HYUNDAI TRANSYS INC.
AND ITS SUBSIDIARIES

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

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

HYUNDAI TRANSYS INC.

INDEX

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 21, 2022

To the Shareholders and the Board of Directors of
HYUNDAI TRANSYS INC.:

Report on the Audited Consolidated Financial Statements

Our Opinion

We have audited the accompanying consolidated financial statements of HYUNDAI TRANSYS INC. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, respectively, and the related consolidated statements of profit or loss, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Audit Opinion

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

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

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

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

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

Deloitte.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance of the Group 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.

Deloitte Anjin LLC

March 21, 2022

Notice to Readers

This report is effective as of March 21, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the auditors' report.

HYUNDAI TRANSYS INC.
AND ITS SUBSIDIARIES (the "Group")

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

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

Yeo, Sudong
Chief Executive Officer
Hyundai Transys Inc.

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HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In millions of Korean won)	
Assets			
Current assets			
Cash and cash equivalents	4,19,32	₩ 493,285	₩ 458,365
Short-term financial instruments	4,8,19,32	483,331	472,450
Trade receivables	5,19,32,33	1,630,759	1,654,084
Other receivables	5,19,32,33	67,800	102,158
Inventories	6	698,610	472,191
Other financial assets	5,19,32	19,614	23,992
Other current assets	7	165,879	85,434
Current tax assets		22,712	10,548
		3,581,990	3,279,222
Non-current assets			
Trade receivables	5,19,32	8,916	11,865
Other receivables	5,19,32,33	54,397	48,864
Investments in joint ventures and associates	9,33	192,065	252,808
Property, plant and equipment	10,34	2,322,918	2,116,844
Intangible assets	11,34	106,896	84,123
Right-of-use assets	12	8,603	9,046
Net defined benefit assets	15	74,679	21,919
Other financial assets	4,5,8,19,32	21,690	23,926
Other non-current assets	7	87,829	21,988
Deferred tax assets	18	176,735	155,999
		3,054,728	2,747,382
Total assets		₩ 6,636,718	₩ 6,026,604
Liabilities and equity			
Current liabilities			
Trade payables	19,32,33	₩ 1,137,051	₩ 988,248
Other payables	13,19,32,33	421,581	452,067
Short-term borrowings	5,14,19,32	109,011	177,158
Current portion of long-term debt and debentures	14,19,32	238,339	331,757
Provisions	16,31	70,153	130,175
Financial guarantee liabilities	19,31,32	3,924	8,569
Lease liabilities	12,19	848	1,318
Other financial liabilities	19	17,907	13,649
Other current liabilities	17,23	158,558	107,184
Income tax payable		2,757	3,789
		2,160,129	2,213,914

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2021 AND 2020

	Notes	2021		2020	
		(In millions of Korean won)			
Non-current liabilities					
Debentures	14,19,32	₩	838,003	₩	727,833
Long-term debt	14,19,32		645,503		387,984
Provisions	16		205,768		195,475
Lease liabilities	12,19		3,791		4,126
Other liabilities	13,19,32,33		11,415		2,516
Other non-current liabilities	17,23		86,092		50,116
			1,790,572		1,368,050
Total liabilities		₩	3,950,701	₩	3,581,964
Equity					
Capital stock	1,20	₩	409,489	₩	409,489
Other paid-in capital	20		1,186,154		1,141,514
Retained earnings	21		1,003,835		893,421
Equity attributable to owners of the Parent Company			2,599,478		2,444,424
Non-controlling interest			86,539		216
Total equity			2,686,017		2,444,640
Total liabilities and equity		₩	6,636,718	₩	6,026,604

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes		2021		2020
Sales	23,33,34	₩	8,143,951	₩	7,253,615
Cost of sales	24,33		7,745,247		6,920,638
Gross profit			398,704		332,977
Selling and administrative expenses	24,25,33		303,688		276,390
Operating profit	34		95,016		56,587
Other income	26,33		125,795		82,668
Other expenses	27,33		71,920		105,042
Finance income	19,28,33		12,935		17,871
Finance costs	19,29		42,841		44,711
Gain on share of earnings of equity-accounted investees	9		(14,673)		2,228
Profit before income tax expense			104,312		9,601
Income tax expense	18		13,689		14,765
Profit for the year		₩	90,623	₩	(5,164)
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of net defined benefit liabilities	15		18,450		7,805
Items that may be subsequently reclassified to profit or loss:					
Share of other comprehensive loss of associates	9		20,694		(308)
Currency translation differences			27,268		(17,310)
Other comprehensive income (loss) for the year, net of tax			66,412		(9,813)
Total comprehensive income for the year		₩	157,035	₩	(14,977)
Profit is attributable to:					
Owners of the Parent Company	22	₩	91,964	₩	(5,146)
Non-controlling interest			(1,341)		(18)
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company	22		154,984		(11,029)
Non-controlling interest			2,051		(3,948)
Earnings per share attributable to the equity holders of the Parent Company *(in Korean won)*:					
Basic and diluted earnings per share		₩	1,125	₩	(63)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total	Non-controlling Interest	Gross Total
			(In millions of Korean won)				
Balance at January 1, 2020	₩ 409,489	₩ 1,150,090	₩ 5,112	₩ 890,762	₩ 2,455,453	₩ 4,164	₩ 2,459,617
Comprehensive income:							
Profit for the year	-	-	-	(5,146)	(5,146)	(18)	(5,164)
Other comprehensive income (loss):							
Remeasurements of net defined benefit liabilities	-	-	-	7,805	7,805	-	7,805
Equity adjustments in equity method	-	-	(308)	-	(308)	-	(308)
Exchange differences on translation of foreign operations	-	-	(13,380)	-	(13,380)	(3,930)	(17,310)
Total other comprehensive income (loss)	-	-	(13,688)	7,805	(5,883)	(3,930)	(9,813)
Total comprehensive income for the year	-	-	(13,688)	2,659	(11,029)	(3,948)	(14,977)
Balance at December 31, 2020	₩ 409,489	₩ 1,150,090	₩ (8,576)	₩ 893,421	₩ 2,444,424	₩ 216	₩ 2,444,640

(Continued)

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock	Capital Surplus	Other Capital Items	Retained Earnings	Total	Non-controlling Interest	Gross Total
			(In millions of Korean won)				
Balance at January 1, 2021	₩ 409,489	₩ 1,150,090	₩ (8,576)	₩ 893,421	₩ 2,444,424	₩ 216	₩ 2,444,640
Comprehensive income:							
Profit for the year	-	-	-	91,964	91,964	(1,341)	90,623
Other comprehensive income (loss):							
Remeasurements of net defined benefit liabilities	-	-	-	18,450	18,450	-	18,450
Equity adjustments in equity method	-	-	20,694	-	20,694	-	20,694
Exchange differences on translation of foreign operations	-	-	23,876	-	23,876	3,392	27,268
Total other comprehensive income (loss)	-	-	44,570	18,450	63,020	3,392	66,412
Total comprehensive income for the year	-	-	44,570	110,414	154,984	2,051	157,035
Transactions with owners							
Business combination	-	-	-	-	-	84,342	84,342
Capital increase in subsidiaries	-	70	-	-	70	(70)	-
Total transactions with owners	-	70	-	-	70	84,272	84,342
Balance at December 31, 2021	₩ 409,489	₩ 1,150,160	₩ 35,994	₩ 1,003,835	₩ 2,599,478	₩ 86,539	₩ 2,686,017

(Concluded)

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

HYUNDAI TRANSYS INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
		(In millions of Korean won)	
Cash flows from operating activities			
Cash generated from operations	30	₩ 329,006	₩ 214,123
Interest received		12,207	17,399
Interest paid		(37,620)	(34,548)
Dividends received		25	-
Income tax paid		(38,008)	(18,777)
Net cash provided by operating activities		265,610	178,197
Cash flows from investing activities			
Net increase (decrease) in short-term financial instruments		(10,881)	3,490
Proceeds from disposal of property, plant and equipment		64,296	18,866
Proceeds from disposal of intangible assets		31	752
Acquisitions of investments in joint ventures and associates		(4,440)	(8,104)
Acquisitions of property, plant and equipment		(444,898)	(183,751)
Acquisitions of intangible assets		(33,939)	(27,368)
Business combination	35	55,307	-
Net increase (decrease) in other financial assets		9,589	(652)
Net cash used in investing activities		(364,935)	(196,767)
Cash flows from financing activities	30		
Proceeds from short-term borrowings		(68,159)	(62,570)
Proceeds from borrowings and debentures		404,393	528,899
Repayments of borrowings and debentures		(253,094)	(233,210)
Repayment of lease liabilities		(1,269)	(1,297)
Net cash provided by financing activities		81,871	231,822
Net increase (decrease) in cash and cash equivalents		(17,454)	213,252
Cash and cash equivalents at the beginning of year		458,365	265,834
Effects of exchange rate changes on cash and cash equivalents		52,374	(20,721)
Cash and cash equivalents at the end of year	30	₩ 493,285	₩ 458,365

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

1. GENERAL INFORMATION:

General information of HYUNDAI TRANSYS INC. and its subsidiaries (collectively, the “Group”) is as follows:

The Company was incorporated on December 28, 1999, under the laws of the Republic of Korea to manufacture and distribute transmission and other parts for automobile. The Company merged with Korea Precision Co., Ltd., a manufacturer of automobile parts, on December 1, 2002. The Company changed its name from DYMOS INC. to HYUNDAI DYMOS INC. on December 27, 2010. Also, the Company merged with Hyundai Powertech Co., Ltd. and changed its name to HYUNDAI TRANSYS INC. in accordance with the resolution of the shareholders’ meeting on January 2, 2019.

The Company is authorized to issue 200 million ordinary shares with the par value per share of ₩5,000, of which a total of 81,897,803 shares, amounting to ₩409,489 million, have been issued as of December 31, 2021.

1) The Company’s major shareholders and their respective percentage of ownership as of December 31, 2021 and 2020, are as follows:

(In shares)	2021		2020	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hyundai Motor Company	33,682,754	41.1	33,682,754	41.1
Kia Motors Corporation	33,112,741	40.4	33,112,741	40.4
Hyundai Mobis	12,893,176	15.7	12,893,176	15.7
Treasury stock	160,007	0.2	160,007	0.2
Others	2,049,125	2.6	2,049,125	2.6
	81,897,803	100	81,897,803	100

2) Details of the consolidated subsidiaries as of December 31, 2021 and 2020, are as follows:

Subsidiaries	Controlling percentage of ownership (%) 2021	2020	Closing month	Type of business
HYUNDAI MSEAT (*1)	99.85	99.81	December	Automotive parts manufacturing
Hyundai Transys Czech, s.r.o.	100	100	December	``
HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED	65	65	March	``
Hyundai Transys Powertrain System (Rizhao) Co., Ltd.	100	100	December	``
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	100	100	December	``
Automotive Seat System Dymos Mexico S.De R.L. DE C.V. (*2)	100	100	December	``
Sichuan Hyundai Transys Automotive System Co., Ltd.	100	100	December	``
Hyundai Transys America, INC	100	100	December	``
HYUNDAI TRANSYS GEORGIA SEATING SYSTEM, LLC (*3)	100	100	December	``
HYUNDAI TRANSYS MICHIGAN, LLC (*3)	100	100	December	``
Hyundai Transys Slovakia s.r.o.	100	100	December	``
Hyundai Transys Mexico Seating System, S. de R.L. de C.V.	100	100	December	``
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100	100	March	``
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V. (*4)	100	99.9	December	``
Hyundai Transys Georgia Powertrain, Inc. (*5)	71.27	-	December	``
Hyundai Transys America Sales, LLC (*5,6)	100	-	December	``
HYUNDAI TRANSYS RUS LLC (*7)	100	-	December	``

(*1) Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Group’s ownership percentage increased from 99.81% to 99.85%.

(*2) The liquidation process is in progress.

(*3) Companies are subsidiaries of Hyundai Transys America, Inc.

(*4) As Hyundai Transys Georgia Powertrain, Inc. is categorized as consolidated subsidiary, the Group’s ownership percentage over the entity increased from 99.9% to 100%.

(*5) Due to disproportional paid-in-capital increase for the years ended December 31, 2021, the Group’s ownership percentage increased from 40.00% to 71.27%. As the Group is considered to have substantive control over the entity, the entity is categorized as a subsidiary.

(*6) Company is a subsidiary of Hyundai Transys Georgia Powertrain, Inc.

(*7) It was newly established during the year ended December 31, 2021.

Summarized financial information for consolidated subsidiaries as of and for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Subsidiaries	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year
HYUNDAI MSEAT	₩ 110,805	₩ 66,684	₩ 84,039	₩ 6,734	₩ 388,979	₩ 3,901
Hyundai Transys Czech, s.r.o.	103,268	24,029	76,861	13,953	335,773	11,752
Hyundai Transys Lear Automotive India Private Limited	43,945	14,586	39,113	2,716	211,218	14,143
Hyundai Transys America, INC (*)	97,618	61,684	75,545	58,015	390,670	(3,055)
Hyundai Transys Slovakia s.r.o.	60,350	24,949	53,964	-	179,540	7,523
HYUNDAI TRANSYS INDIA PRIVATE LIMITED	100,861	123,100	36,425	119,580	208,943	14,004
Hyundai Transys Mexico Powertrain, S. de R.L. de C.V.	194,113	211,009	72,437	253,025	284,622	(643)
Hyundai Transys Georgia Powertrain, Inc. (*)	375,977	328,768	205,083	230,757	728,087	(1,621)

(*) Based on consolidated financial statements.

3) Changes in consolidated subsidiaries

Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Group’s ownership percentage over Hyundai Transys Georgia Powertrain, Inc. increased from 40.00% to 71.27%. As the Group is considered to have substantive control over the entity, the entity and its subsidiary are categorized as subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language (Hangul) in accordance with Korean International Financial Reporting Standards ("K-IFRSs"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.
Certain information attached to the Korean language consolidated financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.
The consolidated financial statements of the Group have been prepared in accordance with K-IFRSs. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

(a) New and Amended K-IFRSs and new interpretations that are effective for the current year

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

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

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

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

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

In the current financial year, the Group has applied the amendment to K-IFRS 1116 in advance of its effective date. The Group has applied the practical expedient retrospectively to all rent concessions that meet the conditions in K-IFRS 1116:46B, and has not restated prior period figures.

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

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

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

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

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

- K-IFRS 1103 *Business Combinations - Reference to the Conceptual Framework (Amendment)*

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007).

They also add to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 *Levies*, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

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

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

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

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

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

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

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

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

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

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

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

- Annual Improvements to K-IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards such as K-IFRS 1101 *First-time Adoption of K-IFRS*, K-IFRS 1109 *Financial Instruments*, K-IFRS 1116 *Leases*, and K-IFRS 1041 *Agriculture*.

① K-IFRS 1101 *First-time Adoption of K-IFRS (Amendment)*

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

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

② K-IFRS 1109 *Financial Instruments (Amendment)*

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

③ K-IFRS 1116 *Leases (Amendment)*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

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

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

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

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

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

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

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

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

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

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

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

The Board also adds an illustrative example to K-IFRS 1012 that explains how the amendments are applied.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - o Right-of-use assets and lease liabilities
  - o Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

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

2.2 Consolidation

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

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

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

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

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

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

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

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

2.3 Business Combination

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

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

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

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

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

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

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

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

2.4 Investments in Associates and Joint Ventures

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

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

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

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

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

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

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.
When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.5 Revenue Recognition

From January 1, 2018, the Group has applied K-IFRS 1115 *Revenue from Contracts with Customers.*

(a) Sale of goods

The Group manufactures automobile components. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable are impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(d) Dividend income

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

2.6 Lease

(a) The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group 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 in a separate line in the consolidated statements of financial position.

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value, in which case 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 Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under K-IFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

The Group applies K-IFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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

As a practical expedient, K-IFRS 1116 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

(b) The Group as lessor

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

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

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

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

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

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

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

2.7 Borrowing Costs

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

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

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

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

2.8 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.

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

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:
- Service costs, which include current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest expense or income;
- Remeasurements

Net interest expense or income is recognized within finance costs, and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

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

2.9 Taxation

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

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

(c) 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.

2.10 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 Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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

	Representative useful lives
Buildings	20–50 years
Structures	20–25 years
Machinery and equipment	10–12 years
Dies, mold and tools	5–6 years
Vehicles	4–8 years
Office equipment	3–10 years

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

The Group reviews the depreciation method, the estimated useful lives and residual values of property, 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 item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.11 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

	Representative useful lives
Industrial property rights	10 years
Software	3–6 years
Development costs	5 years
Customer relationship	5 years

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

(b) Internally generated intangible assets – research and development expenditure

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

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

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, only if, the development project is designed to produce new or substantially improved products and the Group can demonstrate the technical and economical feasibility and measure reliably the resources attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Intangible assets acquired in a business combination

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

(d) Derecognition of intangible assets

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

(e) Patents and trademarks

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

2.12 Impairment of Tangible and Intangible Assets other than Goodwill

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

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

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

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

2.13 Government Grants

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

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

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

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

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

2.14 Inventories

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

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

2.15 Provisions

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

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

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

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

2.16 Financial Instruments

Financial assets and financial liabilities are recognized in the Group’s consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

2.17 Financial Assets

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

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

(a) Classification of financial assets

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

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

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

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.
- The Group 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.

(b) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency, translated at the spot rate at the end of each reporting period and recognized in profit or loss as of 'other income and expenses.'

(c) Impairment of financial assets

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

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

For all other financial instruments, the Group recognizes lifetime 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 Group 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.

(d) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also 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, which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.18 Financial Liabilities and Equity Instruments

(a) 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.

(b) Equity instruments

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

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

(c) 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 Group, are measured in accordance with the specific accounting policies set out below.

(d) 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.

(e) 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 K-IFRS 1109 (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.

(f) 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 income and expenses' line item in profit or loss.

(g) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, its 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.

2.19 Accounting Treatment Related to the Emission Rights Cap and Trade Scheme

The Group classifies the emission rights as intangible assets. Emission rights allowances the Government allocated free of charge are measured at nil, and emission rights allowances purchased are measured at cost, which the Group paid to purchase the allowances. If emission rights the Government allocated free of charge are sufficient to settle the emission rights allowances allotted for vintage year, the emissions liabilities are measured at nil. However, for the emissions liabilities that exceed the allowances allocated free of charge, the shortfall is measured at best estimate at the end of the reporting period.

2.20 Approval of Consolidated Financial Statements

The consolidated financial statements were confirmed by the Board of Directors on February 16, 2022 and will be finally approved by shareholders' meeting on March 29, 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items is included in relevant notes.

(a) Income taxes

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

(b) Net defined benefit liability

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

(c) Provisions

The Group recognizes provisions for warranties estimated based on past experience.

(d) Uncertainty in estimation of recoverable amount in COVID-19

The COVID-19 has caused an overall economic depression, and the Group is also directly and indirectly affected by the COVID-19. The impact of COVID-19 continues as of the end of reporting period, and it is uncertain how long it will last and how much it will affect it. Therefore, there is uncertainty in estimating the recoverable amount of cash generating units held by the Group due to COVID-19. The Group estimates the recoverable amount of assets or cash generating units identified with signs of impairment based on the information which is available at the end of the reporting period, and the Group's management considers this assumption as reasonable.

The criteria for calculating the book value and recoverable amount of a cash-generating units, which identified signs of impairment among the cash generating units held by the Group, but the recoverable amount exceeds the book value, are as follows:

(In millions of Korean won)

Cash generating unit		**Book Value**	**Standard for calculating recoverable amount**
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	₩	6,283	Discounted Cash Flow

The Group estimated the value in use of the cash-generating unit with signs of impairment for the year, but there is no recognized impairment loss for the year because the value in use is higher than the book value.

The key assumptions used to estimate the recoverable amount of a cash-generating unit with a significant risk of causing a material adjustment in the next fiscal year among the cash-generating units for which signs of impairment have been identified are as follows:

A. Period for estimating future cash flows

The Group estimated future cash flows based on its financial budget/forecast over the next five years to estimate the value of use by cash-generating units. Considering that the Group is continuing entity, it is reasonable to estimate the recoverable amount of a cash-generating unit on the basis of a financial budget that exceeds five years.

B. Key assumptions applied to estimating future cash flows

The key assumptions used by the Group to estimate the future cash flows of cash-generating units are as follows:

Operating income: Estimated by considering past operating income trend based on business plan.
Operating expenses: Estimated by classifying labor cost, variable cost, fixed cost, amortization cost and others.
Operating profit ratio: Estimated by considering past operating profit rate trend based on business plan.

C. Key Assumptions Applied to Estimating Discount Rate

Risk-free Interest rate: Bloomberg inquiry risk-free interest rate on the date of damage inspection
Market Risk Premium: Bloomberg inquiry average market risk premium in the past two years on the date of damage inspection.

Unleveraged Beta: Beta average for guideline companies operating similar industries on the date of damage inspection.

Target capital structure: Target capital structure ratio for guideline companies operating in similar industries.

D. Sensitivity analysis

The assumption that responds most sensitively to the recoverable amount of the cash-generating unit is the discount rate, and the recoverable amount that changes as the discount rate changes by 1%p is as follows, and the Group's management believes that the risk of additional impairment losses being recognized is not significant as a result of the sensitivity analysis.

Cash generating unit	**(+)1%p**	**(-)1%p**
HYUNDAI TRANSYS FABRICACAO DE AUTOPECAS BRASIL LTDA	(-)9%p	(+)12%p

4. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted financial instruments as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	Financial institution	2021	2020	Usage restriction details
Cash and cash equivalents	Woori Bank and Others	₩ 267	₩ 255	Dedicated to national projects
Short-term financial instruments	Industrial Bank of Korea	20,000	14,200	Shared Growth Deposit
Other financial assets	Shinhan Bank and Others	31	33	Overdraft deposit and Others
Total		₩ 20,298	₩ 14,488	

5. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTIZED COST:

(1) Components of trade receivables and other financial assets at amortized cost as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021	2020
Total trade notes and accounts receivable	₩ 1,649,267	₩ 1,672,285
Less: Loss allowance	(9,592)	(6,336)
Subtotal	1,639,675	1,665,949
Other receivables		
Non-trade receivables	121,569	149,193
Less: Loss allowance	(983)	(251)
Accrued revenue	1,611	2,080
Subtotal	122,197	151,022
Other financial assets	41,444	50,870
Less: Loss allowance	(1,567)	(3,778)
Subtotal	39,877	47,092
Total	₩ 1,801,749	₩ 1,864,063

(2) Movements on the provisions for impairment of trade receivables and other financial assets at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			2020		
Description	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets	Total trade notes and accounts receivable	Non-trade receivables	Other financial assets
Beginning balance	₩ 6,336	₩ 251	₩ 3,778	₩ -	₩ -	₩ 3,537
Creation	3,256	732	-	6,336	251	241
Impairment loss	-	-	(2,211)	-	-	-
Ending balance	₩ 9,592	₩ 983	₩ 1,567	₩ 6,336	₩ 251	₩ 3,778

(3) The Group recognizes impairment loss on an individual basis for customers with impairment events. For customers without impairment events, the Group recognizes impairment loss on a collective basis using historical experience rate.

As of December 31, 2021 and 2020, the aging analysis of trade receivables is as follows:

(In millions of Korean won)

Description		2021		2020
Not due	₩	1,599,646	₩	1,640,529
Overdue:				
Within 30 days		10,510		6,794
Within 180 days and more than 31 days		17,635		17,844
More than 181 days		21,476		7,118
Total amounts	₩	1,649,267	₩	1,672,285
Amount of impaired receivables (*)	₩	18,560	₩	18,201

(*) As of December 31, 2021, the provision for loss for impaired receivables is ₩9,592 million (2020: ₩6,336 million).

(4) Transfer of financial assets

- Financial assets that were transferred but not derecognized

The Group discounts trade receivables from companies with significant influence, through factoring contracts with financial institutions. This transaction is accounted for as a secured borrowing if the Group has a liability to pay the amount to the bank in the event of an insolvency of clients. At the end of the reporting period, the total amount of trade receivables derecognized is ₩3,111 million (2020: ₩77,185 million).

- Financial assets that were derecognized

The Group is able to transfer some of the trade receivables to financial institutions on the condition of non-recourse terms and is removing the trade receivables from the consolidated financial statements at the date of transfer as most of the risks and rewards are transferred.

6. INVENTORIES:

Inventories as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021						2020					
Description		Acquisition cost		Valuation reserve		Total		Acquisition cost		Valuation reserve		Total
Merchandise	₩	52,789	₩	(1,464)	₩	51,325	₩	38,755	₩	(3,373)	₩	35,382
Finished goods		214,564		(8,492)		206,072		165,798		(11,984)		153,814
Semifinished goods		88,316		(2,717)		85,599		67,202		(1,817)		65,385
Raw materials		159,902		(9,645)		150,257		121,908		(8,353)		113,555
Supplies		40,132		(11,702)		28,430		36,400		(11,728)		24,672
Materials in transit		176,927		-		176,927		79,383		-		79,383
Total	₩	732,630	₩	(34,020)	₩	698,610	₩	509,446	₩	(37,255)	₩	472,191

The cost of inventories included in cost of goods sold for the years ended December 31, 2021 and 2020, is ₩6,660,658 million and ₩5,961,608 million, respectively (see Note 24).

7. OTHER ASSETS:

Other assets as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021				2020			
Description	Current		Non-current		Current		Non-current	
Advanced payments	₩	101,442	₩	87,829	₩	44,696	₩	21,988
Prepaid expenses		12,956		-		16,519		-
Others		51,481		-		24,219		-
Total	₩	165,879	₩	87,829	₩	85,434	₩	21,988

8. FINANCIAL ASSETS AT FAIR VALUE:

(1) Financial assets at fair value as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		**2020**	
Description	**Financial instruments at FVTPL**		**Financial instruments at FVTPL**	
Investment in capital of partnership (*1)	₩	503	₩	503
Non-Marketable equity securities (*1)		924		324
Money market trust (*2)		223,300		258,168
Total	₩	224,727	₩	258,995

(*1) Included in other non-current financial assets.
(*2) Included in short-term financial instruments.

(2) Changes in financial assets at fair value for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		**2020**	
Description	**Financial instruments at FVTPL**		**Financial instruments at FVTPL**	
Beginning balance	₩	258,995	₩	317,220
Acquisition(Disposal) (*)		(34,268)		(58,225)
Ending balance	₩	224,727	₩	258,995

(*) Net increase or decrease was indicated due to frequent acquisition and disposition.

9. INVESTMENTS IN ASSOCIATES:

(1) Investments in associates as of December 31, 2021 and 2020, are as follows:

Joint ventures and Associates	Controlling percentage of ownership (%) 2021	2020	Main business Establishment	Closing month	Primary Business
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*1)	40	40	China	December 31	Automotive parts manufacturing
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	31.96	31.96	China	December 31	``
BAIC DYMOS Automotive System Co., Ltd. (*2)	50	50	China	December 31	``
BAIC DYMOS(Chongqing) Automotive System Co., Ltd. (*2)	50	50	China	December 31	``
Hyundai Transys Georgia Powertrain, Inc. (*3)	-	40	America	December 31	``
Hyundai Transys (Shandong) Co., Ltd.	35	35	China	December 31	``
PT APM HYUNDAI TRANSYS INDONESIA (*2)	50	50	Indonesia	December 31	``

(*1) During the year ended December 31, 2021, the name of the company was changed from Beijing LEAR DYMOS Automotive Systems Co., Ltd. to Beijing Lear Hyundai Transys Automotive Systems Co,. Ltd.
(*2) It was classified as a joint venture based on joint control in accordance with inter-shareholder agreement.
(*3) Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Company's ownership percentage increased from 40.00% to 71.27%. The difference amounts of ₩11,907 million between the carrying amount and the fair value of investments in associates are recognized as gain on disposals of investments in associates.

(2) Details of valuation of investments in associates that are accounted for using the equity method for the years ended December 31, 2021 and 2020, are as follows:

(Current year)

(In millions of Korean won)

Joint ventures and Associates	Beginning	Acquisition /Disposal	Gain (loss) on equity method	Equity adjustments in equity method	Impairment	Ending
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 4,256	₩ -	₩ (1,599)	₩ 412	₩ (3,069)	₩ -
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	71,033	-	4,476	6,356	-	81,865
BAIC DYMOS Automotive System Co., Ltd.	10,086	-	1,820	1,257	-	13,163
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	5,710	-	(4,596)	432	-	1,546
Hyundai Transys Georgia Powertrain, Inc.	64,203	(68,134)	3,596	335	-	-
Hyundai Transys (Shandong) Co., Ltd.	89,416	-	(16,505)	11,387	-	84,298
PT APM HYUNDAI TRANSYS INDONESIA	8,104	4,440	(1,865)	515	-	11,194
Total	₩ 252,808	₩ (63,694)	₩ (14,673)	₩ 20,694	₩ (3,069)	₩ 192,066

(Previous year)

(In millions of Korean won)

Joint ventures and Associates	Beginning	Acquisition	Gain (loss) on equity method	Equity adjustments in equity method	Ending
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 4,697	₩ -	₩ (487)	₩ 46	₩ 4,256
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	77,744	-	(7,347)	636	71,033
BAIC DYMOS Automotive System Co., Ltd.	9,536	-	168	382	10,086
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	5,436	-	238	36	5,710
Hyundai Transys Georgia Powertrain, Inc.	62,857	-	3,455	(2,109)	64,203
Hyundai Transys (Shandong) Co., Ltd.	82,514	-	6,201	701	89,416
PT APM HYUNDAI TRANSYS INDONESIA	-	8,104	-	-	8,104
Total	₩ 242,784	₩ 8,104	₩ 2,228	₩ (308)	₩ 252,808

(3) The details of the adjustment of the financial information amount of joint ventures and associates to the carrying amount of their interests in joint ventures and associates as of the end of the reporting year are as follows:

(In millions of Korean won)

Joint ventures and associates	Net assets	Ownership interest (%)	Net assets attributable to the Group	Goodwill	Unrealized gain	Book value
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 7,671	40	₩ 3,069	₩ (3,069)	₩ -	₩ -
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	199,889	32	63,885	18,308	(328)	81,865
BAIC DYMOS Automotive System Co., Ltd.	26,327	50	13,163	-	-	13,163
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	3,091	50	1,546	-	-	1,546
Hyundai Transys (Shandong) Co., Ltd.	288,768	35	101,069	(14,494)	(2,277)	84,298
PT APM HYUNDAI TRANSYS INDONESIA	22,387	50	11,194	-	-	11,194

(4) The summary financial information of the joint venture and its affiliates as of the end of the reporting year is as follows:

(In millions of Korean won)

Joint ventures and associates	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit for the year
Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	₩ 24,673	₩ 5,537	₩ 22,535	₩ 4	₩ 33,460	₩ (3,998)
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	248,336	157,128	89,308	116,267	378,258	13,704
BAIC DYMOS Automotive System Co., Ltd.	67,825	28,064	65,931	3,631	90,848	3,640
BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	7,469	24,918	29,296	-	18,553	(9,192)
Hyundai Transys (Shandong) Co., Ltd.	570,321	281,018	405,329	157,242	739,568	(44,289)
PT APM HYUNDAI TRANSYS INDONESIA	9,629	24,344	11,525	61	206	(3,729)

10. PROPERTY, PLANT AND EQUIPMENT ("PP&E"):

(1) Changes in PP&E for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021						
Description	**Land**	**Building**	**Structures**	**Machinery**	**Others**	**Construction in progress**	**Total**
Beginning balance	₩ 285,225	₩ 696,848	₩ 54,175	₩ 899,328	₩ 83,981	₩ 97,287	₩ 2,116,844
Business combination	-	32,666	5,159	54,915	3,772	8,609	105,121
Acquisition	-	9,638	2,113	22,124	4,375	342,433	380,683
Disposal	(480)	(4,399)	-	(51,766)	(3,861)	(2,912)	(63,418)
Transfer (*)	-	2,971	356	119,183	23,394	(164,481)	(18,577)
Impairment	-	(1,075)	(101)	(9,555)	(626)	(4,836)	(16,193)
Depreciation	(5)	(25,666)	(5,578)	(174,551)	(27,809)	-	(233,609)
Foreign exchange translation	2,392	14,997	2,011	44,509	(26,343)	14,501	52,067
Ending balance	₩ 287,132	₩ 725,980	₩ 58,135	₩ 904,187	₩ 56,883	₩ 290,601	₩ 2,322,918
Acquisition cost	287,132	895,753	99,868	1,936,018	289,033	290,601	3,798,405
Accumulated depreciation	-	(154,599)	(40,917)	(988,426)	(231,103)	-	(1,415,045)
Accumulated impairment	-	(15,174)	(816)	(43,405)	(1,047)	-	(60,442)

(*) Included in ₩10,798 million transferred to intangible assets, ₩3,728 million transferred to inventories and ₩4,051 million transferred to other receivables.

(In millions of Korean won)

	2020						
Description	**Land**	**Building**	**Structures**	**Machinery**	**Others**	**Construction in progress**	**Total**
Beginning balance	₩ 280,751	₩ 688,648	₩ 59,428	₩ 980,491	₩ 95,968	₩ 126,239	₩ 2,231,525
Acquisition	9,917	35	256	3,514	525	161,203	175,450
Disposal	(4,939)	(1,216)	(35)	(9,007)	(2,315)	(1,176)	(18,688)
Transfer (*)	141	49,015	521	106,564	26,156	(188,871)	(6,474)
Impairment	-	-	-	(12,848)	-	-	(12,848)
Depreciation	(5)	(22,845)	(4,907)	(149,729)	(27,444)	-	(204,930)
Foreign exchange translation	(640)	(16,789)	(1,088)	(19,657)	(8,909)	(108)	(47,191)
Ending balance	₩ 285,225	₩ 696,848	₩ 54,175	₩ 899,328	₩ 83,981	₩ 97,287	₩ 2,116,844
Acquisition cost	285,225	823,306	80,878	1,654,789	228,767	97,287	3,170,252
Accumulated depreciation	-	(122,995)	(26,238)	(724,577)	(144,344)	-	(1,018,154)
Accumulated impairment	-	(3,463)	(465)	(30,884)	(442)	-	(35,254)

(*) Included in ₩5,929 million transferred to intangible assets.

(2) As of December 31, 2021, PP&E pledged as collateral for Group's debt and guarantee, are as follows:

(In millions of Korean won)

Collateral		Book Value of Collateral	Mortgagee	Description
PP&E (Land and building)	₩	14,540	Korea Development Bank	Loans (Deposit up to ₩20,000 million)

11. INTANGIBLE ASSETS:

(1) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021											
Description		Industrial property rights		Software		Development cost		Customer relationship		Other intangible assets		Total
Beginning balance	₩	497	₩	32,498	₩	17,489	₩	9,120	₩	24,519	₩	84,123
Business combination		-		199		-		-		-		199
Acquisition		-		2,649		31,267		-		23		33,939
Transfer (*1)		(497)		11,758		-		-		(463)		10,798
Disposal		-		-		-		-		(31)		(31)
Depreciation		-		(12,696)		(1,917)		(2,000)		-		(16,613)
Impairment		-		(125)		(316)		(5,200)		-		(5,641)
Foreign exchange translation		-		122		-		-		-		122
Ending balance	₩	-	₩	34,405	₩	46,523	₩	1,920	₩	24,048	₩	106,896
Acquisition cost		10		95,723		51,492		15,200		24,048		186,473
Accumulated depreciation (*2)		(10)		(61,318)		(4,969)		(13,280)		-		(79,577)

(*1) Included in ₩10,798 million replaced by software from tangible assets.
(*2) Consists of accumulated depreciation and accumulated impairment.

(In millions of Korean won)

	2020											
Description		Industrial property rights		Software		Development cost		Customer relationship		Other intangible assets		Total
Beginning balance	₩	610	₩	32,177	₩	28,367	₩	12,160	₩	23,422	₩	96,736
Acquisition		-		6,108		17,349		-		1,648		25,105
Transfer (*)		-		5,887		(15,564)		-		-		(9,677)
Disposal		-		-		-		-		(284)		(284)
Depreciation		(107)		(11,077)		(3,652)		(3,040)		(291)		(18,167)
Impairment		(4)		(216)		(9,011)		-		-		(9,231)
Foreign exchange translation		(2)		(381)		-		-		24		(359)
Ending balance	₩	497	₩	32,498	₩	17,489	₩	9,120	₩	24,519	₩	84,123
Acquisition cost		705		72,782		20,226		15,200		25,905		134,818
Accumulated depreciation		(208)		(40,284)		(2,737)		(6,080)		(1,386)		(50,695)

(2) The details of the research and development activities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Development costs (intangible assets)	₩	31,267	₩	17,349
Ordinary research and development expenditures (*1)		67,046		87,448
Total (*2)	₩	98,313	₩	104,797

(*1) Consists of manufacturing expenses, management expenses and other expenses.
(*2) Amortization of development costs is not included.

12. LEASE:

(1) Changes in right-of-use assets for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Beginning balance	₩	9,046	₩	9,629
Acquisition		68		756
Disposal		-		(146)
Depreciation		(1,328)		(1,320)
Foreign exchange translation		817		127
Ending balance	₩	8,603	₩	9,046

The right-of-use assets above consist of land, offices, vehicles, etc.

(2) The details of the lease liabilities as of the end of the current term are as follows:

(In millions of Korean won)

Description	2021		2020	
Lease liabilities before discount	₩	4,881	₩	5,966
Lease liabilities after discount		4,639		5,444
Current		848		1,318
Non-current		3,791		4,126

The incremental borrowing rate applied to calculate lease liability is 0.84%.

(3) Changes in lease liability for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Beginning balance	₩	5,444	₩	5,943
Acquisition		68		756
Disposal		-		(148)
Payment		(1,269)		(1,297)
Interest expenses		17		29
Foreign exchange translation		379		161
Ending balance	₩	4,639	₩	5,444

(4) Earnings and losses recognized for the 12 months ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Depreciation of right-of-use assets	₩	1,328	₩	1,320
Interest expenses of lease liabilities		17		29
Expense of short-term leases and leases of low-value assets		491		604
Total	₩	1,836	₩	1,953

(5) The maturity analysis of the lease liabilities as of the end of the current term is as follows:

(In millions of Korean won)

Description	2021		2020	
Not later than one year	₩	781	₩	1,327
Later than one year and not later than two years		134		430
Later than two years and not later than three years		9		127
Later than three years and not later than four years		7		9
Later than four years and not later than five years		7		7
Later than five years		3,943		4,066
Total	₩	4,881	₩	5,966

13. OTHER PAYABLES:

Details of other payables as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Current				
Accounts payable	₩	345,812	₩	346,617
Accrued expenses		75,769		105,450
Subtotal		421,581		452,067
Non-current				
Accounts payable		11,415		2,516
Total	₩	432,996	₩	454,583

14. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2021(%)	2021		2020	
Woori Bank	Discount on foreign currency sales receivables	0.41 - 0.54	₩	3,111	₩	77,185
Citi Bank and others	General borrowings	1.09 - 7.70		44,897		71,974
SC Bank and others	Credit facilities	1.27 - 4.05		61,003		27,999
Total			₩	109,011	₩	177,158

(2) Long-term borrowings as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Lender	Breakdown	Interest rate of December 31, 2021 (%)	2021	2020
NH Bank and others	General borrowings	0.20-2.16	₩ 374,139	₩ 348,818
SMBC and others	Credit facilities	0.70-4.05	379,782	160,927
Kookmin Bank	Housing loan	-	-	151
	Total		753,921	509,896
	Less: Current maturities		(108,418)	(121,912)
	Balance		₩ 645,503	₩ 387,984

(3) Debentures as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	Issue date	Maturity date	Interest rate (%)	2021	2020
35-2nd Non-guaranteed public debentures	2014-02-18	2021-02-18	-	₩ -	₩ 50,000
36-2nd Non-guaranteed public debentures	2017-02-28	2022-02-28	2.43	40,000	40,000
37-2nd Non-guaranteed public debentures	2017-09-11	2022-09-08	2.81	30,000	30,000
38-1st Non-guaranteed public debentures	2018-06-14	2021-06-14	-	-	70,000
38-2nd Non-guaranteed public debentures	2018-06-14	2023-06-14	3.02	30,000	30,000
39-1st Non-guaranteed public debentures	2018-08-27	2021-08-27	-	-	90,000
39-2nd Non-guaranteed public debentures	2018-08-27	2023-08-25	2.61	30,000	30,000
40-1st Non-guaranteed public debentures	2019-06-28	2022-06-28	1.74	60,000	60,000
40-2nd Non-guaranteed public debentures	2019-06-28	2024-06-28	1.89	180,000	180,000
40-3rd Non-guaranteed public debentures	2019-06-28	2026-06-26	2.17	40,000	40,000
41-1st Non-guaranteed public debentures	2020-05-27	2023-05-26	1.79	280,000	280,000
41-2nd Non-guaranteed public debentures	2020-05-27	2025-05-27	1.83	40,000	40,000
42-1st Non-guaranteed public debentures	2021-02-03	2024-02-02	1.26	90,000	-
42-2nd Non-guaranteed public debentures	2021-02-03	2026-02-03	1.63	150,000	-
Subtotal				970,000	940,000
Less: Discounts on bonds payable				(2,076)	(2,323)
Less: Current portion of bonds payable				(129,921)	(209,844)
Balance				₩ 838,003	₩ 727,833

15. NET DEFINED BENEFIT LIABILITIES (ASSETS):

(1) Details of net defined benefit liabilities (assets) as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Present value of defined benefit obligation	₩	271,743	₩	275,356
Fair value of plan assets		(346,344)		(297,188)
National Pension Conversion Fund		(78)		(87)
Total	₩	(74,679)	₩	(21,919)

(2) Profits and losses recognized in relation to the defined benefit liabilities (assets) for the 12 months ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Current service cost	₩	32,877	₩	32,167
Interest cost (income)		(710)		(577)
Past service cost		732		8,711
Total	₩	32,899	₩	40,301

(3) Changes in defined benefit obligation for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Beginning balance	₩	275,356	₩	252,624
Current service cost		32,877		32,167
Interest cost		7,021		5,998
Past service cost		732		8,711
Remeasurements:				
Actuarial gains arising from experience adjustments		(5,669)		(7,304)
Actuarial losses arising from changes in demographic assumptions		(352)		-
Actuarial losses arising from changes in financial assumptions		(20,411)		(4,222)
Subtotal		(26,432)		(11,526)
Benefits paid		(17,811)		(12,618)
Transfers in (out)		-		-
Ending balance	₩	271,743	₩	275,356

(4) Changes in plan assets for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Beginning balance	₩	297,275	₩	264,453
Employer's contribution		58,500		42,200
Interest income		7,731		6,575
Benefits paid		(15,114)		(14,777)
Remeasurements:				
Difference between interest income and actual income		(1,970)		(1,176)
Ending balance	₩	346,422	₩	297,275

(5) The major actuarial assumptions used as of the end of the reporting period are as follows:

Description	2021	2020
Discount rate	2.97% – 3.12%	2.45% – 2.64%
Rate of expected future salary increase	3.64% – 3.95%	3.62% – 3.97%

(6) The details of the composition of plan assets as of the end of the reporting year are as follows:

(In millions of Korean won)

	2021		2020	
Description	Amount	Component ratio (%)	Amount	Component ratio (%)
Time deposit and others	₩ 346,422	100.00%	₩ 297,275	100.00%

(7) If each significant actuarial assumption as of the end of the reporting year changes within the reasonable extent, the impact on the defined benefit obligation is as follows:

Description	Changes in significant assumptions	Changes in liabilities
Discount rate	Increase by 1% / Decrease by 1%	Increase by 14.8% / Decrease by 12.3%
Rate of expected future salary increase	Increase by 1% / Decrease by 1%	Increase by 14.8% / Decrease by 12.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the prior year.

(8) The weighted-average duration of the defined benefit obligations is 14.1 years (2020: 14.7 years). The expected maturity analysis of undiscounted pension benefits as of December 31, 2021, is as follows:

(In millions of Korean won)

Description	Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five Years	Total
Benefits paid	₩ 7,715	₩ 9,375	₩ 41,383	₩ 1,243,175	₩ 1,301,648

16. PROVISION FOR WARRANTY:

The Group estimates amounts expected to be spent on free warranty service based on warranty period and history of actual claim amounts, and recognizes it in the consolidated statements of financial position as provision for warranty.

Changes in provision for warranty and other provision for the years ended December 31, 2021 and 2020, are as follows:

(Current year)

(In millions of Korean won)

Description	Provision for warranty	Other long-term employee benefits	Other provision	Total
Beginning balance	₩ 218,341	₩ 38,863	₩ 68,446	₩ 325,650
Business combination	18,028	-	(71,512)	(53,484)
Increase	36,356	5,035	2,862	44,253
Decrease	(47,495)	(2,784)	-	(50,279)
Others	2,966	-	6,815	9,781
Ending balance	228,196	41,114	6,611	275,921
Less: Current item	63,542	-	6,611	70,153
Non-current item	164,654	41,114	-	205,768

(Previous year)

(In millions of Korean won)

Description	Provision for warranty	Other long-term employee benefits	Other provision	Total
Beginning balance	₩ 183,549	₩ 35,772	₩ 65,414	₩ 284,735
Additional provisions recognized	81,670	4,293	16,785	102,748
Utilized	(48,070)	(1,202)	(1,642)	(50,914)
Reversible amount	-	-	(2,873)	(2,873)
Others	1,192	-	(9,238)	(8,046)
Ending balance	218,341	38,863	68,446	325,650
Less: Current item	61,729	-	68,446	130,175
Non-current item	156,612	38,863	-	195,475

17. OTHER LIABILITIES:

Other Liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
Description	Current	Non-current	Current	Non-current
Advance received	₩ 132,810	₩ 85,524	₩ 85,899	₩ 50,116
Deposit received	25,748	-	22,749	-
Others	-	568	-	-
Total	₩ 158,558	₩ 86,092	₩ 108,648	₩ 50,116

18. CURRENT AND DEFERRED TAXES:

(1) Income tax expenses for the years ended December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
In respect of current year	₩	30,220	₩	11,311
Changes in deferred taxes relating to temporary differences		(10,962)		6,001
Total of income tax effect		19,258		17,312
Items that are charged or credited directly to equity		(5,569)		(2,547)
Income tax expense		13,689		14,765

(2) The reconciliation of income before income tax to income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	2021		2020	
Profit before income tax	₩	104,312	₩	9,601
Income tax expense calculated at the applicable tax rates		25,351		(568)
Income tax effect:				
Non-taxable income		(33,924)		(1,938)
Non-deductible expenses		8,345		7,607
Tax credits		(285)		(378)
Deferred Income Tax Under-recognition Effect		17,178		14,573
Others		(2,976)		(4,531)
Income tax expense		13,689		14,765
Effective tax rate		13.12%		153.79%

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

(Current year)

(In millions of Korean won)

Description	Beginning	Recognized in profit or loss	Equity	Business combination	Ending
Accrued income	₩ (192)	₩ -	₩ -	₩ (88)	₩ (280)
Trade receivables	14,080	-	-	(13,217)	863
Inventories	6,858	-	-	(35)	6,823
Financial assets measured at FVTPL	846	-	-	-	846
PP&E	20,264	(2,546)	-	(581)	17,137
Intangible assets	10,160	-	-	(1,811)	8,349
Investments in subsidiaries, associates and joint ventures	(8,077)	-	-	(3,705)	(11,782)
Defined benefit liabilities	64,278	-	(6,019)	6,053	64,312
Plan assets	(68,632)	-	450	(7,590)	(75,772)
Other provisions	9,363	-	-	430	9,793
Warranty	49,335	-	-	(5,527)	43,808
Deduction of carryover losses	9,953	-	-	13,531	23,484
Carry-over tax credit	10,990	-	-	16,865	27,855
Others	36,773	12,320	-	12,206	61,299
Total	₩ 155,999	₩ 9,774	₩ (5,569)	₩ 16,531	₩ 176,735

(Previous year)

(In millions of Korean won)

Description	Beginning	Recognized in profit or loss	Equity	Ending
Accrued income	₩ (1)	₩ (191)	₩ -	₩ (192)
Trade receivables	12,155	1,925	-	14,080
Inventories	6,104	754	-	6,858
Financial assets measured at FVTPL	846	-	-	846
PP&E	25,055	(4,791)	-	20,264
Intangible assets	8,248	1,912	-	10,160
Investments in subsidiaries, associates and joint ventures	(6,312)	(1,765)	-	(8,077)
Defined benefit liabilities	58,965	8,111	(2,798)	64,278
Plan assets	(59,637)	(9,246)	251	(68,632)
Other provisions	8,691	672	-	9,363
Warranty	43,515	5,820	-	49,335
Deduction of carryover losses	-	9,953	-	9,953
Carry-over tax credit	-	10,990	-	10,990
Others	64,371	(27,598)	-	36,773
Total	₩ 162,000	₩ (3,454)	₩ (2,547)	₩ 155,999

The Group did not recognize deferred tax assets for deductible temporary differences of ₩201,656 million (2020: ₩224,974 million) related to its investments in subsidiaries and associates because they are not realizable.

19. FINANCIAL INSTRUMENTS:

(1) Details of financial assets and financial liabilities as of December 31, 2021, are as follows:

(In millions of Korean won)

Description		Financial assets measured at amortized cost		Financial assets measured at FVTPL		Financial liabilities measured at amortized cost		Financial liabilities measured at FVTPL		Total
Cash and cash equivalents	₩	493,285	₩	-	₩	-	₩	-	₩	493,285
Short-term financial instruments		260,031		223,300		-		-		483,331
Trade notes and accounts receivable and Other receivables		1,761,872		-		-		-		1,761,872
Other financial assets		39,877		1,427		-		-		41,304
Total financial assets	₩	2,555,065	₩	224,727	₩	-	₩	-	₩	2,779,792
Trade notes and accounts payable and Other payables	₩	-	₩	-	₩	1,570,047	₩	-	₩	1,570,047
Borrowings and debentures		-		-		1,830,856		-		1,830,856
Financial guarantee liabilities		-		-		3,924		-		3,924
Lease liabilities		-		-		4,639		-		4,639
Other financial liability		-		-		-		17,907		17,907
Total financial liabilities	₩	-	₩	-	₩	3,409,466	₩	17,907	₩	3,427,373

Details of financial assets and financial liabilities as of December 31, 2020, are as follows:

(In millions of Korean won)

Description		Financial assets measured at amortized cost		Financial assets measured at FVTPL		Financial liabilities measured at amortized cost		Financial liabilities measured at FVTPL		Total
Cash and cash equivalents	₩	458,365	₩	-	₩	-	₩	-	₩	458,365
Short-term financial instruments		214,282		258,168		-		-		472,450
Trade notes and accounts receivable and Other receivables		1,816,971		-		-		-		1,816,971
Other financial assets		47,091		827		-		-		47,918
Total financial assets	₩	2,536,709	₩	258,995	₩	-	₩	-	₩	2,795,704
Trade notes and accounts payable and Other payables	₩	-	₩	-	₩	1,442,831	₩	-	₩	1,442,831
Borrowings and debentures		-		-		1,624,732		-		1,624,732
Financial guarantee liabilities		-		-		8,569		-		8,569
Lease liabilities		-		-		5,444		-		5,444
Other financial liability		-		-		-		13,649		13,649
Total financial liabilities	₩	-	₩	-	₩	3,081,576	₩	13,649	₩	3,095,225

(2) Income and expenses from financial assets and liabilities by each category during the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			2020		
	Interest income	**Interest expenses**	**Financial asset valuation gains and losses**	**Interest income**	**Interest expenses**	**Financial asset valuation gains and losses**
Financial assets measured at amortized cost	₩ 9,958	₩ -	₩ -	₩ 13,133	₩ -	₩ -
Financial assets measured at FVTPL	2,952	-	-	4,738	-	-
Financial liabilities measured at amortized cost	-	38,584	-	-	35,597	-
Financial assets measured at FVTOCI	-	-	(4,257)	-	1,680	(7,433)
Total	₩ 12,910	₩ 38,584	₩ (4,257)	₩ 17,871	₩ 37,277	₩(7,433)

The foreign exchange gain or loss on the above financial instruments is ₩20,294 million (2020: ₩(-)5,400 million) and the foreign currency translation gain or loss is ₩5,549 million (2020: ₩(-)11,997 million).

(3) Fair value by category of financial assets

The carrying amount and the fair value and fair value hierarchy levels of financial instruments based on their nature and characteristics are as follows.

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

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

Fair value hierarchy of financial assets measured at fair value is as follows:

(In millions of Korean won)

	2021		2020	
Description	**Level 2**	**Level 3**	**Level 2**	**Level 3**
Financial assets measured at FVTPL	₩ 223,300	₩ 1,427	₩ 258,168	₩ 827
Financial liabilities measured at FVTPL	-	17,907	-	13,649

(4) Details of financial assets and liabilities offset as of December 31, 2021, are as follows:

(In millions of Korean won)

Description	Total amount of recognition		Total amount of offset		Net amount presented in financial statements	
Trade notes and accounts receivable and Other receivables	₩	1,956,811	₩	194,939	₩	1,761,872
Trade notes and accounts payable and Other payables		1,753,571		194,939		1,558,632

20. CAPITAL STOCK, CAPITAL SURPLUS AND OTHER CAPITAL ITEMS:

(1) Capital stock as of December 31, 2021 and 2020, consists of the following:

Description	2021	2020
Number of shares authorized	200,000,000 shares	200,000,000 shares
Par value	₩5,000	₩5,000
Issued	81,897,803 shares	81,897,803 shares
Capital stock	₩409,489 million	₩409,489 million

(2) Capital surplus and other capital items as of December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
Paid-in capital in excess of par value	₩	1,154,371	₩	1,154,371
Other capital surplus		70		-
Treasury stock		(4,281)		(4,281)
Equity adjustments in equity method		19,484		(1,210)
Exchange differences on translations of foreign operations		16,510		(7,366)
Total	₩	1,186,154	₩	1,141,514

21. RETAINED EARNINGS:

Retained earnings as of December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
Unappropriated retained earnings	₩	1,003,835	₩	893,421

22. EARNINGS PER SHARE:

Basic earnings per share for the years ended December 31, 2021 and 2020, are computed as follows:

(1) Earnings per share

Description	2021		2020	
Profit (loss) for the year	₩	91,964 million	₩	(5,146) million
The weighted-average number of shares outstanding		81,737,796 shares		81,737,796 shares
Basic earnings per common share	₩	1,125	₩	(63)

(2) As there are no diluted securities outstanding as of December 31, 2021 and 2020, diluted earnings per share are identical to the basic earnings per share.

23. SALES:

(1) Details of sales from the contract with customers for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	2021		2020	
Sales of goods	₩	8,004,035	₩	7,006,138
Rendering of services		139,916		247,477
Total	₩	8,143,951	₩	7,253,615

(2) For the years ended December 31, 2021 and 2020, sales of ₩7,885,746 million (96.8% of total sales) and ₩6,932,517 million (95.6% of total sales) were to Hyundai Motor Company and other related affiliates, respectively. The accompanying consolidated financial statements are prepared based on the assumption that the business relationship will continue for a while.

(3) As of December 31, 2021, the amount to be recognized as future sales from the transaction price allocated to the performance obligation is as follows:

(In millions of Korean won)

Description	Within one year		More than one year	
Other non-current liabilities	₩	132,810	₩	85,524

24. EXPENSE BY NATURE:

Expense by nature for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	2021		2020	
Changes in raw materials	₩	6,660,658	₩	5,961,608
Employee benefits		441,499		374,208
Depreciation		233,609		204,930
Amortization		16,613		18,167
Transportation and logistics costs		76,976		64,198
Commission expenses		152,654		94,784
Amount paid to subcontractors		127,561		105,299
Ordinary research and development expense		67,046		87,448
Others		272,319		286,386
Total (*)	₩	8,048,935	₩	7,197,028

(*) Total costs consist of cost of sales, selling expense and administrative expense.

25. SELLING AND ADMINISTRATIVE EXPENSES:

Details of selling and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description		2021		2020
Salaries	₩	68,339	₩	53,702
Retirement benefits		9,094		5,760
Employee Benefits		18,063		14,562
Logistics cost		71,425		58,577
Ordinary research and development expenses		64,830		62,129
Commission expenses		15,127		17,346
Depreciation		12,033		11,618
Amortization		8,635		8,096
Sales guarantee cost		14,464		(169)
Advertising expense		852		319
Bad debt expenses		3,256		6,336
Others		17,570		38,114
Total	₩	303,688	₩	276,390

26. OTHER INCOME:

Other income for the years ended December 31, 2021 and 2020, consists of the following:

(In millions of Korean won)

Description		2021		2020
Gain on foreign currency exchanges	₩	39,239	₩	24,698
Gain on foreign currency translation		9,378		22,803
Gain on disposal of PP&E		1,874		391
Gain on disposal of intangible assets		-		468
Gain on valuations of derivative		827		-
Gain on transactions of derivative		-		2,123
Bargain purchase gain		43,882		-
Reversal of other allowance for doubtful accounts		1,479		-
Miscellaneous revenues		29,116		32,185
Total	₩	125,795	₩	82,668

27. OTHER EXPENSES:

Other expenses for the years ended December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description		2021		2020
Loss on foreign currency exchange	₩	18,945	₩	30,098
Loss on foreign currency translation		3,829		34,800
Loss on disposal of PP&E		996		214
Impairment losses on associate investment shares		3,069		-
Disposal losses of associate investment shares		11,907		-
Impairment loss on PP&E		16,193		12,848
Impairment loss on intangible assets		5,641		9,231
Other bad debt expenses		-		493
Loss on derivative valuations		63		855
Donation		418		301
Miscellaneous expenses		10,859		16,202
Total	₩	71,920	₩	105,042

28. FINANCE INCOME:

Finance income for the years ended December 31, 2021 and 2020, consists of the following:

(In millions of Korean won)

Description	2021		2020	
Interest income	₩	12,910	₩	17,871
Dividends Income		25		-
Total	₩	12,935	₩	17,871

29. FINANCE COSTS:

Finance costs for the years ended December 31, 2021 and 2020, consist of the following:

(In millions of Korean won)

Description	2021		2020	
Interest expenses	₩	38,584	₩	37,278
Loss on valuation of items at FVTPL		4,257		7,433
Total	₩	42,841	₩	44,711

30. SUPPLEMENTAL CASH FLOW INFORMATION:

(1) Cash generated from operations

(In millions of Korean won)

Description	2021		2020	
Profit for the year	₩	90,623	₩	(5,164)
Adjustments:		352,592		361,121
Retirement benefit costs		32,899		40,301
Long-term employee benefits		5,035		4,293
Depreciation		233,609		204,930
Impairment loss on PP&E		16,193		12,848
Warranty expenses		14,464		(169)
Transfer of other provisions		2,862		16,785
Amortization of intangible assets		16,613		18,167
Impairment loss on intangible assets		5,641		9,231
Depreciation of right-of-use assets		1,328		1,320
Bad debt expenses		3,256		6,336
Other bad debt expenses		-		492
Loss on disposal of investments in associates		11,907		-
Impairment loss on investments in associates		3,069		-
Loss on valuation of financial liabilities		4,257		7,433
Loss on foreign currency translation		3,829		34,800
Loss on disposal of PP&E		996		214
Interest expenses		38,584		37,277
Income tax expense		13,689		14,765
Loss on valuation of derivatives		63		855
Loss on valuation of equity method		14,673		(2,228)
Gain on foreign currency translation		(9,378)		(22,803)
Gain on disposal of PP&E		(1,874)		(391)
Gain on disposal of intangible assets		-		(468)
Reversal of other allowance for doubtful accounts		(1,479)		-
Gain on derivative transactions		-		(2,123)
Gain on valuation of derivatives		(827)		-
Reversal of other provisions		-		(2,873)
Dividend income		(25)		-
Interest income		(12,910)		(17,871)
Bargain purchase gain		(43,882)		-
Changes in operating assets and liabilities:		(114,209)		(141,834)
Decrease (increase) in trade receivables		13,470		(88,924)
Decrease (increase) in other receivables		57,169		42,935
Decrease (increase) in other current assets		(82,440)		(28,148)
Decrease (increase) in inventories		(96,461)		(9,269)
Decrease (increase) in other non-current assets		(15,954)		(20,484)
Increase (decrease) in trade payables		130,707		48,154
Increase (decrease) in other payables		(105,328)		14,430
Increase (decrease) in other current liabilities		55,905		(23,628)
Increase (decrease) in non-current other liabilities		40,197		14,053
Increase (decrease) in provisions		(50,278)		(50,914)
Increase (decrease) in net defined benefit liabilities		(61,196)		(40,039)
Cash generated from operations	₩	329,006	₩	214,123

(2) Non-cash transactions

(In millions of Korean won)

Description	2021	2020
Reclassification of the current portion of bond payables	₩ 100,000	₩ 210,000
Changes in other payables related to acquisition of PP&E	(64,215)	(8,301)
Changes in other payables related to acquisition of Intangible assets	-	(2,263)
Transfer of construction in progress	164,481	188,871

(3) Changes in liabilities arising from financing activities

(Current year)

(In millions of Korean won)

Description	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 687,054	₩ 937,677	₩ 5,444	₩ 1,630,175
Business combination	122,094	-	-	122,094
Cash flows	53,898	29,242	(1,269)	81,871
Acquisition of lease liabilities	-	-	68	68
Other (foreign currency translation and amortization)	(114)	1,005	396	1,287
Ending balance	₩ 862,932	₩ 967,924	₩ 4,639	₩ 1,835,495

(Previous year)

(In millions of Korean won)

Description	Borrowings	Bond payables	Lease liabilities	Total
Beginning balance	₩ 655,697	₩ 778,015	₩ 5,943	₩ 1,439,655
Cash flows	74,450	158,667	(1,297)	231,820
Acquisition of lease liabilities	-	-	756	756
Other (foreign currency translation and amortization)	(43,093)	995	42	(42,056)
Ending balance	₩ 687,054	₩ 937,677	₩ 5,444	₩ 1,630,175

31. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2021, payment guarantees provided by the Group are as follows:

(In thousands of USD and RMB)

Beneficiaries	Financial institution	Foreign currency	Provision	Disbursement
Beijing HYUNDAI TRANSYS Transmission Co., Ltd.	DBS	USD	10,000	-
	SC Bank	USD	70,000	25,000
	Korea Development Bank	RMB	500,000	482,000
	Citi Bank	USD	20,000	-
Hyundai Transys (Shandong) Co., Ltd.	Korea Development Bank (Head office)	USD	80,000	56,000
	Kookmin Bank (Hong Kong)	USD	50,000	35,000
	Korea Development Bank (Guangzhou)	RMB	120,000	114,000
	KEB Hana Bank (Qingyang)	RMB	170,000	-
	BTMU (Qingdao)	USD	60,000	-
	SC Bank	USD	17,000	17,000
	DBS	USD	10,000	-
Total		USD	317,000	133,000
		RMB	790,000	596,000

As of December 31, 2021, payment guarantees provided by others are as follows:

(In millions of Korean won)

Guarantee details	Provider	Guaranteed amount	Creditor
Contract performance guarantee, etc.	Machinery Financial Cooperative	₩ 4,403	Hyundai-Rotem Co. and others
	Seoul Guarantee Insurance Co., Ltd.	25,231	

(2) As of December 31, 2021, financial commitments are as follows:

(In millions of Korean won, In thousands of USD, EUR, RMB and BRL)

Description	Lender	Limited amount
Overdrafts	NH Bank and others	₩ 96,500
General borrowings	KEB Hana Bank and others	92,500 USD 853,000 EUR 54,670 RMB 36,000 BRL 17,000
Borrowings collateralized by trade receivables (*)	Shinhan Bank and others	355,800
Discount on accounts receivable	Shinhan Bank and others	304,500
Limited amount of import L/C	Kookmin Bank and others	USD 702,606

(*) It is a contract made such that the other transaction party may discount from financial institutions the notes payable issued by the consolidated company.

(3) The major insurance subscription details at the end of 2021 are as follows:

Description	Financial institution	Coverage amount	
Environmental Liability Insurance	DB Insurance Co., Ltd.	₩	60,000
Gas Accident Liability Insurance	Hyundai Marine & Fire Insurance Co., Ltd.		17,100
Package Insurance Policy			2,822,154
Hyundai Group Accident Insurance (for position only)			1,520,680
Overseas Insurance and others			196,566

(4) When other shareholders of Beijing LEAR Hyundai Transys Automotive Systems Co., Ltd.; BAIC DYMOS Automotive System Co., Ltd.; BAIC DYMOS (Chongqing) Automotive System Co., Ltd. JV and HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED sell their shares, the Group has the right to purchase prior to the third party, and other shareholders of HYUNDAI TRANSYS LEAR AUTOMOTIVE INDIA PRIVATE LIMITED can exercise the right to sell their shares in the Group according to the shareholders' agreement.

(5) As of December 31, 2021, the Group loses part of the second trial in the first lawsuit for claiming additional wages related to normal wages to workers and retirees at the Seongyeon Plant (February 5, 2020) and is pending for the third trial, lost part of the first trial in second lawsuit (March 25, 2021) and is currently pending in second trial. In addition, a lawsuit for claiming additional wages related to ordinary wages on workers and retirees at the Jigok Plant is pending. The reasonably estimated amount related to the litigation is reflected in the consolidated financial statements. The Group deems the other pending lawsuits are not material.

32. RISK MANAGEMENT:

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potentially negative effects on the Group's financial performance.

(1) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar, the Euro and the Japanese yen. Foreign exchange risk arises from recognized assets and liabilities.

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit for income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(In millions of Korean won)

	2021				2020			
Currency	10% increase		10% decrease		10% increase		10% decrease	
USD	₩	(8,982)	₩	8,982	₩	(22,981)	₩	22,981
EUR		(7,073)		7,073		263		(263)
JPY		(491)		491		(817)		817
CNY		11,021		(11,021)		10,789		(10,789)
Others		(96)		96		(808)		808
Total	₩	(5,621)	₩	5,621	₩	(13,554)	₩	13,554

Above sensitivity analysis is performed considering monetary asset and liability in foreign currencies as of December 31, 2021.

(2) Interest Rate Risk

The Group has borrowings in terms of fixed interest rate and variable interest rate, and is exposed to interest rate risk due to fluctuation of interest rate in financial instruments with variable interest rate. The Group regularly assesses hedging activity to adjust interest rate and defined tendency on risk, and tries to apply optimal hedge strategy.

The table below describes an impact of interest rate fluctuation of 1% point on income before income taxes expenses as of December 31, 2021.

(In millions of Korean won)

Description	**1% increase**		**1% decrease**	
Cash and cash equivalents	₩	4,933	₩	(4,933)
Short-term financial instruments		2,233		(2,233)
Borrowings		(8,898)		8,898

(3) Credit Risk

Credit risk is arising from general transactions and investment activities, and is occurring when customers, clients or market counterparties fail to fulfill their contractual liability to the Group. The Group manages credit risk by assessing the credit quality of customers and other counterparties and periodically reviews and sets credit limit based on the financial conditions, past activities and other factors.

The maximum exposure to credit risk as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Description	**2021**		**2020**	
Cash and cash equivalents (*)	₩	493,285	₩	458,365
Short-term financial instruments		483,331		472,450
Trade receivables		1,639,675		1,665,948
Other receivables		122,197		151,022
Other financial assets		39,877		47,091
Financial guarantee contracts		266,678		486,016

(*) Cash on hand is not included.

(4) Liquidity Risk

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

The Group’s objective of liquidity risk management is maintaining sufficient cash and the availability of funding through adequate amount of committed credit facilities and ability to close out market positions. The Group currently maintains flexible liquidity within its credit limit through active sales. The Group’s management determines that they are able to repay the financial liabilities by cash inflows generated from operating activities and financial assets.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(In millions of Korean won)

Description	2021							
	Less than one year		One year-five years		More than five years		Total	
Trade payables and other payables	₩	1,558,632	₩	11,415	₩	-	₩	1,570,047
Borrowings and Bond payables		368,024		1,420,224		137,362		1,925,610
Financial guarantee liabilities		266,678		-		-		266,678
Total	₩	2,193,334	₩	1,431,639	₩	137,362	₩	3,762,335

Description	2020							
	Less than one year		One year-five years		More than five years		Total	
Trade payables and other payables	₩	1,440,315	₩	2,516	₩	-	₩	1,442,831
Borrowings and Bond payables		520,518		1,127,625		40,434		1,688,577
Financial guarantee liabilities		486,016		-		-		486,016
Total	₩	2,446,849	₩	1,130,141	₩	40,434	₩	3,617,424

(5) Capital Risk Management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.
The Group monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio each month and implements required action plan to improve the capital structure.

As of December 31, 2021 and 2020, details of debt-to-equity ratio and net borrowing ratio are summarized as follows:

(In millions of Korean won)

Description	2021		2020	
Liabilities (A)	₩	3,950,701	₩	3,581,964
Equity (B)		2,686,017		2,444,640
Debt-to-equity ratio (A/B)		147%		147%

33. RELATED-PARTY TRANSACTIONS:

(1) Details of the related parties as of December 31, 2021 and 2020, are as follows:

Description	December 31, 2021	December 31, 2020
Associates (Investment company)	Hyundai Motor Company	Hyundai Motor Company
	Kia Corp. (*1)	Kia Motors Corp.
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (*2)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.
	Beijing Hyundai Transys Transmission Co., Ltd.	Beijing Hyundai Transys Transmission Co., Ltd.
	BAIC DYMOS Automotive System Co., Ltd.	BAIC DYMOS Automotive System Co., Ltd.
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.
	- (*3)	HYUNDAI Transys Georgia Powertrain, INC
	Hyundai Transys (Shandong) Co., Ltd.	Hyundai Transys (Shandong) Co., Ltd.
	- (*3)	Hyundai Transys America Sales, LLC (*4)
	PT APM HYUNDAI TRANSYS INDONESIA	PT APM HYUNDAI TRANSYS INDONESIA

(*1) The name of the company has been changed to Kia Corp. in 2021.

(*2) The name of the company has been changed to Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. in 2021.

(*3) The percentage of ownership for HYUNDAI Transys Georgia Powertrain, INC is increased from 40.00% to 71.27% due to the participation in the unequal paid-in capital increase in 2021. As a result, the company and its subsidiaries were classified as subsidiaries.

(*4) The company is a subsidiary of HYUNDAI Transys Georgia Powertrain, INC.

(2) Significant transactions for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021			
		Sales/proceeds		Purchases/expenses	
Description	Name of company	Sales	Others	Purchases	Others
Associates (Investment company)	Hyundai Motor Company	₩ 1,784,561	₩ 24,329	₩ 54,762	₩ 2,347
	Kia Corp.	1,091,924	24,547	54,971	235
Associates (Investee company)	Beijing Lear Hyundai Transys Automotive Systems Co., Ltd.	2,470	-	-	21
	Beijing Hyundai Transys Transmission Co., Ltd.	100,803	825	95,507	3,750
	BAIC DYMOS Automotive System Co., Ltd.	6,476	-	158	44
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	2,895	1	40	208
	HYUNDAI Transys Georgia Powertrain, INC (*1)	146,362	-	1,386	-
	Hyundai Transys (Shandong) Co., Ltd.	253,766	3,736	131,023	594
	Hyundai Transys America Sales, LLC (*1)	132	-	-	-
	PT APM HYUNDAI TRANSYS INDONESIA	1,098	-	-	-
Other related parties(*2)		4,495,259	12,585	468,869	272,824
Total		₩ 7,885,746	₩ 66,023	₩ 806,716	₩ 280,023

(*1) It is the transaction amount that occurred in the period before it was included in the scope of consolidation.
(*2) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(In millions of Korean won)

Description	Name of company	2020			
		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
Associates (Investment company)	Hyundai Motor Company	₩ 1,612,611	₩ 12,217	₩ 72,210	₩ 472
	Kia Motors Corp.	1,231,073	4,329	62,428	53
Associates (Investee company)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.	604	2	103	-
	Beijing Hyundai Transys Transmission Co., Ltd.	134,020	990	56,305	6,135
	BAIC DYMOS Automotive System Co., Ltd.	521	23	406	-
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	14	5	-	138
	HYUNDAI Transys Georgia Powertrain, INC	599,534	2,211	-	4,740
	Hyundai Transys (Shandong) Co., Ltd.	309,215	2,015	144,739	784
	Hyundai Transys America Sales, LLC	182	-	-	6
Other related parties (*)		3,044,743	24,301	372,407	130,938
Total		₩ 6,932,517	₩ 46,093	₩ 708,598	₩ 143,266

(*) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(3) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Description	Name of company	2021			
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
Associates (Investment company)	Hyundai Motor Company	₩ 368,812	₩ 60,050	₩ 12,512	₩ 12,091
	Kia Corp.	207,552	-	13,058	1,998
Associates (Investee company)	Beijing Hyundai Transys Transmission Co., Ltd.	41,763	405	21,507	736
	BAIC DYMOS Automotive System Co., Ltd.	6,591	192	1	174
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	3,282	395	-	36
	Hyundai Transys (Shandong) Co., Ltd.	129,298	675	67,711	10
	PT APM HYUNDAI TRANSYS INDONESIA	797	-	6	-
Other related parties (*)		684,300	10,966	133,192	83,981
Executives and staff members		-	15,816	-	-
Total		₩ 1,442,395	₩ 88,499	₩ 247,987	₩ 99,026

(*) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(In millions of Korean won)

		2020			
Description	**Name of company**	**Trade notes and accounts receivable**	**Other receivables and others**	**Trade notes and accounts payable**	**Other payables and others**
Associates (Investment company)	Hyundai Motor Company	₩ 338,702	₩ 64,122	₩ 16,481	₩ 11,475
	Kia Motors Corp.	278,912	2,208	12,009	1,010
Associates (Investee company)	Beijing LEAR DYMOS Automotive Systems Co., Ltd.	28	15	26	375
	Beijing Hyundai Transys Transmission Co., Ltd.	61,058	478	19,363	379
	BAIC DYMOS Automotive System Co., Ltd.	601	193	61	429
	BAIC DYMOS (Chongqing) Automotive System Co., Ltd.	175	359	-	-
	HYUNDAI Transys Georgia Powertrain, INC	134,645	195	-	215
	Hyundai Transys (Shandong) Co., Ltd.	115,807	1,955	79	80,696
	Hyundai Transys America Sales, LLC	-	-	-	-
Other related parties (*)		552,782	3,503	89,021	34,145
Executives and staff members		-	15,567	-	-
Total		₩ 1,482,710	₩ 88,595	₩ 137,040	₩ 128,724

(*) Companies among the corporate group of Hyundai Motor Co., Ltd. according to the Korean Fair Trade Act.

(4) The details of financial transactions with related parties are as follows:

(In millions of Korean won)

	Cash contribution	
Description	**2021**	**2020**
PT APM HYUNDAI TRANSYS INDONESIA	₩ 4,440	₩ 8,103

(5) For the year ended December 31, 2020, the payroll costs for the senior management, including board members, as well as non-executive board members, all of whom have significant responsibility and authority over corporative activities, such as business planning, operation and management, are ₩2,123 million (₩1,731 million in 2020). There is no retirement benefit incurred in 2021.

(6) The Group provides payment guarantees for borrowings of associates as of December 31, 2021 (See Note 31).

(7) Purchasing card transactions with HYUNDAI CARD CO., LTD, a related party, for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description	Limited amount	Beginning	Usage	Repayment	Ending
Hyundai Card Co., Ltd.	₩ 4,000 per month	₩ 3,987	₩ 33,753	₩ (34,397)	₩ 3,343

34. SEGMENT INFORMATION:

(1) The main business of the Group's entities is manufacturing and selling PT (automatic transmission, manual transmission and axle) and seats.

(2) Financial information by operating segments as of December 31, 2021, is as follows:

(In millions of Korean won)

Description		PT		Seat		Consolidation adjustments		Total
Sales	₩	6,303,724	₩	2,995,508	₩	(1,155,281)	₩	8,143,951
Operating profit		8,673		92,574		(6,231)		95,016
Tangible and intangible assets		2,156,738		279,993		(6,917)		2,429,814

(3) Financial information by region based on where the Group's entities are located in for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description		Korea		America		Asia		Europe		Consolidation adjustments		Total
Sales	₩	6,867,124	₩	1,434,940	₩	481,855	₩	515,313	₩	(1,155,281)	₩	8,143,951
Operating profit		42,137		4,090		36,664		18,356		(6,231)		95,016
Tangible and intangible assets		1,629,846		609,619		153,998		43,268		(6,917)		2,429,814

35. BUSINESS COMBINATION:

(1) Due to disproportional paid-in-capital increase for the year ended December 31, 2021, the Company's ownership percentage increased from 40.00% to 71.27%. As the Group is considered to have substantive control over the entity, the entity is categorized as a subsidiary.

(2) Fair value of the consideration transferred in a business for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description		Amount
Cash	₩	152,254
Fair value of equity investment of acquiree		56,229
Subtotal		208,483
Less: Fair value of non-contractual preexisting relationship		(71,512)
Total	₩	136,971

(3) The accounting for the business combination at the acquisition date is as follows:

(In millions of Korean won)

Description		Amount
Total considerations transferred (A)	₩	136,971
Assets and liabilities acquired:		
Current Assets (*1):		461,795
Cash and cash equivalents		207,561
Trade receivables and Other receivables		114,716
Inventories		129,958
Others		9,560
Non-current Assets:		115,228
Property, plant and equipment		105,122
Intangible assets		199
Deferred tax assets		9,774
Others		133
Current Liabilities (*1):		293,970
Trade payables and Other payables		168,864
Borrowings		122,094
Provisions		2,682
Others		330
Non-current Liabilities:		17,856
Provisions		15,346
Others		2,510
Fair value of identifiable net assets (B)		265,197
Non-controlling interests (C) (*2)		84,344
Bargain purchase gain ((B-C)-A) (*3)	₩	43,882

(*1) Amounts before offsetting internal transaction adjustments. The aggregate amounts subject to offsetting are ₩123,729 million.

- Receivables of the Group (Payables of the acquiree): ₩114,300 million
- Payables of the Group (Receivables of the acquiree): ₩9,429 million

(*2) Non-controlling interests are measured at its fair value applying discounted cash flow method. Descriptions of the inputs used in the fair value measurements are as follows:

-Discount rate: 12.00%
-Long-term growth rate: -%

(*3) Currently in process of finalizing consideration transferred and fair value of identifiable net assets therefore changes to the amount of consideration transferred, fair value of identifiable net assets and gain on bargain purchase may be expected.

The amounts of sales and net loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss for the year ended December 31, 2021, are ₩520,665 million and ₩1,124 million, respectively.

(4) Net cash flow from business combinations for the year ended December 31, 2021, is as follows:

(In millions of Korean won)

Description	Amount	
Acquisition of Cash and Cash Equivalent	₩	207,561
Less: Considerations transferred in cash		(152,254)
Net cash flow	₩	55,307

36. SUBSEQUENT EVENTS:

On February 16, 2022, the Group issued the 43-1st (₩160,000 million) and 43-2nd (₩40,000 million) corporate bonds.

Disclosure on Execution of External Audit

We attached required disclosure on the execution of external audit performed in accordance with ***Article 18-3 of the Act on External Audit of Stock Companies***.

1. Company and Reporting Period subject to External Audit

Company	HYUNDAI TRANSYS INC.			
Reporting Period	From	January 1, 2021	To	December 31, 2021

2. Number of Participants and Details on the Hours Executed in Audit

(Unit: Number of Participants, Hours Executed)

Participant(s) ╲ Number and Hour(s)		Engagement Quality Reviewer(s) (Including QRM, etc.)	Audit Professional(s)			IT Specialist(s), Tax Specialist(s) and Valuation Specialist(s)	Contract Manufacturing Industry Specialist(s)	Total
			Engagement Partner(s)	KICPA (Registered)	KICPA (Non-Registered)			
Number of Participant(s)		3	1	11	4	16	-	35
Hours Executed	Quarterly Review, Six-Month Review	6	60	608	160	-	-	834
	Audit	26	147	2,698	796	536	-	4,203
	Total	32	207	3,306	956	536	-	5,037

3. Key Disclosure on Execution of External Audit

<table>
<tr><td>Title</td><td colspan="8">Detail</td></tr>
<tr><td rowspan="2">Audit Planning Stage</td><td colspan="3">Dates Performed</td><td colspan="3">2021.05.24–2021.05.28</td><td>5</td><td>Days</td></tr>
<tr><td colspan="3">Main Planning Work Performed</td><td colspan="5">Identifying significant audit risk factors and establishing mid-term and final audit plans</td></tr>
<tr><td rowspan="4">Field Work Performed</td><td colspan="3" rowspan="2">Dates Performed</td><td colspan="4">Number of Participant(s)</td><td rowspan="2">Main Field Work Performed</td></tr>
<tr><td colspan="2">On-Site</td><td colspan="2">Off-Site</td></tr>
<tr><td>2021.09.13–09.24
2021.11.22–11.26</td><td>12</td><td>Days</td><td>7</td><td>Number of Participant(s)</td><td>2</td><td>Number of Participant(s)</td><td>Understanding internal control and assessing risk of the Company</td></tr>
<tr><td>2022.01.24–02.11</td><td>12</td><td>‘’</td><td>7</td><td>‘’</td><td>2</td><td>‘’</td><td>Audit of financial statements</td></tr>
<tr><td rowspan="3">Physical Counts - Inventory (Observation)</td><td>Time (When Performed)</td><td colspan="5">2022.01.03</td><td>1</td><td>Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Inventory subjected to Counts</td><td colspan="7">Raw materials, Work-in-process, Merchandise, Finished goods, etc.</td></tr>
<tr><td rowspan="3">Physical Counts - Financial Instruments (Observation)</td><td>Time (When Performed)</td><td colspan="5">2022.01.03</td><td>1</td><td>Day(s)</td></tr>
<tr><td>Place (Where Performed)</td><td colspan="7">Seongyeon factory, Jigok factory, Dongtan R&D center and Hwaseong R&D center</td></tr>
<tr><td>Financial Instruments subjected to Counts</td><td colspan="7">Cash, Notes, Membership, etc.</td></tr>
<tr><td rowspan="2">External Confirmation</td><td>Bank Confirmation</td><td>O</td><td colspan="3">Accounts Receivable/Payable Confirmation</td><td>O</td><td>Legal Confirmation</td><td>O</td></tr>
<tr><td>Other Confirmation</td><td colspan="7">Inventory Confirmation</td></tr>
<tr><td rowspan="2">Communications with Those Charged with Governance</td><td>Number of Communications</td><td>2</td><td colspan="6">Time(s) Performed</td></tr>
<tr><td>Time (When Performed)</td><td colspan="7">2021.12.28, 2022.03.21</td></tr>
<tr><td rowspan="2">Use of External Specialist(s)</td><td>Contents of Use</td><td colspan="7">-</td></tr>
<tr><td>Time (When Performed)</td><td colspan="5">-</td><td>-</td><td>Day(s)</td></tr>
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