Media Group, LLC.; HANARO Solar Power Plant Co., Ltd.; Suwon Green Environment Co., Ltd.; etc. |
| Joint venture of subsidiaries | Smart Media Representative Co., Ltd. |
| Subsidiaries of associates | SBS Contents Hub Co., Ltd.; SBS Art & Technology; THE STORY WORKS Co., Ltd.; DMC Media Co., Ltd.; SBS Digital News Lab Co., Ltd.; Formattist Co., Ltd.; SBS I&M Co., Ltd.; SBS China Co., Ltd.; etc. |
| Large Enterprise Group subject to limitations on mutual investment, etc. (*1) | SBS M&C Co., Ltd. (previously Media Create Co., Ltd.); CONAD; Taeyoung Grain Terminal Co., Ltd.; Dongbugwon Puleunmul Co., Ltd.; Yangju East-West Way Co., Ltd.; Content Wavve Corp. (previously Content Alliance Platform Inc.); etc. |

(*1) These companies and others are not qualified for related parties defined in K-IFRS 1024 'Related Party Disclosures' paragraph 9, but are classified as related parties by the resolution of Securities and Futures Commission that business groups designated as Large Enterprise Group, subject to limitations on mutual investment by Fair Trade Commission, and satisfy the definition of a related party considering the substance of the relationship defined in K-IFRS 1024 paragraph 10.

(2) Transactions with related parties for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| Related parties | Accounts | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Subsidiaries: | | | |
| Blueone Co., Ltd. | Construction revenue | ₩ 25,554 | ₩ 306 |
| | Miscellaneous gains | 18 | - |
| | Prepaid construction cost | 4 | 11 |
| | Construction in progress | 291 | 230 |
| | Expenses | 19 | 1 |
| | Employee benefits | 4 | 11 |
| | Entertainment expenses | 4 | 7 |
| | Commissions | 40 | 25 |
| | Supplies expenses | 12 | 2 |
| TSK Water Co., Ltd. | Outsourcing fees | 4,455 | 25 |
| Pocheon Bio Energy Co., Ltd. | Other revenue | 2,293 | 1,049 |
| Ecocity Development Co., Ltd. | Construction revenue | 146,633 | 133,049 |
| Mcieta Development Co., Ltd. | Construction revenue | 254,647 | 207,263 |
| INJE Spidium Co., Ltd. | Prepaid construction cost | 3 | 2 |
| | Construction in progress | - | - |

| Related parties | Accounts | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| | Expenses | 3 | 1 |
| | Employee benefits | 239 | 222 |
| | Entertainment expenses | - | 2 |
| | Advertising expenses | 139 | 136 |
| | Supplies expenses | - | 3 |
| Uni City Co., Ltd. | Construction revenue | 351,826 | 476,421 |
| | Disposal of assets | 2,793 | - |
| | Expenses | - | 62 |
| TSK Corporation., Ltd. | Outsourcing fees | 1,748 | 1,640 |
| TSK M&S Inc. | Material cost | 23 | - |
| PTSILO Co., Ltd. | Construction revenue | 9,073 | - |
| Associates: | | | |
| Gyoungsan Eco Energy Co., Ltd. | Other revenue | 1,604 | 1,531 |
| Yangsan Seokgye Industrial Complex Company | Construction revenue | 7,370 | 25,658 |
| | Other revenue | 392 | - |
| Eco-city Corporation | Construction revenue | 2,030 | 17,326 |
| | Other revenue | 49 | - |
| Jeonju Recycling Energy Co., Ltd. | Other revenue | 4,842 | 4,415 |
| | Expenses | 294 | 303 |
| Taeyoung Industry Co., Ltd. | Rental income | 127 | 148 |
| | Dividends | 901 | 1,201 |
| | Commissions | 25 | 25 |
| Songdu Industrial Complex Development Co., Ltd. | Construction revenue | 8,569 | 14,840 |
| Shin Gyeongju Station Area Public Development Co., Ltd. | Construction revenue | 5,568 | 2,292 |
| INNER CITY Development | Construction revenue | 6,930 | 1,925 |
| | Other revenue | 3 | - |
| Gunpo Mixed Use Development PFV Company | Miscellaneous gains | 343 | - |
| Associates of subsidiaries: | | | |
| Seoul Broadcasting System Co., Ltd. | Supplies expenses | - | 10 |
| Large Enterprise Group subject to limitations on mutual investment: | | | |
| SBS M&C Co., Ltd.(previously Media Create Co., Ltd.) | Advertising expenses | 832 | - |
| Dongbugwon Puleunmul Co., Ltd. | Construction revenue | 11,025 | 8,984 |
| Taeyoung Grain Terminal Co., Ltd. | Prepaid construction cost | - | - |
| | Expenses | 29 | - |
| PTSILO Co., Ltd. (*1) | Construction revenue | 19,697 | - |
| Content Wavve Corp. (previously Content Alliance Platform Inc.) | Supplies expenses | - | - |
| Yangju East-West Way Co., Ltd. | Miscellaneous gains | 1,216 | - |
| Jingeon Biotech Co,. Ltd. (*2) | Construction revenue | - | 6,849 |

(*1) The above transaction is the result that occurred before the companies were reclassified to subsidiaries.
(*2) In the current year, it was excluded from Large Enterprise Group subject to limitations on mutual investment.

(3) Assets and liabilities resulting from related-party transactions as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| Related parties | Accounts | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Subsidiaries: | | | |
| TSK Corporation., Ltd. | Withholdings | ₩ 42 | ₩ 100 |
| | Other accounts payable | 1,407 | 780 |
| Pocheon Bio Energy Co., Ltd. | Other accounts receivable | 718 | 232 |
| Blueone Co., Ltd. (*1) | Accounts receivable - construction | 6,952 | - |
| | Other accounts receivable | - | 306 |
| | Other accounts payable | 18 | 24 |
| Ecocity Development Co., Ltd. | Accounts receivable - construction | 15,627 | 8,096 |
| | Due from customers under construction contracts | 6,299 | 787 |
| | Other accounts receivable | 23 | 11 |
| | Due to customers under construction contracts | 4,478 | 7,622 |
| Mcieta Co., Ltd. | Other accounts receivable | 22 | 40 |
| Mcieta Development Co., Ltd. | Accounts receivable - construction | 27,621 | - |
| | Due from customers under construction contracts | - | 9,276 |
| | Due to customers under construction contracts | 27,133 | 5,916 |
| INJE Spidium Co., Ltd. | Other accounts payable | - | - |
| Uni City Co., Ltd. | Accounts receivable - construction | 16,714 | 1,360 |
| | Due from customers under construction contracts | - | 11,993 |
| | Other accounts receivable | 10 | 9 |
| | Due to customers under construction contracts | - | 10,637 |
| NEO City Co., Ltd. | Other accounts receivable | 47 | 46 |
| TSK Water Co., Ltd. | Other accounts receivable | 55 | 205 |
| | Withholdings | 191 | 114 |
| | Other accounts payable | 621 | 269 |
| PTSILO Co., Ltd. | Due from customers under construction contracts | 5,861 | - |
| Associates: | | | |
| Yangsan Seokgye Industrial Complex Company | Accounts receivable - construction | - | 15,034 |
| | Due from customers under construction contracts | - | 8,636 |
| Eco-city Corporation | Accounts receivable - construction | 2,116 | 10,293 |
| | Accrued income | 587 | 587 |
| | Due to customers under construction contracts | 3,109 | 5,139 |
| Taeyoung Industry Co., Ltd. | Other accounts receivable | 11 | 14 |
| | Rental deposits received | 124 | 124 |
| Jeonju Recycling Energy Co., Ltd. | Other accounts receivable | 582 | 298 |
| Shin Gyeongju Station Area Public Development Co., Ltd. | Due from customers under construction contracts | 5,130 | - |
| | Other accounts receivable | - | 2,292 |
| INNER CITY Development | Due from customers under construction contracts | 1,243 | - |
| | Other accounts receivable | - | 1,237 |
| G Park Development Co., Ltd. | Other accounts receivable | 44 | - |
| Large Enterprise Group subject to limitations on mutual investment: | | | |
| Dongbugwon Puleunmul Co., Ltd. | Accounts receivable - construction | 2,581 | 806 |
| | Due from customers under construction contracts | - | 837 |
| Taeyoung Grain Terminal Co., Ltd. | Other accounts payable | 5 | - |

| Related parties | Accounts | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Yangju East-West Way Co., Ltd. | Other accounts receivable | 1,338 | - |

(*1) In addition to the above-mentioned receivables, membership rights for Blueone Co., Ltd. (KRW 6,313 million as of December 31, 2019 and 2018) are recorded as intangible assets.

The amounts of receivables and payables disclosed above may differ from those recognized by the related parties since the Company recognizes construction revenue by the reference to the stage-of-completion method.

(4) Details of loans to related parties for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| Related parties | Accounts | December 31, 2019 | | | |
|---|---|---|---|---|---|
| | | January 1, 2019 | Increase | Decrease | December 31, 2019 |
| Subsidiary: | | | | | |
| INJE Spidium Co., Ltd. | Long-term loans | ₩ 3,100 | ₩ - | ₩ - | ₩ 3,100 |
| | Allowance for doubtful accounts | (3,100) | - | - | (3,100) |
| Associates: | | | | | |
| Gunpo Mixed Use Development PFV Company | Long-term loans | - | 8,147 | - | 8,147 |
| Eco-city Corporation | Short-term loans | - | 10,000 | 10,000 | - |
| Total | | - | 18,147 | 10,000 | 8,147 |

| Related party | Accounts | December 31, 2018 | | | |
|---|---|---|---|---|---|
| | | January 1, 2018 | Increase | Decrease | December 31, 2018 |
| Subsidiary: | | | | | |
| INJE Spidium Co., Ltd. | Long-term loans | ₩ 3,100 | ₩ | ₩ ₩- | ₩ 3,100 |
| | Allowance for doubtful accounts | (3,100) | - | - | (3,100) |
| Total | | - | - | - | - |

(5) There are no borrowing transactions with related parties for the years ended December 31, 2019 and 2018.

(6) Details of equity transactions with related parties for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| Related parties | Transactions | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Subsidiaries: | | | |
| NEO City Co., Ltd. | Paid-in capital increase | ₩ 3,450 | ₩ - |
| INJE Spidium Co., Ltd. | Paid-in capital increase (*1) | 6,000 | 6,000 |
| PTSILO Co., Ltd. | Paid-in capital increase | 35,000 | - |
| DAEDONG INDUSTRY | Investment in capital (newly incorporated) | 100 | - |
| Associates: | | | |
| INNER CITY Development | Investment in capital (newly incorporated) | - | 700 |
| G Park Development Co., Ltd. | Investment in capital (newly incorporated) | 1,995 | - |

| Related parties | Transactions | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Suwon Galleria Station Area Mixed Use Development PFV Company | Investment in capital (newly incorporated) | 1,000 | - |
| Cheonan Pungse Industrial Complex Development Co., Ltd. | Investment in capital (newly incorporated) | 1,250 | - |
| Gunpo Mixed Use Development PFV Company | Investment in capital (newly incorporated) | 1,770 | - |

(*1) As the fair value of the investment stock of INJE Spidium Co., Ltd. was KRW 0, the amount of paid-in capital was recognized as a deduction of other provisions.

(7) Guarantees provided to related parties for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| Guarantor | Guarantee (principal debtor) | Guarantee details | December 31, 2019 | | Payment-guaranteed party |
|---|---|---|---|---|---|
| | | | Guarantee limit (*1) | Guaranteed amounts | |
| Taeyoung Engineering and Construction Co., Ltd. | Mcieta Development Co., Ltd. | PF borrowing guarantee | ₩ 668,699 | ₩ 425,200 | KEB Hana Bank, etc. |
| | Ecocity Development Co., Ltd. | PF borrowing guarantee, etc. | 391,000 | 279,200 | SK Securities Co., Ltd., etc. |
| | Uni City Co., Ltd. | PF borrowing guarantee | 359,165 | 335,782 | Kyungnam Bank, etc. |
| | INJE Spidium Co., Ltd. | SOC debt takeover agreement, etc. | 150,500 | 150,500 | Korea Investment & Securities Co., Ltd. |
| | Blueone Co., Ltd. | Installment debt joint surety | 32,023 | 32,023 | Shinhan Bank, etc. |
| | | Foreign currency payment guarantee | 29,177 | 29,177 | Shinhan Bank |
| | Gimhae Daedong Hightech Industrial Complex Co., Ltd. | PF borrowing guarantee | 400,000 | 400,000 | Leading Investment & Securities Co., Ltd., etc. |
| | Eco-city Corporation | PF borrowing guarantee | 80,625 | 70,225 | SK Securities Co., Ltd. |
| | Yangsan Seokgye Industrial Complex Company | PF borrowing guarantee | 47,500 | 45,500 | Kyungnam Bank, etc. |
| | Shin Gyeongju Station Area Public Development Co., Ltd. | PF borrowing guarantee | 191,100 | 127,400 | Korea Development Bank, etc. |
| | Pyeong Hwa BTL Co., Ltd. | SOC supplemental funding agreement | 20,280 | 20,280 | Korea Development Bank, etc. |
| | Jeonju Recycling Energy Co., Ltd. | SOC supplemental funding agreement | 2,625 | 2,625 | Woori Bank, etc. |
| | CHUNGMU Co., Ltd. | SOC supplemental funding agreement | 53,054 | 50,725 | Nonghyup Bank, etc. |
| | The 2nd Chungmu Co., Ltd. | SOC supplemental funding agreement | 36,372 | 35,067 | LIG Insurance Co. Ltd., etc. |
| | Woori Byeongyoung Co., Ltd. | SOC supplemental funding agreement | 17,265 | 16,705 | National Pension Service |

| Guarantor | Guarantee (principal debtor) | Guarantee details | December 31, 2019 | | Payment-guaranteed party |
|---|---|---|---|---|---|
| | | | Guarantee limit (*1) | Guaranteed amounts | |
| | Busan ENE Co., Ltd. | SOC supplemental funding agreement | 4,200 | 4,043 | Korea Development Bank, etc. |
| | Gyoungsan Eco Energy Co., Ltd. | SOC supplemental funding agreement | 4,500 | 4,500 | KEB Hana Bank, etc. |
| | Dongbugwon Puleunmul Co., Ltd. | SOC supplemental funding agreement | 17,121 | 12,996 | KEB Hana Bank, etc. |
| | Taeyoung Grain Terminal Co., Ltd. | SOC supplemental funding agreement | 970 | 970 | KEB Hana Bank, etc. |
| Total | | | 2,506,177 | 2,042,918 | |

(*1) The above guarantee limit refers to the total amount of the remaining contracts, excluding the amount that has been executed and repaid among the initial total loan amounts in the agreement signed by the Company in connection with the replenishment agreement of PF loan, etc.

| Guarantor | Guarantee (principal debtor) | Guarantee details | December 31, 2018 | | Payment-guaranteed party |
|---|---|---|---|---|---|
| | | | Guarantee limit (*1) | Guaranteed amounts | |
| Taeyoung Engineering and Construction Co., Ltd. | Mcieta Development Co., Ltd. | PF borrowing guarantee | ₩ 733,900 | ₩ 232,200 | KEB Hana Bank, etc. |
| | Ecocity Development Co., Ltd. | PF borrowing guarantee, etc. | 407,000 | 193,260 | SK Securities Co., Ltd., etc. |
| | Uni City Co., Ltd. | PF borrowing guarantee | 410,843 | 274,056 | Kyungnam Bank, etc. |
| | INJE Spidium Co., Ltd. | SOC debt takeover agreement, etc. | 150,500 | 150,500 | Korea Investment & Securities Co., Ltd. |
| | Blueone Co., Ltd. | Installment debt joint surety | 75,600 | 75,600 | Shinhan Bank, etc. |
| | Eco-city Corporation | PF borrowing guarantee | 96,852 | 96,852 | SK Securities Co., Ltd. |
| | Yangsan Seokgye Industrial Complex Company | PF borrowing guarantee | 125,000 | 63,000 | Kyungnam Bank, etc. |
| | Shin Gyeongju Station Area Public Development Co., Ltd. | PF borrowing guarantee | 191,100 | 106,232 | Korea Development Bank, etc. |
| | Songdu Industrial Complex Development Co., Ltd. | PF borrowing guarantee | 12,600 | - | Korea Development Bank, etc. |
| | Pyeong Hwa BTL Co., Ltd. | SOC supplemental funding agreement | 21,680 | 21,680 | Korea Development Bank, etc. |
| | Jeonju Recycling Energy Co., Ltd. | SOC supplemental funding agreement | 2,625 | 2,625 | Woori Bank, etc. |
| | CHUNGMU Co., Ltd. | SOC supplemental funding agreement | 56,349 | 54,020 | Nonghyup Bank, etc. |
| | The 2nd Chungmu Co., Ltd. | SOC supplemental funding agreement | 38,309 | 37,004 | LIG Insurance Co. Ltd., etc. |
| | Woori Byeongyoung Co., Ltd. | SOC supplemental funding agreement | 18,658 | 18,098 | National Pension Service |

| Guarantor | Guarantee (principal debtor) | Guarantee details | December 31, 2018 | | Payment-guaranteed party |
|---|---|---|---|---|---|
| | | | Guarantee limit (*1) | Guaranteed amounts | |
| | Busan ENE Co., Ltd. | SOC supplemental funding agreement | 4,200 | 4,200 | Korea Development Bank, etc. |
| | Gyoungsan Eco Energy Co., Ltd. | SOC supplemental funding agreement | 4,500 | 4,500 | KEB Hana Bank, etc. |
| Total | | | 2,349,716 | 1,333,827 | |

(*1) The above guarantee limit refers to the total amount of the remaining contracts, excluding the amount that has been executed and repaid among the initial total loan amounts in the agreement signed by the Company in connection with the replenishment agreement of PF loan, etc.

Meanwhile, the Company provides guarantees of completion and commencement to the related parties.

(8) There have been no guarantees received or assets pledged from related parties for the year ended December 31, 2019.

(9) The total compensation for key management personnel, registered and delegated with important rights and responsibilities to plan, operate and control the business activities, for the years ended December 31, 2019 and 2018, is as follows (Korean won in millions):

| | Short-term employee benefits (*1) | Postemployment benefits (*2) | Total |
|---|---|---|---|
| December 31, 2019 | ₩ 2,954 | ₩ 373 | ₩ 3,327 |
| December 31, 2018 | 3,004 | 127 | 3,131 |

(*1) The amount includes salary, bonus, the Company's required contribution for National Pension Service, scholarships and medical aids.
(*2) The amount indicates defined benefit obligation recorded for the current year.

## 37. GUARANTEE FOR CONSTRUCTION:

(1) The Company has provided construction performance guarantee as of December 31, 2019, as follows (Korean won in millions):

| Provided party | Contractor | Guaranteed amounts | Description |
|---|---|---|---|
| KCC Engineering & Construction Co., Ltd. | Yongin Cityhall, etc. | ₩ 141,468 | Performance guarantee |
| Dongbu Construction Co., Ltd. | Korea Rural Corporation | 24,319 | Performance guarantee |

Additionally, the Company has provided performance guarantee of KRW 40.8 billion to Seoul Guarantee Insurance Co., Ltd. and joint guarantee of construction and performance to Korea Housing & Urban Guarantee Corporation in connection with guarantee of developers for housing completion provided by Korea Housing & Urban Guarantee Corporation.

(2) Major guarantees the Company has been offered as of December 31, 2019, are as follows (Korean won in millions):

| Guarantor | Type of guarantee | Contractor | Guaranteed amounts | Description |
|---|---|---|---|---|
| Construction Guarantee Cooperative | Guarantee of price payment for rental of construction machinery | ACE TOWER CO., LTD. | ₩ 864 | Tower crane installation, dismantlement and rental for Bupyeong J Tower 3rd Knowledge Industry Center development project |
| | | BUK SAN JUNG KI SAN UP | 650 | Lease, install and dismantle tower cranes among 6-4 administrative districts |
| | Contract guarantee | SEOUL CHANGDONG FOUNDATION & CULTURE URBAN REGENERATION REIT CO., Ltd. | 10,913 | Chang-dong Start-up and Culture Industry Complex project |
| | | DDISY-230 Residential REIT Co., LTD. | 9,954 | Suyu-dong Residential Complex construction |
| | | KOOKMIN BANK | 7,099 | Pangyo 7-3 BL Business Hotel, new construction |
| | | Saeng Bo Estate Trust Co., Ltd. | 5,555 | Jeodong 2 District Business Hotel, new construction |
| | | Seoul Metropolitan Infrastructure Administration | 5,466 | Seonam Sewage Treatment Plant high-class treatment project and facilities modernization |
| | | Bukhangang Official Barracks Co., Ltd. | 4,782 | Private participation in infrastructure for Hwacheon Yanggu's official residence and military facilities (BTL) |
| | | Seoul Ritz Rental Housing No. 1 Real Estate Investment Co., Ltd. | 3,071 | Seoul Ritz Rental Housing No. 1 construction |
| | | Korea Water Resources Corporation | 2,885 | Shi Hwa Multi Techno Valley zone 2 construction |
| | | National Federation of Fisheries Cooperatives | 2,405 | Noryangjin Fisheries Wholesale Market modernization |
| | | KOOKMIN BANK | 1,980 | Myeongdong Cheonghwi remodeling construction |
| | | Gyeongsangbuk-do | 1,734 | Sinpyeongcheon (Sinpyeong District) River Disaster Prevention Project |
| | | Ganseong Sunjin Byeongyoung Co., Ltd. | 1,624 | Private participation in infrastructure for Army Ganseong Military Facility construction (BTL) |
| | | National Federation of Fisheries Cooperatives | 1,523 | Noryangjin Fisheries Wholesale Market modernization |
| | | Goseong Han Family Barracks Co., Ltd. | 1,262 | Private participation in infrastructure for Army Goseong Military Facility construction (BTL) |
| | | KEPCO | 1,008 | Daegu Bukgu Electric Power Facility construction |
| | Construction performance guarantee | KOREA EXPRESSWAY CORPORATION | 100,308 | Sejong-Pocheon Expressway Anseong-Guri Road construction (zone 13) |
| | | Mcieta Development Co., Ltd. | 42,751 | Gwang Myeong Station Complex PF development (non-housing section) |
| | | Mcieta Development Co., Ltd. | 42,013 | Gwang Myeong Station Complex PF development (housing section) |

| Guarantor | Type of guarantee | Contractor | Guaranteed amounts | Description |
|---|---|---|---|---|
| | | Institute for Basic Science | 35,032 | Heavy Ion Accelerator construction |
| | | KYUNGKI CITY PUBLIC CORPORATION | 34,611 | Namyangju Dasan Jingeon area B3, Jigeum A1 BL Public Housing BTL |
| | | NHF 12th Public Rental Trust Management Real Estate Investment CO., LTD. | 33,217 | (Public rental) Yangju Okjeong A-20(2),(3)BL Apartment construction (zone 7) |
| | | KOREA EXPRESSWAY CORPORATION | 31,520 | Expressway line construction between Hamyang and Changnyeong (District 9) |
| | | Public Procurement Service | 27,099 | Byeollae (Amsa–Byeollae) Double Track Subway District 4 construction (civil engineering) |
| | | Gyeonggi Ritz Public Rental Trust Management Real Estate Investment CO., LTD. | 26,978 | Namyangju Dasan Jigeum A-2 BL Public Rental Housing |
| | | KOREA EXPRESSWAY CORPORATION | 25,755 | Sejong-Pocheon Expressway Anseong-Guri Road construction (zone 14) |
| | Payment guarantee | Incheon International Airport Corporation | 50 | Sammok Camp Town |
| | Purchase landsite guarantee | Korea Land & Housing Corporation (LH) | 20,836 | 1004-0 Galhyeon-dong, Gwacheon-si, Gyeonggi-do |
| | Work performance guarantee | Gimje city | 5,997 | Gimje Sewage conduit alignment BTL |
| | Advance payment guarantee | Korea Rail Network Authority | 29,064 | Seohae Line (Hongseong–Songsan) Double Track Subway District 2 Roadbed construction (5th) |
| | | KOREA EXPRESSWAY CORPORATION | 21,177 | Anseong Guri Section of Sejong Pocheon Highway construction (BL 13)(4th) |
| | | Korea Rail Network Authority | 19,407 | Seohae Line (Hongseong–Songsan) Double Track Subway District 2 Roadbed construction (4th) |
| | | Korea Armed Forces Financial Services Association | 14,695 | Pyeongtaek US Troops Facility construction (2013-5021) (Integrated 2nd) |
| | | Korea Rail Network Authority | 12,274 | Seohae Line (Hongseong–Songsan) Double Track Subway District 2 Roadbed construction (3rd) |
| | | KOREA EXPRESSWAY CORPORATION | 9,670 | Anseong Guri Section of Sejong Pocheon Highway construction (BL 14)(4th) |
| | | Jeonbuk Development Corp. | 8,537 | Jeonju Manseong area B-2BL Public Rental Housing construction (2017) |
| | | Seoul Metropolitan Infrastructure Administration | 8,181 | Seonam Sewage Treatment Plant high-class treatment project and facilities modernization (9th) |
| | | Jeonbuk Development Corp. | 7,805 | Jeonju Manseong District B-2BL Public Rental Apartment construction (for 2019) |
| | | Institute for Basic Science | 7,477 | Heavy ion accelerator facility construction (4th) |
| | Performance guarantee | Public Procurement Service | 1,532 | Sewage sludge treatment facility construction |

| Guarantor | Type of guarantee | Contractor | Guaranteed amounts | Description |
|---|---|---|---|---|
| | Temporary electricity prepayment guarantee | Samchully Co., Ltd., Gwangmyuong Cogeneration Project | 31 | 240-10 Iljig-dong, Gwangmyeong-si, Gyeonggi-do, special complex zone hotel (2nd stage) |
| | Bidding guarantee | Oedongjuong Apartment reconstruction and maintenance of business association | 5,000 | Oe-dong Jugong Apartment Reconstruction Business Association |
| | | Daegu Munhwa Broadcasting Corporation | 5,000 | Daegu Munhwa Broadcasting Corporation |
| | Subcontract price payment guarantee | Q BECON CO., LTD. | 6,434 | Changwon Jungdong Unicity Commercial Facility concrete reinforcement |
| | | Samhyun Construction Co., Ltd. | 6,050 | Blueone Waterpark Parking Building concrete reinforcement |
| | | Sampyo P & C Co., Ltd. | 5,832 | Reinforced concrete construction in the Bupyeong J Tower 3rd Knowledge Industry Center Development project |
| | | Kwangyoung Construction Co., Ltd. | 5,392 | Gwang Myeong Station Complex PF Development (1st Housing section) |
| | | Dae Heung E&C | 5,022 | Steel reinforced concrete construction of Sinnae Dessian Flex Knowledge Industry Center |
| | | NHF12 REIT Co., Ltd. | 4,991 | Gwangmyeong Station Area Complex PF project_steel construction in 2nd stage |
| | | Sangha Construction Industry Co., Ltd. | 3,943 | Steel reinforced concrete construction of Paju Unjeong Detached House (zone 2) |
| | | Sangha Construction Industry Co., Ltd. | 3,861 | Steel reinforced concrete construction of Paju Unjeong Detached House (zone 1) |
| | | Sunghyun C & E Co., Ltd. | 3,735 | Earthworks of Cheonbuk Public Golf Courses (24 holes) |
| | | Kwangyoung Construction Co., Ltd. | 3,598 | Gwangmyeong Station Area Complex PF project_reinforced concrete construction in 2nd stage |
| | Repairs of defect guarantee | Gwangmyeong city | 4,710 | Gwangmyeong Station Area Complex PF project_apartment building |
| | | Changwon City Hall | 3,894 | Changwon Jungdong Unicity 1BL construction (tree, window, landscape construction, etc.) |
| | | Hwa Seong city | 3,648 | Hwaseong-Tae An Avenue bridge and detour construction |
| | | Changwon city | 3,076 | Changwon Jungdong Unicity 4BL construction_apartment building (tree, window, landscape construction, etc.) |
| | | Gwangmyeong city | 2,944 | Gwangmyeong Station Area Complex PF project_apartment building |
| | | Changwon city | 2,519 | Changwon Jungdong Unicity 3BL construction_apartment building (tree, window, landscape construction, etc.) |
| | | Changwon City Hall | 2,434 | Changwon Jungdong Unicity 1BL construction |
| | | Gwangmyeong city | 2,355 | Gwangmyeong Station Area Complex PF project_apartment building |

| Guarantor | Type of guarantee | Contractor | Guaranteed amounts | Description |
|---|---|---|---|---|
| | | Changwon City Hall | 2,226 | Changwon Jungdong Unicity 2BL construction (tree, window, landscape construction, etc.) |
| | | Iksan Regional Construction and Management Administration | 2,118 | Shintaein - Gimje Road expansion project_roads (asphalt pavement including culvert and sidewalk) |
| | Repairs of defect guarantee - overseas | KOICA | 206 | Mongol Ulan Bator Yarmag region water supply and resources usage efficiency project |
| | Execution of agreement guarantee | Korea Land & Housing Corporation (LH) | 22,547 | Suwon Godeung Residential Environment Improvement Project A-1BL Public Housing Construction BTL |
| | | HANAM CITY PUBLIC CORPORATION | 18,664 | Hanam Gamil District B9BL Private Participation Public Housing Construction project |
| | | KYUNGKI CITY PUBLIC CORPORATION | 17,083 | Namyangju Dasan Jingeon area B3, Jigeum A1 BL Packaged Type Public Housing Construction BTL |
| | | KYUNGKI CITY PUBLIC CORPORATION | 14,106 | Gwangju Station Area A1, A2 BL Public Housing Construction BTL |
| | Conclusion of agreement guarantee | Changwon city | 510 | Changwon Self-Contained Administrative Complex Town project |

In addition to the above guarantees, the Company is receiving a number of contract guarantees, advance payments and defect guarantees from Construction Guarantee Cooperative (total KRW 1,462.8 billion), Korea Housing Urban Guarantee Corporation (total KRW 1,312.9 billion) and Seoul Guarantee Insurance Co., Ltd. (total KRW 643.8 billion).

## 38. ASSETS PLEDGED:

The details of assets pledged, other than financial assets in Note 6, related to borrowings and rental deposits received as of December 31, 2019, are summarized as follows (Korean won in millions):

| Provided party | Assets pledged | Amount | Description |
|---|---|---|---|
| Woori Bank | Land and buildings | ₩ 3,900 | Rental deposits |

The Company has pledged investment securities of subsidiaries and associates of KRW 125,403 million to secure payment guarantees and SOC projects in addition to pledged assets disclosed above as of December 31, 2019.

Also, the Company has provided KRW 89,330 million of its equity shares of subsidiaries and associates, Uni-city Co., Ltd., Mcieta Development Co., Ltd. and INNER CITY Development, as collateral to secure PF loans for business activities of each subsidiary.

## 39. GENERAL GUARANTEES:

(1) The details of guarantees that the Company has been provided as of December 31, 2019, are as follows (OMR and USD in thousands and Korean won in millions):

| Guarantor | Currency | Amount | Description |
|---|---|---|---|
| KEB Hana Bank | OMR | 78 | Performance guarantee, advances received warranty, etc. |
| | USD | 7,586 | Performance guarantee, advances received warranty, etc. |
| The Export-Import Bank of Korea | USD | 56,247 | Performance guarantee, advances received warranty, etc. |

(2) Excluding payment guarantees between related parties, the balance of loans related to the property development, excluding privately owned projects, as of December 31, 2019 and 2018, is KRW 125.3 billion (up to KRW 144.4 billion) and KRW 86.4 billion (up to KRW 105.5 billion), respectively. The loan balances, including equity of other joint contractors, are KRW 871.4 billion (up to KRW 1,059.9 billion) and KRW 824.3 billion (up to KRW 1,015.3 billion), respectively.

(3) Excluding payment guarantees between related parties, as of December 31, 2019 and 2018, the Company provides supplemental funding agreements related to SOC projects, such as Daegu 4th Circular Road Construction, and the Company's share of the loan balances is KRW 620.1 billion (up to KRW 948.8 billion) and KRW 581.5 billion (up to KRW 795.2 billion), respectively; the loan balances, including equity of other joint contractors, are KRW 8,002.6 billion (up to KRW 11,131 billion) and KRW 7,432.6 billion (up to KRW 9,991.9 billion), respectively; and the Company provides joint assurance with participating contractors.

(4) Excluding payment guarantees between related parties, as of December 31, 2019 and 2018, the Company provides joint assurance of up to KRW 1,726.2 billion and KRW 1,395 billion, respectively, for loans with down payment and intermediate payment for Changwon Jungdong Unicity and Gwangmyeong Station Area development projects.

(5) Excluding payment guarantees between related parties, as of December 31, 2019 and 2018, the Company guarantees the completion of the reconstruction project of Mapo Changjeon Area 1 and the Company's share of the withdrawal balances is KRW 615.8 billion (up to KRW 1,118 billion) and KRW 331.9 billion (up to KRW 589.8 billion), respectively.

## 40. COMMITMENTS AND CONTINGENCIES:

(1) Checks and notes provided for debt and guarantee
The Company has provided 28 blank checks, 14 blank notes and 4 par notes (KRW 400 million) for the debts and guarantees.

(2) Litigation:
As of December 31, 2019, the Company is a defendant in 40 lawsuits claiming construction warranties amounting to KRW 104,827 million and a plaintiff in 22 lawsuits claiming payments for construction. The Company recognized current provisions of KRW 46,869 million on lawsuits with predictable results.

(3) As of December 31, 2019, the Company has provided the financial investors with a put-back option to repurchase their interest proportionally to its interest ratio for SOC projects, such as Daegu South Circulation Road Project, Shinbundang Railroad Project, Gimje Corrosion of Sewer Pipe BTL Project, Pyeongtaek-Dangjin Port Yanggok pier BTL, National Marin Museum BTL Project and Seoul Northern Highway construction, when special conditions addressed in SOC contracts were satisfied.

(4) If the loan repayment is insufficient due to unsold land in connection with Jeonju Relocation and Development Project of Military Unit, an agreement has been concluded for the Company to purchase unsold land proportionally to its interest ratio.

(5) A contract has been concluded to purchase the entire unsold non-residential facility if it meets certain requirements in connection with Phase 2 of the PF project in Gwangmyeong Station Area Complex.

(6) Major commitments
The details of commitments with financial institutions as of December 31, 2019, are summarized as follows (OMR and USD in thousands and Korean won in millions):

| Division | Financial institution | Currency | Credit line |
|---|---|---|---|
| Overdraft | Bank Dhofar | OMR | 1,530 |
| | KEB Hana Bank | KRW | 5,000 |
| | Shinhan Bank | KRW | 10,000 |
| Loan | Bank Dhofar | OMR | 1,914 |
| | Shinhan Bank | KRW | 40,000 |
| | KEB Hana Bank | KRW | 65,000 |
| | Korea Development Bank | KRW | 62,000 |
| | Woori Bank | KRW | 39,000 |
| | Daegu Bank | KRW | 20,000 |
| PF loan agreement | Korean Federation of Community Credit Cooperatives | KRW | 10,000 |
| | Shinhan Bank | KRW | 7,500 |
| | Shinhan Capital | KRW | 7,500 |
| | MIRAE ASSET DAEWOO | KRW | 25,000 |
| | KTB Investment & Securities Co., Ltd. | KRW | 10,000 |
| | BNK Securities Co., Ltd. | KRW | 20,000 |
| Loans secured by receivables | Shinhan Bank | KRW | 25,000 |
| | Woori Bank | KRW | 10,000 |
| | KEB Hana Bank | KRW | 15,000 |
| Electronic credit receivable bond | Shinhan Bank | USD | 5,500 |

## 41. RISK MANAGEMENT:

(1) Capital management

The Company manages its capital to ensure that entities under it will be able to continue while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged from that of the prior years. The Company has a policy to modify dividend, return capital to shareholders, issue new shares or dispose assets, if necessary, to maintain and adjust its capital structure.

The capital structure of the Company consists of net debt (offset by cash and bank balances) and equity. The Company's overall capital risk management strategy remains unchanged from that of the prior year.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Borrowings and debentures | ₩ 640,180 | ₩ 465,295 |
| Less: Cash and cash equivalents | (94,125) | (63,597) |
| Borrowings and debentures, net | 546,055 | 401,698 |
| Total capital | 1,020,875 | 908,550 |
| Debt-to-equity ratio | 53.49% | 44.21% |

(2) Accounting policy for financial instruments, including recognition, measurement, presentation, etc., is described in Note 2.

(3) Details of each financial instrument category as of December 31, 2019 and 2018, are as follows (Korean won in millions):

1) Financial assets

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Financial assets at FVTPL | Financial assets at FVTOCI | Total | Current | Non-current |
| Cash and cash equivalents | ₩ 94,125 | ₩ - | ₩ - | ₩ 94,125 | ₩ 94,125 | ₩ - |
| Accounts receivable and other receivables: | | | | | | |
| Accounts receivable - construction | 213,336 | - | - | 213,336 | 213,336 | - |
| Accounts receivable - housing and office | 5,218 | - | - | 5,218 | 5,218 | - |
| Loans | 70,083 | - | - | 70,083 | 61,990 | 8,094 |
| Other accounts receivable | 102,183 | - | - | 102,183 | 102,183 | - |
| Financial instruments | 9,365 | - | - | 9,365 | 8,000 | 1,365 |
| Deposits | 107,774 | - | - | 107,774 | - | 107,774 |
| Subtotal | 507,960 | - | - | 507,960 | 390,727 | 117,234 |
| Financial assets at FVTPL | - | 54,940 | - | 54,940 | - | 54,940 |
| Financial assets at FVTOCI | - | - | 105,357 | 105,357 | 152 | 105,204 |
| Other assets: | | | | | | |
| Accrued income | 587 | - | - | 587 | 587 | - |
| Total | 602,672 | 54,940 | 105,357 | 762,969 | 485,590 | 277,378 |

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | Financial assets at FVTPL | Financial assets at FVTOCI | Total | Current | Non-current |
| Cash and cash equivalents | ₩ 63,597 | ₩ - | ₩ - | ₩63,597 | ₩ 63,597 | ₩ - |
| Accounts receivable and other receivables: | | | | | | |
| Accounts receivable - construction | 136,781 | - | - | 136,781 | 136,781 | - |
| Accounts receivable - housing and office | 540 | - | - | 540 | 540 | - |
| Loans | 51,173 | - | - | 51,173 | 46,704 | 4,469 |
| Other accounts receivable | 112,113 | - | - | 112,113 | 112,113 | - |
| Financial instruments | 10,010 | - | - | 10,010 | 8,000 | 2,010 |
| Deposits | 129,551 | - | - | 129,551 | - | 129,551 |
| Subtotal | 440,169 | - | - | 440,169 | 304,139 | 136,030 |
| Financial assets at FVTPL | - | 53,696 | - | 53,696 | - | 53,696 |
| Financial assets at FVTOCI | - | - | 126,855 | 126,855 | 232 | 126,623 |
| Other assets: | | | | | | |
| Accrued income | 587 | - | - | 587 | 587 | - |
| Total | 504,352 | 53,696 | 126,855 | 684,904 | 368,555 | 316,349 |

2) Financial liabilities

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Accounts payable and other payables: | | | | | | |
| Other accounts payable | ₩ 416,285 | ₩ - | ₩416,285 | ₩ 414,639 | ₩ - | ₩ 414,639 |
| Accrued expenses | 27,300 | - | 27,300 | 27,120 | - | 27,120 |
| Dividends payable | 1 | - | 1 | 3 | - | 3 |
| Withholdings | 15,066 | - | 15,066 | 6,493 | - | 6,493 |
| Subtotal | 458,651 | - | 458,651 | 448,255 | - | 448,255 |
| Borrowings | 201,068 | - | 201,068 | 115,588 | 50,150 | 165,738 |
| Debentures | 99,961 | 339,151 | 439,112 | 99,992 | 199,565 | 299,557 |
| Subtotal | 301,029 | 339,151 | 640,180 | 215,580 | 249,715 | 465,295 |
| Financial guarantee liabilities | 76,860 | 102,600 | 179,460 | 12,593 | 14,434 | 27,027 |
| Withholding deposits received | - | 8,972 | 8,972 | - | 8,617 | 8,617 |
| Non-current other accounts payable | - | 57,524 | 57,524 | - | - | - |
| Lease liabilities | 3,020 | 1,382 | 4,402 | - | - | - |
| Foreign exchange forward liabilities | 1,039 | 314 | 1,353 | - | - | - |
| Rental deposits received | 5,545 | 3,604 | 9,149 | 6,451 | 5,641 | 12,093 |
| Subtotal | 86,464 | 174,396 | 260,860 | 19,045 | 28,692 | 47,737 |
| Total | 846,144 | 513,547 | 1,359,691 | 682,880 | 278,407 | 961,287 |

The management of the Company believes that the recorded amounts of financial assets (loans and receivables), measured at amortized cost using the effective interest method, and financial liabilities are similar to fair value. In addition, available-for-sale securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably are measured at cost.

(4) Financial risk management

The Company is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk, related to financial instruments. The purpose of risk management of the Company is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Company. The Company uses derivative financial instruments to certain hedge risk exposures. The Company's overall financial risk management strategy remains unchanged from the prior year.

1) Foreign currency risk

Since the Company does not have any transactions denominated in foreign currency, it is not exposed to foreign currency risk.

2) Interest rate risk

The Company is exposed to interest rate risk due to its borrowings with floating interest rates. There are no major assets or liabilities exposed to interest rate risk as of December 31, 2019 and 2018.

3) Price risk

The Company is exposed to equity price risks arising from its equity investments. As of December 31, 2019, equity investments measured at fair value amounted to KRW 160,297 million. Equity investments are held for strategic, rather than trading, purposes. The Company does not actively trade these investments. When all other variables are constant and when the price of equity instruments changes by 10%, the value of equity investments would decrease/increase by KRW 16,030 million.

4) Credit risk

For the purpose of minimizing credit risk, the Company has adopted a policy of dealing with customers with a certain level of credit or higher and receiving sufficient collateral as a means of mitigating financial loss caused by default. The Company only accounts for companies with credit ratings that are above the investment grade and only invests in BBB-rated or higher entities that are considered to have low credit risk for the purpose of impairment testing. Credit risk refers to the risk that the counterparty will default on its contractual obligations and cause financial loss to the Company. Such credit rating information is provided by an independent credit rating agency, and if the information provided by the credit rating agency is not available, other financial information and transaction performance are formally announced and available for the purpose of determining the credit rating of the Company's major customers. The Company continuously reviews its credit risk exposure and credit rating. The total amount of these transactions is evenly distributed among the approved counterparties.

In addition, credit approval and other review procedures are available to provide follow-up care for recovery of overdue receivables. In addition, in order to recognize the allowance for uncollectible amounts, the recoverable amount of trade receivables and payables at the end of the year is reviewed on an individual basis. In this respect, the board of directors of the Company believes that the Company's credit risk has decreased significantly. Accounts receivable consist of a large number of accounts and are spread across various industries and regions. Credit ratings are continuously maintained for trade receivables, and if necessary, credit guarantee contracts are concluded.

The Company is not exposed to significant credit risk from a single counterparty or group of counterparties with similar characteristics. A group is defined as a counterparty with similar characteristics when the counterparties are related parties. Credit risk is limited because the customer base is broad and unrelated.

Credit risk for liquidity funds and derivatives is limited because the counterparty is a bank that has been granted a high credit rating by an international credit rating agency.

The maximum exposed amounts of credit risk for financial assets maintained by the Company are the book values of corresponding financial assets, except for below guarantee contracts as of December 31, 2019 and 2018. The amounts of guarantee contracts as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Book value | The maximum exposed amounts | Book value | The maximum exposed amounts |
| Financial guarantee contracts (*1) | ₩ 196,855 | ₩ 5,325,326 | ₩ 99,334 | ₩ 4,645,391 |

(*1) The maximum exposed amounts of credit risk for financial guarantee contracts are the maximum claim amounts. As of December 31, 2019 and 2018, the maximum exposed amounts consist of supplemental funding agreement of KRW 2,343.5 billion and KRW 2,158.4 billion, respectively, on PF loans for related parties; joint suretyship of KRW 1,726.2 billion and KRW 1,395.0 billion, respectively, on down payment loan; and supplemental funding agreement of KRW 1,255.7 billion and KRW 1,092.0 billion, respectively, related to SOC and real estate development.

5) Liquidity risk

The Company has established an appropriate liquidity risk management framework for the management of its short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities; continuously monitoring forecasted and actual cash flows; and matching the maturity profiles of financial assets and liabilities. The management of the Company believes that the Company is capable of repaying financial liabilities with cash flows generated by operating activities and financial assets held by the Company.

Details of cash flows of the Company's financial liabilities from December 31, 2019 and 2018, to maturity are as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Not later than one year | One year to two years | Two to five years | More than five years | Total |
| Borrowings and debentures (*1) | ₩ 314,057 | ₩ 107,068 | ₩ 242,217 | ₩ - | ₩ 663,342 |
| Accounts payable and other payables | 458,651 | - | - | - | 458,651 |
| Lease liabilities | 3,390 | 783 | 312 | 14 | 4,498 |
| Other financial liabilities (*2) | 5,620 | 70,127 | 40 | 120 | 75,907 |
| Financial guarantee contracts (*3) | 5,325,326 | - | - | - | 5,325,326 |

(*1) The amounts of borrowings and debentures consist of principal and interest, which would be paid in the future.
(*2) Other financial liabilities are the amounts of nominal value before discounting as present value.
(*3) Due to the above guarantee contract, if the person who receives the guarantee from the Company fails to fulfill the obligation, the obligation to pay may occur within one year from the year ended December 31, 2019.

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Not later than one year | One year to two years | Two to five years | More than five years | Total |
| Borrowings and debentures (*1) | ₩ 226,955 | ₩ 152,424 | ₩ 100,995 | ₩ - | ₩ 480,374 |
| Accounts payable and other payables | 448,255 | - | - | - | 448,255 |
| Other financial liabilities (*2) | 6,554 | 10,930 | 3,525 | 300 | 21,309 |
| Financial guarantee contracts (*3) | 4,645,391 | - | - | - | 4,645,391 |

The maturity analysis is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts included above for financial guarantee contracts are the maximum amounts the Company could be forced to settle under the arrangements for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change, in that the financial receivables held by the counterparty that are guaranteed suffer credit losses and the possibility of claims for payment by the counterparty may change.

The maturity analysis above is based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets. The amounts included for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from estimates of interest rates determined at the end of the reporting period.

Details of cash flows of the Company's derivative financial liabilities from December 31, 2019, to maturity are as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Not later than one month | One month to three months | Three months to one year | One year to five years | Total |
| Total payment: | | | | | |
| Foreign exchange forward - total outflows | ₩ 3,360 | ₩ 3,357 | ₩ 32,219 | ₩ 14,103 | ₩ 53,039 |

The above maturity analysis shows the details of liquidity analysis based on contractual maturity of derivative financial instruments. Derivatives that are settled in total are prepared based on undiscounted total cash inflows and total cash outflows. If the amount to be received or paid is not confirmed, the estimated interest rate based on the yield curve as of December 31, 2019, is used.

The details of commitments with financial institutions as of December 31, 2019 and 2018, are summarized as follows (Korean won in millions and OMR and USD in thousands):

| Division | | Currency | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Overdrafts | Used amounts | KRW | - | - |
| | Unused amounts | KRW | 15,000 | 19,000 |
| | Total | KRW | 15,000 | 19,000 |
| Overdrafts (OMR) | Used amounts | OMR | 879 | 775 |
| | Unused amounts | OMR | 651 | 755 |
| | Total | OMR | 1,530 | 1,530 |
| Loans | Used amounts | KRW | 142,000 | 112,000 |
| | Unused amounts | KRW | 84,000 | 55,000 |
| | Total | KRW | 226,000 | 167,000 |
| Loans (OMR) | Used amounts | OMR | 457 | 451 |
| | Unused amounts | OMR | 1,457 | 841 |
| | Total | OMR | 1,914 | 1,291 |
| PF agreement loans | Used amounts | KRW | 55,027 | 50,150 |
| | Unused amounts | KRW | 24,973 | 12,850 |
| | Total | KRW | 80,000 | 63,000 |
| Loans secured by receivables | Used amounts | KRW | 18,071 | 25,722 |
| | Unused amounts | KRW | 31,929 | 19,278 |

| Division | | Currency | December 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| | Total | KRW | 50,000 | 45,000 |
| L/C (USD) | Used amounts | USD | - | - |
| | Unused amounts | USD | 5,500 | - |
| | Total | USD | 5,500 | - |

The Company has access to financial facilities, of which KRW 155,902 million, OMR 2,108 thousand and USD 5,500 thousand were unused at the end of the reporting period. The Company expects to meet its other obligations from operating cash flows and proceeds from matured financial assets.

(5) Fair value estimate

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

Fair value hierarchy levels are classified as Levels 1, 2 and 3 depending on the observable level of fair value.

| | |
|---|---|
| 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, that is, prices, or indirectly, that is, derived from prices) for the asset or liability |
| Level 3 | Unobservable inputs for the asset or liability |

1) Fair values of financial instruments by hierarchy level as of December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Marketable equity securities | ₩ 52,998 | ₩ - | ₩ - | ₩ 52,998 |
| Unmarketable equity securities | - | 28,137 | 79,010 | 107,147 |
| Debt securities | - | 152 | - | 152 |
| Total | 52,998 | 28,290 | 79,010 | 160,297 |
| Financial liabilities: | | | | |
| Foreign exchange forward | - | 1,353 | - | 1,353 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Marketable equity securities | ₩ 76,610 | ₩ - | ₩ - | ₩ 76,610 |
| Unmarketable equity securities | - | 27,850 | - | 27,850 |
| Debt securities | - | 232 | - | 232 |
| Total | 76,610 | 28,083 | - | 104,692 |
| Financial liabilities | - | - | - | - |

Meanwhile, there has been no transfer of securities between Level 1 and Level 2 during the year.

2) The fair value of financial assets and financial liabilities measured at fair value on a recurring basis

Certain financial assets and financial liabilities are measured at fair value at the end of the year. The fair values of these financial assets and financial liabilities are calculated as follows:

| | Valuation techniques | Significant non-observable inputs and ranges | The relationship between non-observable inputs and fair value measurements |
|---|---|---|---|
| Listed stock | Prices advertised in active markets | N/A | N/A |
| Unlisted stock | Profit approach<br><br>Discounted cash flow techniques are used to estimate the present value of future economic benefits expected to be derived from the ownership of the investment consolidation entity. | Long-term sales growth rate considering management experience and knowledge of market conditions in a particular industry | As sales growth increases, fair value increases. |
| | | Pretax operating profit rate considering management experience and knowledge of market conditions in a particular industry | Fair value increases as pretax operating profit increases. |
| | | Weighted-average capital cost | As weighted-average capital costs increase, fair value decreases. |
| | | Discount based on lack of marketability, based on the stock price of listed shares in similar industries | As the discount increases, fair value decreases. |

3) Disclosure of fair value of financial assets and financial liabilities that are not subsequently measured at fair value

The fair value of a financial instrument measured at Level 1 is calculated using the quoted market price of the financial instrument. The fair value of a financial instrument measured at Level 2 is estimated using discounted cash flows and discounted future cash flows using market interest rates adjusted for credit risk. There are no financial instruments that are measured at amortized cost in the current and prior years and whose fair value is classified as Level 3.

## 42. CASH FLOWS:

(1) Adjustments of profits and expenses for operating activities for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Plus expenses: | | |
| Retirement benefit expense | ₩ 11,125 | ₩ 9,734 |
| Bad debt expenses | 10,766 | 9,831 |
| Depreciation | 5,130 | 1,587 |
| Amortization of intangible assets | 198 | 95 |
| Provision for construction losses | - | 6,747 |
| Provision for construction warranties | 14,989 | 13,008 |
| Provision for repair | - | 1,597 |
| Losses on disposal of financial assets at FVTPL | 3 | 161 |
| Losses on valuation of financial instruments at FVTPL | 2,834 | 5,140 |
| Losses on disposal of financial assets at FVTOCI | 42 | - |
| Impairment losses of investments in subsidiaries and associates | 5,507 | 26,067 |
| Losses on valuation of foreign exchange forward contracts | 1,353 | - |
| Losses on disposal of inventories | 966 | - |
| Losses on disposal of property and equipment | 189 | 9,369 |
| Losses on disposal of investment property | 7 | - |
| Losses on disposal of intangible assets | 2 | - |
| Interest expenses | 20,082 | 18,001 |
| Income tax expenses | 42,960 | 54,949 |
| Litigation provision expenses | 13,802 | 25,597 |
| Provision for other | 15,423 | 9,765 |
| Losses on financial guarantee | 76,360 | 9,727 |
| Others | 1 | 460 |
| Subtotal | 221,740 | 201,834 |
| Less profit: | | |
| Reversal of construction losses | (5,435) | - |
| Reversal of litigation liabilities | (269) | (3,126) |
| Recovery of construction warranties | (891) | (59) |
| Gains on disposal of inventories | (1) | - |
| Gains on disposal of property and equipment | (29) | (10) |
| Gains on disposal of investment property | (33) | - |
| Gains on financial guarantee | (5,326) | (3,870) |
| Interest income | (4,685) | (3,262) |
| Dividend income | (3,639) | (5,130) |
| Gains on valuation of financial instruments at FVTPL | (1,657) | (367) |
| Gains on disposal of financial instruments at FVTPL | (1,093) | (520) |
| Subtotal | (23,059) | (16,344) |
| Adjustments to reconcile net income to net cash | 198,681 | 185,490 |

(2) Details of changes in assets and liabilities resulting from operating activities for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Accounts receivable and other receivables | ₩ (64,701) | ₩ (93,669) |
| Due from customers under construction contracts | 2,899 | (20,085) |
| Inventories | (277,174) | (113,184) |
| Other current assets | (70,749) | (125,943) |
| Accounts payable and other payables | 10,300 | 155,594 |
| Due to customers under construction contracts | 42,576 | 2,203 |
| Other current provisions | (8,757) | (655) |
| Other current liabilities | 25,066 | 47,271 |
| Other non-current financial liabilities | 57,880 | 2,455 |
| Retirement benefit obligation | (18,885) | (11,207) |
| Non-current provisions | (11,577) | (10,555) |
| Other non-current liabilities | 50,529 | 31,621 |
| Other | 3,229 | (423) |
| Total | (259,365) | (136,578) |

(3) Details of changes in accounts receivable and other receivables and accounts payable and other payables for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Accounts receivable and other receivables: | | |
| Accounts receivable - construction | ₩ (75,014) | ₩ (35,438) |
| Accounts receivable - house and office sales | (4,674) | (544) |
| Short-term loans | (15,285) | (11,348) |
| Other accounts receivable | 3,609 | (14,767) |
| Deposits provided | 26,663 | (31,572) |
| Total | (64,701) | (93,669) |
| Accounts payable and other payables: | | |
| Accounts payable | - | 14,322 |
| Other accounts payable | 1,646 | 137,362 |
| Accrued expenses | 82 | 7,225 |
| Withholdings | 8,573 | (3,314) |
| Dividends payable | - | - |
| Total | 10,300 | 155,594 |

(4) Significant transactions not affecting cash flows for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Gains on financial assets measured at FVTOCI | ₩ 8,539 | ₩ 40,659 |
| Reclassification of current portion of long-term borrowings and debentures | 159,027 | 100,000 |
| Abandonment of accounts receivable and other receivables | 4,149 | 7,782 |
| Reclassification of other current assets to construction in progress | - | 2,414 |
| Reclassification of inventories to advance payments | 17,471 | - |
| Reclassification of rental deposits received | 1,721 | 3,842 |
| Reclassification of long-term advances from real estate sales | 32,215 | - |
| Reclassification adjustments on financial assets measured at FVTOCI | 11,662 | 32,880 |
| Reclassification of long-term provisions to long-term other financial liabilities | 141,496 | - |
| Reclassification of current portion of long-term other financial liabilities | 54,500 | - |

(5) Changes in liabilities from financial activities for the years ended December 31, 2019 and 2018, are as follows (Korean won in millions):

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Cash flow | Non-cash changes | | December 31, 2019 |
| | | | Transfer | Others | |
| Current borrowings and debentures | ₩ 215,580 | ₩ (73,547) | ₩ 159,027 | ₩ (31) | ₩ 301,029 |
| | 249,715 | 247,985 | (159,027) | 478 | 339,151 |
| Rental deposits received | 12,093 | (3,282) | - | 339 | 9,149 |
| Lease liabilities | - | (3,100) | - | 7,502 | 4,402 |
| Total | 477,388 | 168,055 | - | 8,288 | 653,731 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2018 | Cash flow | Non-cash changes | | December 31, 2018 |
| | | | Transfer | Others | |
| Current borrowings and debentures | ₩ 176,670 | ₩ (61,085) | ₩100,000 | ₩ (5) | ₩ 215,580 |
| Non-current borrowings and debentures | 277,564 | 71,791 | (100,000) | 360 | 249,715 |
| Rental deposits received | 12,095 | (335) | - | 332 | 12,093 |
| Total | 466,329 | 10,371 | - | 687 | 477,388 |

## 43. MAJOR FINANCIAL INFORMATION DURING THE FINAL INTERIM PERIOD (UNAUDITED FINANCIAL INFORMATION):

The Company that reports the interim separate financial statements did not report separately the separate financial statements for the final interim period. The financial information for the final interim period of the Company at December 31, 2019 and 2018, is as follows (Korean won in millions, except per share amounts):

| | 2019 4Q | 2018 4Q |
|---|---|---|
| Sales | ₩ 623,737 | ₩ 640,038 |
| Operating income | 57,391 | 75,599 |
| Net income | (13,340) | (1,025) |
| Basic earnings per common share (Korean won) | (198) | (16) |

## 44. SUBSEQUENT EVENTS:

(1) The Company decided to spin off through a resolution by the board of directors on January 22, 2020. The new company will operate the investment business as its main business, and the surviving company will operate the construction business as its main business. The division date is scheduled for June 30, 2020.

(2) The Company held a board meeting on February 3, 2020, and decided to increase the paid-in capital of KRW 6,000 million to improve the financial structure of INJE Spidium Co., Ltd., a subsidiary.

(3) The Company decided to provide joint assurance of up to KRW 106,810 million for the intermediate payment loan of Gayang station Dessian Flex Knowledge Industry Center through a resolution by the board of directors on February 26, 2020.

(4) The Company decided to issue the 67th non-guaranteed bond through a resolution by the board of directors on March 3, 2020. The face value of this bond is KRW 140,000 million, the date of issue is March 13, 2020, and the date of maturity is March 13, 2023.