

Halla Holdings Corporation and Subsidiaries

**Consolidated Financial Statements
December 31, 2020 and 2019**

Halla Holdings Corporation and Subsidiaries

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December 31, 2020 and 2019

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Halla Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Halla Holdings Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows 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 consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

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

Key Audit Matters

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

Lease accounting

As described in Note 17 to the consolidated financial statements, the Group's right-of-use assets and lease liabilities as at December 31, 2020, amounted to ₩117,854 million and ₩129,165 million, respectively, and its the right-or-use assets increased by ₩105,956 million during the year ended December 31, 2020. As the Group identified lease and recognized right-or-use assets and lease liabilities in accordance with the policies described in Note 2.23(b). We focused on this area because the increased amounts of right-of-use assets and lease liabilities during the year ended December 31 2020, have significant impact on the consolidated financial statements and lease accounting involves management's assumptions and judgements.

In particular, we focused our audit effort on lease contracts for cold storages, which account for 85% (₩ 100,723 million) of the right-of-use assets at the end of the reporting period.

How our audit addressed the Key Audit Matter

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

- Evaluated the effectiveness of the design and operation of internal controls established by the Company to identify and measure a lease contract.
- Obtained understanding and evaluated the Company's accounting policies for the accounting treatment of lessee.
- Reviewed the key terms and conditions of the contract for the selected samples, whether the contract presents or contains a lease and the reasonableness to identify lease components.
- Reviewed the appropriateness of the key assumptions (discount rates, lease terms, etc.) applied to the calculation of lease liabilities and right-of-use assets for the selected samples.
- Recalculated for the arithmetic accuracy of the initial and subsequent measurements of the right-of-use assets and lease liabilities for the selected samples.
- Evaluated the appropriateness of disclosures of notes in the consolidated financial statements in relation to the lease accounting.

Emphasis of Matter – Significant uncertainty in business environment

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders, and to solve these events or circumstances. These matters do not affect our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines 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 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing 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 Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hyo-Jin Lee, Certified Public Accountant.

Seoul, Korea
March 16, 2021

This report is effective as of March 16, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	6	141,753,802	113,213,849
Trade receivables	6,8,34	119,237,813	115,772,343
Lease receivables	6,8,10,17,34	844,793	1,173,971
Loans and other receivables	6,8,34	16,854,820	6,364,724
Derivative financial assets	5,6,12	356,922	270,372
Inventories	11	88,427,038	81,171,466
Other assets	9,17,18	4,067,615	4,333,581
Current tax asset		531,788	-
		<u>372,074,591</u>	<u>322,300,306</u>
Non-current assets			
Loans and other receivables	5,6,8,10,34	18,180,292	17,850,278
Financial assets at fair value through profit or loss	5,6,8	9,804,691	4,095,895
Financial assets at fair value through other comprehensive income	5,6,8	6,523,591	8,212,084
Derivative financial assets	5,6,12	10,438,765	15,832,589
Investments in joint ventures	7,13	77,267,692	79,089,417
Investments in associates	7,13	871,547,582	833,515,478
Property, plant and equipment	7,14	267,883,329	266,675,244
Right-of-use assets	7,17	117,854,456	40,683,860
Intangible assets	7,15,34	46,337,142	24,267,330
Investment properties	7,16	152,918,152	142,614,959
Deferred tax assets	24	4,363,203	5,264,030
Other non-current assets		6,320,716	1,920
		<u>1,589,439,611</u>	<u>1,438,103,084</u>
		<u>1,961,514,202</u>	<u>1,760,403,390</u>
Total assets			

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	Notes	2020	2019
<i>(in thousands of Korean won)</i>			
Liabilities			
Current liabilities			
Trade payables	4,6,34	120,980,533	117,638,997
Other payables	4,6,19,34	16,081,787	33,535,047
Short-term borrowings	4,6,22	83,443,199	41,326,918
Current portion of debentures	4,6,22	92,974,534	195,918,353
Current portion of long-term borrowings	4,6,22	133,936,000	79,342,771
Provisions	17,21	636,704	583,356
Current tax liabilities	24	59,914	3,791,277
Current lease liabilities	17	19,159,098	15,438,759
Other current liabilities	9,17,23	4,802,584	6,966,029
		<u>472,074,353</u>	<u>494,541,507</u>
Non-current liabilities			
Debentures	4,5,6,22	288,271,554	151,597,710
Long-term borrowings	4,5,6,22,34	109,306,168	138,912,101
Net defined benefit liabilities	20	8,055,155	11,611,862
Provisions	17,21	2,496,932	2,023,040
Deferred tax liabilities	24	51,602,291	38,193,459
Other payables	4,5,6,19	26,221,137	1,251,041
Derivative financial liabilities	4,5,6,12	3,754,477	7,639,834
Non-current lease liabilities	17	110,005,496	25,670,072
Other non-current liabilities	23	2,824,811	2,867,449
		<u>602,538,021</u>	<u>379,766,568</u>
Total liabilities		<u>1,074,612,374</u>	<u>874,308,075</u>
Equity			
Share capital	25	55,086,180	55,086,180
Share premium	25	262,014,748	262,014,748
Other components of equity	25	(31,268,277)	(21,375,964)
Accumulated other comprehensive income	25	(63,920,452)	(52,676,400)
Retained earnings	26	664,931,817	643,029,291
		<u>886,844,016</u>	<u>886,077,855</u>
Equity attributable to equity holders of the Company		<u>57,814</u>	<u>17,460</u>
Non-controlling interest	1	<u>886,901,830</u>	<u>886,095,315</u>
Total equity		<u>1,961,514,204</u>	<u>1,760,403,390</u>
Total liabilities and equity			

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

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2020 and 2019

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2020	2019
Revenue and share of profit of associates and joint venture	34,35		
Sale of goods		440,233,494	499,561,503
Rendering of services		209,999,904	231,197,445
Royalty income		26,025,405	26,725,920
Share of profit of associates and joint venture		59,538,836	40,880,290
		<u>735,797,639</u>	<u>798,365,158</u>
Cost of sales	28,34	<u>568,492,467</u>	<u>639,470,038</u>
Gross profit		167,305,172	158,895,120
Selling and administrative expenses	27,28	76,668,069	83,258,988
Bad debt expenses		<u>(109,093)</u>	<u>218,361</u>
Operating profit		90,746,196	75,417,771
Other income	29	8,032,167	9,571,708
Other expenses	29	17,117,015	7,641,346
Interest income using the effective interest rate method	30	1,523,069	1,411,689
Other finance income	30	1,547,479	394,250
Finance costs	30	28,765,128	27,045,428
Profit before income tax		55,966,768	52,108,644
Income tax expense	24	<u>11,871,112</u>	<u>9,637,190</u>
Profit from continuing operations		44,095,656	42,471,454
Loss from discontinued operations	36	-	<u>(1,408,540)</u>
Profit for the year		<u>44,095,656</u>	<u>41,062,914</u>
Other comprehensive income(loss), net of tax			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	25	(994,453)	483,955
Share of other comprehensive income of associates and joint venture	25	(8,716,820)	5,411,873
Cash flow hedges	25	<u>(176,238)</u>	<u>(69,654)</u>
		<u>(9,887,511)</u>	<u>5,826,174</u>
Items that will not be subsequently reclassified to profit or loss:			
Loss on valuation of equity instruments at fair value through other comprehensive income	25	(1,362,178)	(2,485,734)
Remeasurements of net defined benefit liability		573,525	(1,455,150)
Share of remeasurement for net defined benefit liability of associates and joint venture	20	<u>(1,776,525)</u>	<u>142,054</u>
		<u>(2,565,178)</u>	<u>(3,798,830)</u>
		<u>(12,452,689)</u>	<u>2,027,344</u>
Total comprehensive income for the year		<u>31,642,967</u>	<u>43,090,258</u>
Profit for the year attributable to:			
Equity holders of the Company			
Profit from continuing operations		44,049,666	42,469,245
Loss from discontinued operations		-	(1,408,540)
		<u>44,049,666</u>	<u>41,060,705</u>
Non-controlling interest			
Profit from continuing operations		<u>45,990</u>	<u>2,209</u>
		45,990	2,209
Total comprehensive income for the year is attributable to:			
Equity holders of the Company		31,602,613	43,086,974
Non-controlling interest	1	40,354	3,284
Earnings per share attributable to equity holders of the Company during the year (in Korean won)	31		
Basic earnings (losses) per share			
From continuing operations		4,297	4,055
From discontinued operations		-	(134)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2020 and 2019

(in thousands of Korean won)

	Attributable to equity holders of the Company						Total equity
	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	
Balance at January 1, 2019	55,086,180	262,014,748	(35,062,119)	(56,015,764)	639,904,044	14,176	865,941,265
Comprehensive income:							
Profit for the year	-	-	-	-	41,060,707	2,209	41,062,916
Loss on valuation of equity instruments at fair value through other comprehensive income	-	-	-	(2,485,734)	-	-	(2,485,734)
Cash flow hedges	-	-	-	(69,654)	-	-	(69,654)
Share of other comprehensive income of associates and joint venture	-	-	-	5,411,873	-	-	5,411,873
Share of remeasurements for net defined benefit liability of associates and joint venture	-	-	-	-	142,054	-	142,054
Remeasurements of net defined benefit liability	-	-	-	-	(1,455,150)	-	(1,455,150)
Currency translation differences	-	-	-	482,879	-	1,076	483,955
Transactions with equity holders:							
Dividends to equity holders of the Company	-	-	-	-	(21,030,124)	-	(21,030,124)
Acquisition of treasury shares	-	-	(1,906,084)	-	-	-	(1,906,084)
Retirement of treasury shares	-	-	15,592,239	-	(15,592,239)	-	-
Balance at December 31, 2019	55,086,180	262,014,748	(21,375,964)	(52,676,400)	643,029,292	17,461	886,095,317
Balance at January 1, 2020	55,086,180	262,014,748	(21,375,964)	(52,676,400)	643,029,292	17,461	886,095,317
Comprehensive income:							
Profit for the year	-	-	-	-	44,049,666	45,990	44,095,656
Loss on valuation of equity instruments at fair value through other comprehensive income	-	-	-	(1,362,178)	-	-	(1,362,178)
Cash flow hedges	-	-	-	(176,238)	-	-	(176,238)
Share of other comprehensive income of associates and joint venture	-	-	-	(8,716,820)	-	-	(8,716,820)
Share of remeasurements for net defined benefit liability of associates and joint venture	-	-	-	-	(1,776,525)	-	(1,776,525)
Remeasurements of net defined benefit liability	-	-	-	-	573,525	-	573,525
Currency translation differences	-	-	-	(988,816)	-	(5,637)	(994,453)
Transactions with equity holders:							
Dividends to equity holders of the Company	-	-	-	-	(20,944,140)	-	(20,944,140)
Acquisition of treasury shares	-	-	(9,892,314)	-	-	-	(9,892,314)
Balance at December 31, 2020	55,086,180	262,014,748	(31,268,278)	(63,920,452)	664,931,818	57,814	886,901,830

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

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	32	32,711,813	58,866,226
Interest received		1,147,355	1,030,637
Interest paid		(21,666,521)	(17,838,049)
Dividends received		13,828,096	14,195,496
Income tax paid		(2,813,744)	(10,516,835)
Net cash inflow from operating activities		<u>23,206,999</u>	<u>45,737,475</u>
Cash flows from investing activities			
Decrease(increase) in financial deposits, net		(6,309,164)	12,650,192
Increase in loans		(383,556)	(1,255,605)
Decrease in loans		125,199	1,416,727
Acquisition of financial assets at fair value through profit or loss		(5,665,816)	(3,499,929)
Acquisition of financial assets at fair value through other comprehensive income		(108,575)	-
Net cash increase due to transfer of business		-	14,962,706
Increase in advance payments		(6,307,000)	-
Payments for acquisition of property, plant and equipment		(10,163,362)	(22,939,709)
Proceeds from disposal of property, plant and equipment		3,617,441	167,889
Payments for acquisition of intangible assets		(35,524,933)	(958,324)
Proceeds from disposal of intangible assets		8,657,659	3,870,794
Payments for acquisition of investment in properties		(429,029)	-
Net cash inflow (outflow) from investing activities		<u>(52,491,136)</u>	<u>4,414,741</u>
Cash flows from financing activities			
	32		
Proceeds from short-term borrowings		120,350,295	6,641,409
Repayments of short-term borrowings		(59,844,261)	(19,846,536)
Repayments of current portion of long-term borrowings		(80,269,175)	-
Proceeds from long-term borrowings		91,118,474	9,440,501
Repayments of long-term borrowings		(248,217)	-
Principal repayments of lease liabilities		(15,728,399)	(13,570,343)
Settlement of derivative financial instruments		(161,707)	(2,060,167)
Proceeds from issuance of debentures		150,000,000	59,000,000
Redemption of debentures		(116,000,000)	(40,000,000)
Payments for issue costs of debentures		(640,830)	(269,300)
Acquisition of treasury shares		(9,892,314)	(1,906,084)
Dividends paid		(20,944,140)	(21,030,124)
Net cash inflow (outflow) from financing activities		<u>57,739,726</u>	<u>(23,600,644)</u>
Exchange gains on cash and cash equivalents		84,364	1,041,950
Net increase in cash and cash equivalents		28,539,953	27,593,522
Cash and cash equivalents at the beginning of the year		<u>113,213,849</u>	<u>85,620,327</u>
Cash and cash equivalents at the end of the year		<u>141,753,802</u>	<u>113,213,849</u>

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

Halla Holdings Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. General Information

Halla Holdings Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were established in November 1999 to engage in the manufacture and sale of automotive components such as brakes, steering and suspension systems. On May 19, 2010, the Company listed its shares on the Korea Exchange (KRX) Korea Composite Stock Price Index (KOSPI) Market. On September 1, 2014 (the effective date of spin-off), the Company was split into Halla Holdings Corporation which engages in investment business and Mando Corporation which engages in manufacturing and selling automotive parts, in accordance with the resolution of the shareholders’ meeting held on July 28, 2014. On October 6, 2014, the Company re-listed its shares on the KRX. On July 1, 2015 (the effective date of merger), the Company merged with its subsidiary, Halla Meister Ltd.

Details of consolidated subsidiaries as at December 31, 2020, are as follows:

Subsidiary	Abbreviation *	Main business	Percentage of ownership (%)				Location	Closing month
			The Company	Subsidiaries	Non-controlling interest	Total		
Uriman, Inc.	URIMAN	Selling automotive parts business	100	-	-	100	USA	December
Meister Logistics Corporation America	MLCA	Distributing automotive parts business	100	-	-	100	USA	December
Halla Meister Global Transportation, LLC.	HMGT	Distributing automotive parts business	-	51	49	100	USA	December
Halla Meister Shanghai Trading Co., Ltd.	HMTC	Distributing automotive parts business	100	-	-	100	China	December
Halla Meister(Suzhou) Logistics Co., Ltd.	HMLC	Distributing automotive parts business	100	-	-	100	China	December
HALLA CORPORATION EUROPE OTOMOTIV YEDEK PARCALARI SANAYI VE TICARET ANONIM SİRKETİ ¹	HCE	Distributing automotive parts business	100	-	-	100	Turkey	December
WECO (formerly Woori Engineering Co., Ltd.)	WECO	Manufacturing and selling automotive parts business	100	-	-	100	Korea	December
J.J Halla Corporation	JJH	Real estate development and investment	100	-	-	100	Korea	December

¹ In 2019, the entity was newly established as a wholly owned subsidiary of the Group.

Halla Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

Summarized financial information of consolidated subsidiaries used in the preparation of consolidated financial statements is as follows:

December 31, 2020				
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Accumulated non-controlling interest
URIMAN	43,924,608	27,431,942	16,492,666	-
MLCA and its subsidiary	10,952,185	5,354,930	5,597,255	57,814
HMTC	2,924,734	3,180,964	(256,230)	-
HMLC	33,982,598	27,252,642	6,729,956	-
HCE	22,860,109	19,094,077	3,766,032	-
WECO	14,549,926	9,471,623	5,078,303	-
JJH	338,966,357	350,365,700	(11,399,343)	-

December 31, 2019				
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Accumulated non-controlling interest
URIMAN	48,738,527	32,907,390	15,831,137	-
MLCA and its subsidiary	11,428,823	6,119,078	5,309,745	17,460
HMTC	3,634,521	3,666,345	(31,824)	-
HMLC	21,889,978	15,601,495	6,288,483	-
HCE	7,060,688	3,886,094	3,174,594	-
WECO	12,295,857	6,678,398	5,617,459	-
JJH	329,355,234	327,419,359	1,935,875	-

2020					
<i>(in thousands of Korean won)</i>	Sales	Profit (loss)	Total comprehensive income (loss)	Attribution to non-controlling interest	
				Profit	Total comprehensive income
URIMAN	51,462,415	1,752,653	661,529	-	-
MLCA and its subsidiary	26,868,493	659,025	293,147	45,990	40,354
HMTC	7,697,654	(225,867)	(224,405)	-	-
HMLC	62,443,217	420,334	517,893	-	-
HCE	15,653,219	178,251	319,915	-	-
WECO	24,004,546	(456,038)	(456,038)	-	-
JJH	15,703,685	(13,277,138)	(13,277,138)	-	-

Halla Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

<i>(in thousands of Korean won)</i>	2019				
	Sales	Profit (loss)	Total comprehensive income (loss)	Attribution to non-controlling interest	
				Profit	Total comprehensive income
URIMAN and its subsidiaries	54,651,188	(118,452)	429,220	-	-
MLCA and its subsidiary	30,268,257	240,344	411,531	2,209	3,285
HMTC	11,282,264	(606,768)	(586,392)	-	-
HMLC	50,204,356	577,806	670,925	-	-
HCE	3,785,636	(93,284)	(93,284)	-	-
WECO	30,067,276	278,136	278,136	-	-
JJH	14,319,793	(11,717,603)	(11,717,603)	-	-

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.

Certain accounts in the comparative financial statements were reclassified to conform with the presentation of the 2020 financial statements. These reclassifications have no impact on the previously reported consolidated profit or net assets.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language 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 Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of consolidated financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting

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policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020.

(a) Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors* – Definition of Material

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 *Business Combination* – Definition of a Business

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1107 *Financial Instruments: Disclosure* – Interest Rate Benchmark Reform

The amendments allow to apply the exceptions when forward-looking analysis is performed in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

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2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1116 *Lease – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107 *Financial Instruments: Disclosure*, Korean IFRS 1104 *Insurance Contracts* and Korean IFRS 1116 *Lease – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(c) Amendments to Korean IFRS 1103 *Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1016 *Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its

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intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

(e) Amendments to Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(f) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

(g) Amendments to Korean IFRS 1001 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS

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(a) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

(b) Associates

Associates are all entities over which the Group has significant influence. Investments in

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associates are initially recognized at acquisition cost and accounted for using the equity method. The Group determines the cost for associates acquired in stages in accordance with 'Cost of each purchase'. The cost of an associate acquired in stages under 'Cost of each method' is measured as the sum of the consideration paid for each purchase (e.g. equity instruments at fair value through other comprehensive income) plus a share of investee's profits and other equity movements. When applying this method, the changes in net assets due to the application of equity method for each purchase are reflected in equity. Any acquisition-related costs are treated as part of the investment in the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Joint Arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income. Foreign exchange gains and losses related to borrowings, cash and cash equivalents are presented in 'finance income and costs' in the statement of comprehensive income. All other foreign exchange gains and losses are presented in 'other income and expenses' in the statement of comprehensive income.

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2.5 Financial Assets

(a) Classification and measurement

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

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

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

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

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.
- **Fair value through other comprehensive income:** Assets that are held for collection of

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contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

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

B. Equity instruments

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

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

(c) Impairment

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

2.6 Derivative Instruments

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

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The Group applies cash flow hedge accounting to the foreign currency forward for hedging foreign exchange fluctuation risks on forecast sales denominated in foreign currency. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and the ineffective portion is recognized in 'other income (expenses)'. Amounts of changes in fair value of derivatives accumulated in other comprehensive income are recognized as 'sales' for the periods when forecast transactions affect profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is recognized as 'other income (expenses)' immediately.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the average method, except for inventory-in-transit which is determined using the specific identification method.

2.9 Non-current Assets Held for sale (or disposal group)

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

2.10 Property, Plant and Equipment

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

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	Estimated Useful Lives
Buildings and structures	20 ~ 40 years
Machinery	5 ~ 15 years
Tools	3 ~ 10 years
Furniture and fixtures, and Vehicles	3 ~ 10 years
Leasehold improvements	15 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.11 Borrowing Costs

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

2.12 Government Grants

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

2.13 Intangible Assets

Goodwill is recognized as the excess of the aggregate of the consideration transferred and others over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets, the difference is recognized in profit or loss. Goodwill is carried at cost less accumulated impairment losses. Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

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	Estimated Useful lives
Customer relationships	13, 15 years
Trademarks	5 years
Software	3 ~ 10 years
Other intangible assets	5,10,15 years

2.14 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 40 years or lease term.

2.15 Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized in this category.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value

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through profit or loss and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other payables' in the statement of financial position.

(b) Derecognition

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

2.18 Financial Guarantee Contracts

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

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

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

A warranty provision is accrued for the estimated costs of future warranty claims over warranty periods based on historical experience. When there is a probability that an outflow of economic benefits will occur from litigation or disputes and provision for restoration in accordance with lease agreement, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as other provisions in the financial statement. And, the increase of provision due to passage of time is recognized as other expenses. If the expected timing of any resulting outflows of economic benefits is within one year from the end of the reporting period, the amount is classified as current. If not, it is presented as non-current.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. The Group applies the consolidated tax return. The consolidated tax return is a regime which treats a company and its

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subsidiaries as a single entity for tax-purposes based on its economic reality when a company and its subsidiaries are economically combined. Domestic and overseas subsidiaries that are not included in the consolidated tax system are calculating and paying corporate taxes by considering each corporation as a tax unit. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

2.21 Employee Benefits

(a) Post-employment benefits

The Group operates defined benefit pension plans. A defined benefit plan is a pension plan that is

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Other long-term employee benefits

The Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

(c) Termination benefits

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

2.22 Revenue Recognition

(a) Revenue from Contracts with Customers

(i) Identifying performance obligations

The Group renders services as a holding company and engages in distribution and logistics service business. Revenues are derived from the use of trademarks by its subsidiaries and other companies invested by the Company, IT services, distribution of automotive components, logistics, transportation and complex transportation services, supplying of semi-finished components business, and cold storages business.

The Group exports automotive parts, supplies, semi-finished parts, etc. according to various

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Incoterms conditions. For transactions in which automotive parts, supplies, semi-finished parts, etc. are exported under CIF, CIP, etc., the transportation will be recognized as a separate performance obligation since the Group provides transportation service after transferring ownership of the goods to the customer (shipment, delivery, etc.).

(ii) Performance obligations satisfied over time

The Group renders transportation services and complex transportation services. As a result of review on the transportation service contracts, the Group has concluded that the customer simultaneously receives and consumes the benefit provided by the Group's transportation services as the Group performs. Accordingly, revenues from transportation and complex transportation services are recognized over the service period as performance obligations satisfied over time.

(iii) Variable consideration

An amount of consideration from customers can vary because of the Group's policy on sales discounts for early payments and sales incentive.

In accordance with Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value method which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price considering the amount of variable consideration.

(iv) Principal versus agent

When the Group exports automotive components, the Group provides transportation services identified as a separate obligation in addition to delivery of goods. Based on the analysis of transportation service contracts, the Group has concluded that it acts as a principal for the transportation services and the consideration for the transportation service is recognized as revenue over time from shipment to delivery to the customer.

(b) *Royalty income*

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

(c) *Dividend income*

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

2.23 Lease

(a) *Lessor*

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease

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are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Group leases cold storages, offices, outsourcing warehouse, officetel, cars and logistic equipment. Except for cold storages for 10~15 years of long term contract, lease contracts are typically made for fixed periods of 1 to 5 years,

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

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

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

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee's incremental borrowing

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rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases that are not for property (including cold storage) with a lease term of 12 months or less without a purchase option. Low-value assets comprise and small items of office furniture.

(c) Extension and termination options

Extension and termination options are included in a number of property and vehicles leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.24 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions. The Group disclosed information relating to its operating segments in its consolidated financial statements in accordance with Korean IFRS 1108 *Operating segments*.

2.25 Approval of Issuance of the Financial Statements

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The consolidated financial statements 2020 were approved for issue by the Board of Directors on February 8, 2021 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Judgments

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

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

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

3.1 Income Taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. (Note 24) There are many transactions and calculations for which the ultimate tax determination is uncertain. If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

3.2 Fair Value of Financial Instruments

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The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

3.3 Net Defined Benefit Liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 20).

3.4 Provisions for Product Warranty

The Group generally provides warranty for products or merchandises over the periods from one to three years. Management determines provisions for future warranty claims with consideration to the recent trend of changes and historical data (Note 21).

3.5 Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 15).

3.6 Investments in joint ventures and associates

In assessing the impairment of investments in joint ventures and associates whether there is an indication that they may be impaired, the recoverable amount is determined based on its value-in-use or fair value less cost of disposal (Notes 12, 13).

3.7 Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 4).

3.8 Inventories

Inventories are measured at the lower of cost and net realizable value. (Note 10).

3.9 Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

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Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) (Note 17).

4. Financial Risk Management

4.1 Financial Risk Management

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

Risk management is carried out by a central treasury department (the Company's treasury department) under policies approved by the board of directors.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar ("USD"), Chinese yuan ("CNY") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies that are not the Group entities' functional currencies. The Group uses foreign currency forward contracts to hedge the foreign exchange risk (Note 12).

If the exchange rate of the Group entities' functional currencies against each foreign currency had changed by 10% with all other variables held constant, the effects on profit before income tax would have been as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	10% increase	10% decrease	10% increase	10% decrease
USD	147,745	(147,745)	663,400	(663,400)
CNY	1,048,586	(1,048,586)	43,655	(43,655)
EUR	85,280	(85,280)	71,781	(71,781)

The above effects were analysed on the significant monetary assets and liabilities including cash and cash equivalents, trade receivables, other receivables, trade payables, other payables, borrowings and others, denominated in currencies that are not the Group entities' functional currencies.

(b) Price risk

The Group is exposed to price risk arises from equity securities held by the Group that are classified as at fair value through profit or loss and at fair value through other comprehensive income in the consolidated statement of financial position. Most of the Group's marketable equity securities are publicly traded in the KRX KOSPI Market of the Korean Exchange and included in

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KOSPI equity index.

The analysis is based on the assumption that KOSPI equity index had increased and decreased by 5% with all other variables held constant and all the Group's marketable equity securities moved according to the historical correlation with KOSPI equity index.

<i>(in thousands of Korean won)</i>	2020		2019	
	5% increase	5% decrease	5% increase	5% decrease
Other comprehensive income(loss)	400,337	(400,337)	378,726	(378,726)

(c) Interest rate risk

The Group's interest rate risk mainly arises from borrowings with variable interest rates linked to market interest rate changes in the future. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

To mitigate interest rate risk, the Group manages interest rate risk proactively; reducing borrowings with high interest rates; maintaining an adequate mix between short-term and long-term liabilities and between fixed and variable interest rates; and monitoring weekly and monthly interest rate trends in domestic and international markets.

If interest rates had changed by 100bp with all other variables held constant, the effects on interest expenses related to borrowings with variable interest rates are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	1,054,342	(1,054,342)	490,707	(490,707)

4.1.2 Credit risk

The Group's credit risk arises from cash and cash equivalents, derivative financial instruments and financial deposits with banks and financial institutions, as well as credit exposures to trade receivables, and loans and other receivables.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers relating trade receivables, loans and other receivables are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. The Group sets the individual risk limits based on internal or external ratings within the limits previously set by the management. The utilization of credit limits is regularly monitored.

If necessary, the Group requires customers to take guarantee insurance policy or to be guaranteed by bank in order to avoid credit risk. In accordance with the Group's credit risk

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management policy, the credit quality of trade receivables, and loans and other receivables that are neither past due nor impaired as of the end of reporting period can be measured using the historical experience about customers' financial difficulties, if possible, external ratings (Note 8).

4.1.3 Liquidity risk

In order to manage liquidity risk, the Group forecasts its cash flows from operating, investing and financing activities by setting up an annual or monthly cash flow forecast and internal financial ratio target. The Group also maintains sufficient liquidity in advance so that the Group does not breach borrowing limits or covenants on any of its borrowings.

At the end of the reporting period, the Group manages the reasonably possible liquidity risk using a variety of financing agreements with financial institutions and others (Note 33). In addition, the Company is able to source funds any time in financial markets because it has good investment credit grade (A0 Stable) from Korea Ratings Corporation, Korea Investors Service Incorporation and Nice Investors Service Co., Ltd., respectively.

The details of the Group's liquidity risk analysis are as follows:

(in thousands of Korean won)

<i>(in thousands of Korean won)</i>	2020			
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Trade payables	120,980,533	-	-	-
Other payables	15,060,068	25,476,798	-	-
Debentures	103,766,526	145,582,504	159,471,809	-
Short-term and long-term borrowings	255,052,837	3,977,777	125,872,144	-
Derivative liabilities	-	3,754,477	-	-
Lease liabilities	19,857,579	16,739,401	31,763,462	92,027,149

(in thousands of Korean won)

<i>(in thousands of Korean won)</i>	2019			
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
Trade payables	117,638,997	-	-	-
Other payables	33,535,047	1,251,041	-	-
Debentures	124,665,725	153,766,333	104,000,000	-
Short-term and long-term borrowings	130,267,089	138,340,044	3,393,432	-
Derivative liabilities	-	-	7,639,834	-
Lease liabilities	15,564,191	13,037,815	12,220,625	3,447,112

The amounts that included in liquidity risk analysis disclosed are undiscounted cash flows.

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4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group's objective of capital risk management is to maintain a sound debt-to-equity ratio consistent with others in the industry and is improving its investment credit rating to AA rated by Nice Investors Service Co., Ltd. The Group monitors the debt-to-equity ratios monthly basis and takes required action plan to improve the capital structure.

Debt-to-equity ratios of the Group are as follows:

<i>(in thousands of Korean won, except for ratios)</i>	December 31, 2020	December 31, 2019
Total liabilities (A)	1,074,612,374	874,308,075
Total equity (B)	886,901,829	886,095,316
Debt-to-equity ratio (A/B)	121.2%	98.7%

5. Fair Value

5.1 Fair Value of Financial Instruments by Category

Book amounts and fair values of financial assets by category are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020		December 31, 2019	
	Book amount	Fair value	Book amount	Fair value
Current				
Derivative financial assets	356,922	356,922	270,372	270,372
Non-current				
Loans and other receivables	18,180,292	18,180,292	17,850,278	17,850,278
Financial assets at fair value through profit or loss	9,804,691	9,804,691	4,095,895	4,095,895
Financial assets at fair value through other comprehensive income	6,523,591	6,523,591	8,212,084	8,212,084
Derivative financial assets	10,438,765	10,438,765	15,832,589	15,832,589
	<u>45,304,261</u>	<u>45,304,261</u>	<u>46,261,218</u>	<u>46,261,218</u>

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Book amounts and fair values of financial liabilities by category are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020		December 31, 2019	
	Book amount	Fair value	Book amount	Fair value
Non-current				
Debentures and long-term borrowings	397,577,722	395,750,874	290,509,812	323,349,787
Other payables	26,221,137	26,221,137	1,251,041	1,251,041
Derivative financial liabilities	3,754,477	3,754,477	7,639,834	7,639,834
	<u>427,553,336</u>	<u>425,726,488</u>	<u>299,400,687</u>	<u>332,240,662</u>

Short-term financial assets and financial liabilities measured at amortized cost whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

5.2 Fair Value Hierarchy

Financial instruments measured at fair value or their fair values are disclosed are categorized in the following levels based on the fair value hierarchy.

- 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the Group's financial assets and liabilities measured at fair value are recurring fair value measurements. Fair value hierarchy classifications of the financial assets and liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	356,922	10,438,765	10,795,687
Financial assets at fair value through profit or loss	-	-	9,804,691	9,804,691
Financial assets at fair value through other comprehensive income	6,267,715	-	255,876	6,523,591
Derivative financial liabilities	-	-	3,754,477	3,754,477
Disclosed fair value				
Loans and other receivables	-	-	18,180,292	18,180,292
Debentures and borrowings	-	-	395,750,874	395,750,874
Other payables	-	-	26,221,137	26,221,137

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<i>(in thousands of Korean won)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	-	1,930,213	14,172,748	16,102,961
Financial assets at fair value through profit or loss	-	-	4,095,895	4,095,895
Financial assets at fair value through other comprehensive income	6,911,055	-	1,301,029	8,212,084
Derivative financial liabilities	-	-	7,639,834	7,639,834
Disclosed fair value				
Loans and other receivables	-	-	17,850,278	17,850,278
Debentures and borrowings	-	-	323,349,787	323,349,787
Other payables	-	-	1,251,041	1,251,041

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period. Changes in level 3 for recurring fair value measurements for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Derivative financial liabilities
Beginning balance	4,095,895	1,301,029	14,172,748	7,639,834
Amount recognized in profit or loss	42,980	-	(3,733,983)	(3,885,356)
Amount recognized in other comprehensive income	-	(1,153,728)	-	-
Acquisition	5,665,816	108,575	-	-
Ending balance	<u>9,804,691</u>	<u>255,876</u>	<u>10,438,765</u>	<u>3,754,478</u>

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<i>(in thousands of Korean won)</i>	2019			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Derivative financial liabilities
Beginning balance	637,194	3,821,793	14,368,644	11,520,123
Amount recognized in profit or loss	(41,226)	-	(195,896)	(3,880,289)
Amount recognized in other comprehensive income	-	156,538	-	-
Acquisition	3,499,927	-	-	-
Transfer	-	(2,677,302)	-	-
Ending balance	4,095,895	1,301,029	14,172,748	7,639,834

5.3 Valuation Technique and the Inputs

The financial instruments whose fair value measurements are categorized within Level 2 and 3 consist of investment in the financial assets such as equity instruments, debt instruments foreign currency forward contracts and currency swap contracts, and derivative financial instruments such as options.

The fair value of the equity instruments is measured at the value assessed by the Company's own internal valuation model or provided by an independent external valuation experts. When using, discounted cash flow method, the Company establishes its assumptions based on economic condition as at the end of the reporting period.

The fair value of the debt instruments is measured at the present value using the observable market interest rate for the debt instruments with similar risk and maturity. The main observable inputs used for fair value measurements of debt instruments are credit risk adjusted discount rate as at December 31, 2020.

The fair value of derivative financial instruments related to foreign currency forward contracts and currency swap contracts is measured at the present value using the exchange rates and market interest rates at the end of the reporting period.

The fair value of derivative financial instruments related to the option contract is measured by taking into account the ownership interest of the entity in the expected option value calculated based on the binomial model. The inputs, which were not based on observable market data, used for these fair value measurements are expected future EBITDA multiples and their standard deviation. As at December 31, 2020, the change in fair value of derivative financial instruments, related to the disposal of shares of Halla Stackpole Corporation, was calculated by the change in expected future EBITDA multiples of 7.0 and its standard deviation of 26.5, which are significant but not unobservable input variables.

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The disclosed fair values categorized within Level 2 and 3 are measured at the present value using discount rates such as the weighted-average interest rates of borrowings, internal rate of return of public bonds and others.

5.4 Valuation Processes for Fair Value Measurements Categorized as Level 3

The financial department of the Group reviews valuation reports prepared by external valuation specialists on a quarterly basis and such reports includes level 3 fair value measurements. The financial department of the Group reports directly to the chief financial officer (CFO) and chief executive officer (CEO). Valuation process and result are communicated between the CFO, CEO and the valuation team at quarterly basis considering the Group's reporting periods.

5.5 Sensitivity analysis for Recurring Fair Value Measurements Categorized as Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented.

The results of the sensitivity analysis for the effect on profit or loss and other comprehensive income (before income tax) from changes in inputs for each financial instrument that categorized as level 3 and subject to sensitivity analysis, are as follows:

When the standard deviation of EBITDA multiples and EBITDA multiples of derivative asset classified as Level 3 for sensitivity analysis changes by 0.25% and 0.5% points, respectively, the favourable change in profit or loss of the Company is ₩1,023,401 thousand and the unfavorable change is ₩1,025,600 thousand. When the standard deviation of the EBITDA multiples and EBITDA multiples derivative liability classified as Level 3 for sensitivity analysis changes by 0.25% and 0.5% points, respectively, the favourable change is ₩1,697,958 thousand and the unfavorable change is ₩ 350,994 thousand.

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6. Financial Instruments by Category

Details of financial assets by category are as follows:

		December 31, 2020						
<i>(in thousands of Korean won)</i>		Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Other financial assets	Derivative financial assets		Total
						Fair value through profit or loss	For hedging	
Current								
Cash and cash equivalents	141,753,802	-	-	-	-	-	-	141,753,802
Trade receivables	119,237,813	-	-	-	-	-	-	119,237,813
Lease receivables	-	-	-	844,793	-	-	-	844,793
Loans and other receivables	16,854,820	-	-	-	-	-	-	16,854,820
Derivative financial assets	-	-	-	-	-	356,922	-	356,922
	<u>277,846,435</u>	<u>-</u>	<u>-</u>	<u>844,793</u>	<u>-</u>	<u>356,922</u>	<u>-</u>	<u>279,048,150</u>
Non-current								
Loans and other receivables	18,180,292	-	-	-	-	-	-	18,180,292
Financial assets at fair value	-	9,804,691	6,523,591	-	-	-	-	16,328,282
Derivative financial assets	-	-	-	-	10,438,765	-	-	10,438,765
	<u>18,180,292</u>	<u>9,804,691</u>	<u>6,523,591</u>	<u>-</u>	<u>10,438,765</u>	<u>-</u>	<u>-</u>	<u>44,947,339</u>
	<u>296,026,727</u>	<u>9,804,691</u>	<u>6,523,591</u>	<u>844,793</u>	<u>10,438,765</u>	<u>356,922</u>	<u>-</u>	<u>323,995,489</u>
		December 31, 2019						
<i>(in thousands of Korean won)</i>		Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Other financial assets	Derivative financial assets		Total
						Fair value through profit or loss	For hedging	
Current								
Cash and cash equivalents	113,213,849	-	-	-	-	-	-	113,213,849
Trade receivables	115,772,343	-	-	-	-	-	-	115,772,343
Lease receivables	-	-	-	1,173,971	-	-	-	1,173,971
Loans and other receivables	6,364,724	-	-	-	-	-	-	6,364,724
Derivative financial assets	-	-	-	-	37,867	232,505	-	270,372
	<u>235,350,916</u>	<u>-</u>	<u>-</u>	<u>1,173,971</u>	<u>37,867</u>	<u>232,505</u>	<u>-</u>	<u>236,795,259</u>
Non-current								
Loans and other receivables	17,850,278	-	-	-	-	-	-	17,850,278
Financial assets at fair value	-	4,095,895	8,212,084	-	-	-	-	12,307,979

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December 31, 2019							
(in thousands of Korean won)	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Other financial assets	Derivative financial assets		Total
					Fair value through profit or loss	For hedging	
Derivative financial assets	-	-	-	-	15,832,589	-	15,832,589
	17,850,278	4,095,895	8,212,084	-	15,832,589	-	45,990,846
	253,201,194	4,095,895	8,212,084	1,173,971	15,870,456	232,505	282,786,105

Details of financial liabilities by category are as follows:

December 31, 2020				
(in thousands of Korean won)	Financial liabilities carried at amortized cost	Other liabilities	Derivatives financial debts at fair value through profit or loss	Total
Current				
Trade payables	120,980,533	-	-	120,980,533
Other payables	16,081,787	-	-	16,081,787
Short-term borrowings	83,443,199	-	-	83,443,199
Debentures and current portion of long-term borrowings	226,910,534	-	-	226,910,534
Lease liabilities	-	19,159,098	-	19,159,098
	447,416,053	19,159,098	-	466,575,151
Non-current				
Debentures and long-term borrowings	397,577,722	-	-	397,577,722
Other payables	26,221,137	-	-	26,221,137
Derivative financial liabilities	-	-	3,754,477	3,754,477
Lease liabilities	-	110,005,496	-	110,005,496
	423,798,859	110,005,496	3,754,477	537,558,832
	871,214,912	129,164,594	3,754,477	1,004,133,983

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December 31, 2019				
<i>(in thousands of Korean won)</i>	Financial liabilities carried at amortized cost	Other liabilities	Derivatives financial debts at fair value through profit or loss	Total
Current				
Trade payables	117,638,997	-	-	117,638,997
Other payables	33,535,047	-	-	33,535,047
Short-term borrowings	41,326,918	-	-	41,326,918
Debentures and current portion of long-term borrowings	275,261,124	-	-	275,261,124
Lease liabilities	-	15,438,759	-	15,438,759
	<u>467,762,086</u>	<u>15,438,759</u>	<u>-</u>	<u>483,200,845</u>
Non-current				
Debentures and long-term borrowings	290,509,812	-	-	290,509,812
Other payables	1,251,041	-	-	1,251,041
Derivative financial liabilities	-	-	7,639,834	7,639,834
Lease liabilities	-	25,670,072	-	25,670,072
	<u>291,760,853</u>	<u>25,670,072</u>	<u>7,639,834</u>	<u>325,070,759</u>
	<u>759,522,939</u>	<u>41,108,831</u>	<u>7,639,834</u>	<u>808,271,604</u>

Gains and losses before income tax arising from financial assets and liabilities are as follows:

2020								
<i>(in thousands of Korean won)</i>	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehen- sive income	Financial liabilities carried at amortized cost	Other financial instruments	Derivative financial instruments		Total
						Fair value through profit or loss	For hedging	
Profit (loss) for the year								
Gain on exchange differences	3,750,673	-	-	307,408	-	-	-	4,058,081
Loss on exchange differences	(4,952,367)	-	-	(198,108)	-	-	-	(5,150,475)
Interest income	1,499,806	-	-	-	23,264	-	-	1,523,070
Interest expense	-	-	-	(25,935,746)	(2,650,512)	-	-	(28,586,258)
Bad debts expense	109,093	-	-	-	-	-	-	109,093
Gain on valuation of financial assets at fair value	-	42,980	-	-	-	-	-	42,980
Loss on transaction of derivatives	-	-	-	-	-	(161,707)	-	(161,707)
Loss on valuation of derivatives	-	-	-	-	-	(1,189,413)	-	(1,189,413)
Dividend income	-	10,500	249,755	-	-	-	-	260,255
	<u>407,205</u>	<u>53,480</u>	<u>249,755</u>	<u>(25,826,446)</u>	<u>(2,627,248)</u>	<u>(1,351,120)</u>	<u>-</u>	<u>(29,094,374)</u>
Other comprehensive income								
Loss on valuation of financial assets at fair value	-	-	(1,797,069)	-	-	-	-	(1,797,069)

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		2020							
		Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities carried at amortized cost	Other financial instruments	Derivative financial instruments		Total
							Fair value through profit or loss	For hedging	
<i>(in thousands of Korean won)</i>									
Cash flow hedge		-	-	-	-	-	-	(232,505)	(232,505)
		-	-	(1,797,069)	-	-	-	(232,505)	(2,029,574)
		407,205	53,480	(1,547,314)	(25,826,446)	(2,627,248)	(1,351,120)	(232,505)	(31,123,948)
		2019							
		Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities carried at amortized cost	Other financial instruments	Derivative financial instruments		Total
							Fair value through profit or loss	For hedging	
<i>(in thousands of Korean won)</i>									
Profit (loss) for the year									
Gain on exchange differences		3,792,635	-	-	196,318	-	-	-	3,988,953
Loss on exchange differences		(2,630,512)	-	-	(1,108,500)	-	-	-	(3,739,012)
Interest income		1,345,967	-	-	-	65,722	-	-	1,411,689
Interest expense		-	-	-	(24,460,117)	(1,508,724)	-	-	(25,968,841)
Bad debts expense		(218,361)	-	-	-	-	-	-	(218,361)
Loss on valuation of financial assets at fair value		-	(41,226)	-	-	-	-	-	(41,226)
Gain on transaction of derivatives		-	-	-	-	-	224,299	-	224,299
Gain on valuation of derivatives		-	-	-	-	-	4,682,496	-	4,682,496
Dividend income		-	-	260,255	-	-	-	-	260,255
		2,289,729	(41,226)	260,255	(25,372,299)	(1,443,002)	4,906,795	-	(19,399,748)
Other comprehensive income									
Gain on valuation of financial assets at fair value		-	-	2,373,633	-	-	-	-	2,373,633
Cash flow hedge		-	-	-	-	-	-	186,856	186,856
		-	-	2,373,633	-	-	-	186,856	2,560,489
		2,289,729	(41,226)	2,633,888	(25,372,299)	(1,443,002)	4,906,795	186,856	(16,839,259)

7. Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors reviews the financial performance by Holding / Distribution and logistics service segment, and others.

The Board of Directors assesses the performance of the operating segments based on operating profit or loss which are measured in a manner consistent with that in the consolidated statements of comprehensive income.

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The segment information provided to the Board of Directors for the reportable segments is as follows:

<i>(in thousands of Korean won)</i>	2020		
	Holding / Distribution and logistics service segment	Other segment	Total
Sales and share of profit of associates and joint ventures	722,120,859	15,703,685	737,824,544
Inter-segment sales	(37,405)	(1,989,500)	(2,026,905)
Sales to external customers and profit or loss of associates and joint ventures	722,083,454	13,714,185	735,797,639
Operating profit	90,067,430	678,766	90,746,196
Depreciation and amortization	7,719,442	2,282,061	10,001,503

<i>(in thousands of Korean won)</i>	2019		
	Holding / Distribution and logistics service segment¹	Other segment	Total
Sales and share of profit of associates and joint ventures	786,274,631	14,319,793	800,594,424
Inter-segment sales	(51,928)	(1,845,100)	(1,897,028)
Sales to external customers and profit or loss of associates and joint ventures	786,222,703	12,474,693	798,697,396
Operating profit	72,970,003	954,437	73,924,440
Depreciation and amortization	7,316,799	2,201,266	9,518,065

¹ Sales, operating profit, depreciation and amortization of OSPS, OSU are presented as profit from discontinued operations in the consolidated statements of comprehensive income.

Information about total assets and liabilities for each reportable segment is not disclosed because such information is not regularly provided to the Board of Directors.

Sales between segments are carried out at arm's length. The sales from external customers reported to the Board of Directors are measured in a manner consistent with that in the statement of comprehensive income.

Sales from external customers are derived from the manufacture and sales of automotive components, rendering of services including logistics, and royalty income in exchange the use of the Group's technology.

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Sales from external customers attributing to more than 10% of total sales are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
	Sales	Ratio	Sales	Ratio
Major customer	239,551,757	33%	322,620,884	40%

Sales and non-current assets by geographic areas for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020				
	Korea	China	U.S.A.	Other	Total
Sales to external customers	513,352,320	69,405,068	77,848,196	15,653,219	676,258,803
Share of profit or loss of associates and joint venture	59,538,836	-	-	-	59,538,836
Investments in associates and joint venture	948,815,274	-	-	-	948,815,274
Property, plant and equipment	254,090,645	3,711,457	10,053,682	27,545	267,883,329
Intangible assets	45,469,887	392,762	268,558	205,935	46,337,142
Right-of-use assets	108,263,868	2,622,197	6,670,786	297,606	117,854,457
Investment properties	152,918,152	-	-	-	152,918,152
<i>(in thousands of Korean won)</i>	2019				
	Korea	China	U.S.A.	Other	Total
Sales to external customers ¹	608,014,868	61,165,400	84,851,202	3,785,636	757,817,106
Share of profit or loss of associates and joint venture	40,880,290	-	-	-	40,880,290
Investments in associates and joint venture	912,604,895	-	-	-	912,604,895
Property, plant and equipment	251,007,866	3,638,844	11,894,752	133,782	266,675,244
Intangible assets	23,577,978	134,439	463,074	91,839	24,267,330
Right-of-use assets	28,325,093	3,275,275	8,568,126	515,366	40,683,860
Investment properties	142,614,959	-	-	-	142,614,959

¹ Sales of OSPS, OSU are presented as profit from discontinued operations in the consolidated statements of comprehensive income.

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8. Financial Assets

8.1 Financial Assets at Fair Value through Profit or Loss

(a) Financial assets at fair value through profit or loss

Equity investments at fair value through profit or loss comprise the following individual investments:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Non-current		
Private equity investment trust	2,814,054	1,940,627
Redeemable convertible preference shares	6,149,286	1,499,929
Others	841,352	655,339
	<u>9,804,692</u>	<u>4,095,895</u>

(b) Amounts recognized in profit or loss

<i>(in thousands of Korean won)</i>	2020	2019
Gain (loss) from equity instruments at fair value through profit or loss	53,480	(41,226)

8.2 Financial Assets at Fair Value through Other Comprehensive Income

(a) Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income comprise the following individual investments:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Non-current		
Listed equity securities		
Hyundai Corporation	4,220,035	4,735,964
Hyundai Corporation Holdings Co., Ltd.	2,047,680	2,175,091
Unlisted equity securities		
LeapHigh Inc.	255,876	1,000,029
Others	-	301,000
	<u>6,523,591</u>	<u>8,212,084</u>

Upon disposal of these equity investments, any balance within the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

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No equity instruments at fair value through other comprehensive income were disposed of during the year ended December 31, 2020.

8.3 Trade Receivables and Other Financial Assets at Amortized Cost

(a) Trade receivables and provision for impairment

Trade receivables and its provisions for impairment as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Trade receivables	119,750,809	116,409,595
Loss allowance provision	(512,997)	(637,252)
Trade receivables - net	<u>119,237,812</u>	<u>115,772,343</u>

(b) Other financial assets at amortized cost

Other financial assets at amortized cost include the following debt investments:

<i>(in thousands of Korean won)</i>	December 31, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Financial deposits	7,798,046	806,000	8,604,046	815,718	1,473,553	2,289,271
Non-trade receivables	6,026,003	6,036,083	12,062,086	3,297,951	23,064,753	26,362,704
Accrued income	103,412	-	103,412	26,264	-	26,264
Loans	13,103,747	58,750	13,162,497	12,757,190	146,950	12,904,140
Guarantee deposits	2,278,874	11,279,459	13,558,333	1,922,863	10,198,692	12,121,555
	<u>29,310,082</u>	<u>18,180,292</u>	<u>47,490,374</u>	<u>18,819,986</u>	<u>34,883,948</u>	<u>53,703,934</u>
Loss allowance provision	(12,455,262)	-	(12,455,262)	(12,455,262)	(17,033,670)	(29,488,932)
	<u>16,854,820</u>	<u>18,180,292</u>	<u>35,035,112</u>	<u>6,364,724</u>	<u>17,850,278</u>	<u>24,215,002</u>

The aging analysis of trade receivables, and loans and other receivables is as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020								
	Within due date	Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Current									
Trade receivables	117,793,174	1,048,532	57,346	98,382	262,727	490,648	119,750,809	(512,997)	119,237,813
Loans and other receivables									
Financial deposits	7,798,046	-	-	-	-	-	7,798,046	-	7,798,046
Non-trade receivables	5,993,446	-	-	-	-	32,557	6,026,003	(32,557)	5,993,446
Accrued income	103,412	-	-	-	-	-	103,412	-	103,412
Loans	681,043	-	-	-	-	12,422,705	13,103,747	(12,422,705)	681,043

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December 31, 2020									
<i>(in thousands of Korean won)</i>	Within due date	Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Guarantee deposits	2,278,874	-	-	-	-	-	2,278,874	-	2,278,874
	<u>134,647,995</u>	<u>1,048,532</u>	<u>57,346</u>	<u>98,382</u>	<u>262,727</u>	<u>12,945,910</u>	<u>149,060,891</u>	<u>(12,968,259)</u>	<u>136,092,634</u>
Non-current									
Loans and other receivables									
Non-trade receivables	806,000	-	-	-	-	-	806,000	-	806,000
Financial deposits	-	-	-	-	6,036,083	-	6,036,083	-	6,036,083
Loans	58,750	-	-	-	-	-	58,750	-	58,750
Guarantee deposits	11,279,459	-	-	-	-	-	11,279,459	-	11,279,459
	<u>18,180,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,180,292</u>	<u>-</u>	<u>18,180,292</u>
	<u>152,828,287</u>	<u>1,048,532</u>	<u>57,346</u>	<u>98,382</u>	<u>262,727</u>	<u>12,945,910</u>	<u>167,241,183</u>	<u>(12,968,259)</u>	<u>154,272,926</u>
December 31, 2019									
<i>(in thousands of Korean won)</i>	Within due date	Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount
		Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months				
Current									
Trade receivables	111,394,616	2,882,050	1,454,376	-	48,456	630,097	116,409,595	(637,252)	115,772,343
Loans and other receivables									
Financial deposits	815,718	-	-	-	-	-	815,718	-	815,718
Non-trade receivables	3,265,394	-	-	-	-	32,557	3,297,951	(32,557)	3,265,394
Accrued income	26,264	-	-	-	-	-	26,264	-	26,264
Loans	334,485	-	-	-	-	12,422,705	12,757,190	(12,422,705)	334,485
Guarantee deposits	1,922,863	-	-	-	-	-	1,922,863	-	1,922,863
	<u>117,759,340</u>	<u>2,882,050</u>	<u>1,454,376</u>	<u>-</u>	<u>48,456</u>	<u>13,085,359</u>	<u>135,229,581</u>	<u>(13,092,514)</u>	<u>122,137,067</u>
Non-current									
Loans and other receivables									
Financial deposits	1,473,553	-	-	-	-	-	1,473,553	-	1,473,553
Non-trade receivables	6,031,082	-	-	-	-	17,033,671	23,064,753	(17,033,670)	6,031,083
Loans	146,950	-	-	-	-	-	146,950	-	146,950
Guarantee deposits	10,198,692	-	-	-	-	-	10,198,692	-	10,198,692
	<u>17,850,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,033,671</u>	<u>34,883,948</u>	<u>(17,033,670)</u>	<u>17,850,278</u>
	<u>135,609,617</u>	<u>2,882,050</u>	<u>1,454,376</u>	<u>-</u>	<u>48,456</u>	<u>30,119,030</u>	<u>170,113,529</u>	<u>(30,126,184)</u>	<u>139,987,345</u>

The Group applies the simplified approach to measure the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables. To measure the expected

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credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also include forward looking information. All of the loans and other receivables at amortized cost are considered to have low credit risk. Other receivables at amortized cost are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The bad debts expense of receivables is included in 'selling and administrative expenses' in the statement of comprehensive income. Changes in allowances for doubtful receivables are as follows:

<i>(in thousands of Korean won)</i>	2020			2019		
	Trade receivables	Loans and other receivables	Total	Trade receivables	Loans and other receivables	Total
At January 1	637,252	29,488,933	30,126,185	17,648,600	12,258,867	29,907,467
Provision for receivables impairment	588	-	588	287,880	-	287,880
Collections of receivables impairment	(109,681)	-	(109,681)	(69,519)	-	(69,519)
Receivables written off during the year as uncollectible	(13,767)	(17,033,670)	(17,047,437)	(791)	-	(791)
Exchange differences	(1,396)	-	(1,396)	1,148	-	1,148
Other	-	-	-	(17,230,066)	17,230,066	-
At December 31	512,997	12,455,263	12,968,259	637,252	29,488,933	30,126,184

The maximum exposure to credit risk at the end of reporting period is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security regarding trade receivables, and loans and other receivables.

As at December 31, 2020, trade receivables from major customers comprise approximately 20% (2019: 23%) of trade receivables neither past due nor impaired and their external credit ratings are AA- Stable (rated by Korea Investors Service) and above. Other trade receivables are spread to various customers; therefore, the credit risk is not concentrated on a specific customer or a customer group.

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9. Contract Assets and Liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

<i>(in thousands of Korean won)</i>	December 31, 2020	January 1, 2020
Other assets - IT revenue	-	40,003
Total contract assets	<u>-</u>	<u>40,003</u>
Other liabilities – variable consideration	131,578	110,240
Other liabilities – transportation services	24,551	3,545
Other liabilities – complex transportation services	1,361,693	1,531,685
Other liabilities – IT revenue	-	356,774
Other liabilities – sales of GolfTel	<u>2,824,810</u>	<u>2,867,448</u>
Total contract liabilities	<u>4,342,632</u>	<u>4,869,692</u>

(b) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

<i>(in thousands of Korean won)</i>	2020
Revenue recognized that was included in the contract liability balance at the beginning of the year	
Variable consideration	110,240
Transportation services	3,545
Complex transportation services	1,531,685
IT revenue	356,774
Sales of GolfTel	42,638

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10. Restricted Financial Deposits

Details of restricted financial deposits are as follows:

<i>(in thousands of Korean won)</i>		December 31, 2020	December 31, 2019	Remarks
Accounts	Financial institutions			
Current	INDUSTRIAL BANK	7,189,731	-	Pledged for borrowings and overdraft account deposit
	Woori Bank	-	810,605	
Non-current	Jeju Bank	800,000	800,000	Collateral provided to Seoul Guarantee Insurance Company
	Woori Bank and others	6,000	6,000	Key money deposits
	QNB FINANSBANK	221,010	292,005	Secured deposits
		<u>8,216,741</u>	<u>1,908,610</u>	

11. Inventories

Details of inventories are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020						
	Merchandise	Finished goods	Work-in-process	Raw materials	Stored goods	Inventory-in-transit	Total
Cost	78,673,458	973,682	925,824	5,436,286	63,719	3,704,956	89,777,925
Valuation allowance	(1,326,882)	(24,004)	-	-	-	-	(1,350,886)
Net book amount	<u>77,346,576</u>	<u>949,678</u>	<u>925,824</u>	<u>5,436,286</u>	<u>63,719</u>	<u>3,704,956</u>	<u>88,427,039</u>
<i>(in thousands of Korean won)</i>	December 31, 2019						
	Merchandise	Finished goods	Work-in-process	Raw materials	Stored goods	Inventory-in-transit	Total
Cost	71,999,411	594,469	766,563	4,840,523	106,125	3,641,878	81,948,969
Valuation allowance	(747,437)	(30,067)	-	-	-	-	(777,504)
Net book amount	<u>71,251,974</u>	<u>564,402</u>	<u>766,563</u>	<u>4,840,523</u>	<u>106,125</u>	<u>3,641,878</u>	<u>81,171,465</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩ 423,605,911 thousand (2019: ₩ 458,203,213 thousand).

The valuation losses of inventories included in 'cost of sales' amounts to ₩ 573,382 thousand (2019: ₩ 319,612 thousand).

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12. Derivative Financial Instruments

The fair value measurements of derivative financial instruments are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	-	-	232,505	-
Fair value at profit or loss	356,922	-	37,867	-
Non-current				
Fair value at profit or loss	-	-	1,659,841	-

The loss on valuation that was recognized in other comprehensive income is ₩ 140,549 thousand (2019: ₩ 2,693,864 thousand). The loss on valuation that was reclassified from other comprehensive income to profit or loss is recognized in 'revenue' amounting to ₩ 91,956 thousand (2019: ₩ 2,785,755 thousand). There are no currency swap contracts related to cash flow hedge that are not settled as at December 31, 2020.

Currency swap contracts to hedge interest rate risk and exchange rate risk for borrowings in foreign currencies as at December 31, 2020, are as follows:

Contracting parties	Principal		Interest		Maturities
	Payment <i>(in thousands)</i>	Receipt <i>(in thousands)</i>	Payment <i>(KRW)</i>	Receipt <i>(USD)</i>	
Fair value at profit or loss					
Kookmin Bank	KRW 23,485,000	USD 22,000	Fixed rate of 3.48%	Libor (3M) +1.55%	March 26, 2021

As at December 31, 2020, unsettled borrowings related to currency swap contracts amount to US\$ 22,000 thousand. In 2020, loss on valuation of derivative instruments recognized in other loss related to currency swap contracts are ₩ 1,340,786 thousand.

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In 2017, the Group has entered into option contract for residual shares with holders related to disposition of shares of Halla Stackpole Corporation and details of the contract are as follows (Note 13):

	Put option	Call option
Period	4 years after 5 years from date of disposition	4 years after expiration of exercise period of put option
Exercise amount ¹	Percentage of ownership*(EBITDA*8.5-Net Debt)	Percentage of ownership*(EBITDA*8.5-Net Debt)
Option holder	Halla Holdings Corporation	Stackpole ²
Others	Shareholders may not transfer their shares to third parties for 5 years after the date of disposition. If one shareholder wants to sell its shares to third parties during the period above mentioned, the other shareholder has the right of first refusal. If Stackpole no longer is the largest shareholder by selling its stake to any third party, the Company may have the tag along right. If Stackpole sells all of its stake to any third party, Stackpole may have the drag along right.	

¹ Based on the amounts in consolidated financial statements of prior year of exercise date.

² Collectively calling Stackpole Investment Limited, which holds shares of Halla Stackpole Corporation and Johnson Electric International (UK) Limited, which is the entity directly involved in share disposal.

The fair value measurements of above derivative financial instruments are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Fair value at profit or loss	10,438,765	3,754,477	14,172,748	7,639,834

In 2020, gain on valuation of derivatives amounting to ₩ 3,885,357 thousand and loss on valuation of derivatives amounting to ₩ 3,733,983 thousand recognized in profit or loss was recognized in other income and other expenses, respectively.

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13. Investments in Associates and Joint Venture

Details of associates and joint venture over which the Group has significant influence are as follows:

Investee	Abbreviation *	Location	Percentage of ownership (%)		Closing month
			December 31, 2020	December 31, 2019	
Associates					
Mando Corporation	MANDO	Korea	30.25	30.25	December
Halla Corporation ¹	HL	Korea	15.85	15.85	December
Halla Stackpole Corporation	HSC	Korea	20.00	20.00	March
JD Tech Corp.	JDT	Korea	33.33	35.09	December
AMT Engineering Co., Ltd.	AMT	Korea	22.22	22.22	December
WIDE CORPORATION ¹	WD	Korea	19.24	19.24	December
Joint venture					
Mando-Hella Electronics Corp.	MHE	Korea	50.00	50.00	December

* Abbreviations are used hereinafter.

¹ Although the Group holds shares with voting rights less than 20%, it was classified as an associate because the Group has significant influence due to the interchange of managerial personnel and other reasons.

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Changes in investments in associates and joint venture are as follows:

		2020							
<i>(in thousands of Korean won)</i>	At January 1	Dividends received	Share of profit (loss)	Share of other comprehensive income	Share of remeasurements	Share of changes in retained earnings	At December 31		
Investee									
MANDO	609,464,390	(7,811,788)	(3,162,744)	(7,109,969)	(1,691,040)	-	589,688,849		
MHE	79,089,417	(5,001,120)	2,658,982	(17,730)	538,143	-	77,267,692		
HL (Ordinary shares)	16,707,461	-	5,494,104	(125,401)	(201,752)	76,895	21,951,307		
HL (Preferred shares)	152,809,020	-	51,792,207	(1,035,414)	(1,665,832)	634,906	202,534,887		
HSC	49,015,503	(604,800)	2,510,688	(42,075)	532,154	-	51,411,470		
JDT	2,167,222	(150,134)	72,665	346,499	-	-	2,436,252		
AMT	530,875	-	5,817	-	-	-	536,692		
WD	2,821,007	-	167,117	-	-	-	2,988,124		
	<u>912,604,895</u>	<u>(13,567,842)</u>	<u>59,538,836</u>	<u>(7,984,090)</u>	<u>(2,488,327)</u>	<u>711,801</u>	<u>948,815,273</u>		
		2019							
<i>(in thousands of Korean won)</i>	At January 1	Effect of changes in accounting policy	Reclassification of financial assets at fair value through other comprehensive income	Dividends received	Share of profit (loss)	Share of other comprehensive income	Share of remeasurements	Share of changes in retained earnings	At December 31
Investee									
MANDO	590,093,038	-	-	(7,101,625)	21,553,504	6,854,192	(1,934,718)	-	609,464,391
MHE	74,201,321	-	-	(6,000,240)	11,183,512	310,367	(605,543)	-	79,089,417
HL (Ordinary shares)	17,047,129	74,914	-	-	(561,098)	(133,800)	105,400	174,916	16,707,461
HL (Preferred shares)	145,354,603	618,555	-	-	5,626,103	(1,104,767)	870,267	1,444,259	152,809,020
HSC	46,573,613	-	-	(604,800)	2,759,440	199,780	87,469	-	49,015,502
JDT	2,208,997	-	-	(228,576)	186,801	-	-	-	2,167,222
AMT	542,552	-	-	-	(11,677)	-	-	-	530,875
WD	-	-	2,677,302	-	143,705	-	-	-	2,821,007
	<u>876,021,253</u>	<u>693,469</u>	<u>2,677,302</u>	<u>(13,935,241)</u>	<u>40,880,290</u>	<u>6,125,772</u>	<u>(1,477,125)</u>	<u>1,619,175</u>	<u>912,604,895</u>

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Summarized financial information of associates and joint venture are as follows:

<i>(in thousands of Korean won)</i>		2020							
		Investee	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit for the year	Other comprehensive income
	MANDO	2,407,039,793	2,359,013,428	2,031,614,333	1,197,150,913	5,563,504,492	14,112,570	(22,412,701)	(8,300,131)
	MHE	294,724,402	191,424,744	255,387,961	76,225,801	687,075,432	5,556,347	519,478	6,075,825
	HL	786,727,383	864,459,272	872,938,085	404,060,177	1,565,317,905	109,895,932	(3,604,094)	106,291,837
	HSC	136,670,562	84,666,994	29,421,271	14,671,358	176,387,634	15,125,399	2,640,970	17,766,370
	JDT	6,933,446	22,020,583	11,297,897	10,255,316	17,870,315	7,033	-	7,033
	AMT	1,498,047	621,542	351,374	155,520	2,866,722	28,266	-	28,266
	WD	12,291,163	4,242,450	214,949	790,558	13,340,059	(368,614)	-	(368,614)

<i>(in thousands of Korean won)</i>		2019							
		Investee	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year	Other comprehensive income
	MANDO	2,108,356,197	2,485,811,014	1,755,541,963	1,253,160,986	5,981,877,182	118,088,377	17,260,146	135,348,523
	MHE	243,838,688	213,488,804	219,048,228	80,100,430	651,161,866	22,607,156	(595,978)	22,011,178
	HL	687,145,104	901,041,938	986,139,403	340,977,695	1,304,889,862	2,723,763	2,169,280	4,893,043
	HSC	119,396,748	85,543,821	24,511,682	17,728,510	178,493,304	16,369,165	1,416,107	17,785,272
	JDT	6,002,288	22,894,821	13,078,271	9,496,758	18,784,332	304,016	-	304,016
	AMT	1,466,459	721,940	375,438	226,443	2,636,866	19,735	-	19,735
	WD	12,338,099	3,184,488	225,002	637,921	16,244,187	2,237,259	-	2,237,259

As at December 31, 2020, the Group applied the equity method based on the recently audited financial statements or unaudited financial statements of joint venture and associates.

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Details of adjustments from financial information of associates and joint ventures to the book amount of investments in associates and joint ventures are as follows:

<i>(in thousands of Korean won)</i>	2020						
	Investee	Net assets of controlling interest	Percentage of ownership (%)	Interests in net assets	Goodwill and others	Unrealized gain	Others ³
MANDO ¹	1,265,847,218	30.33	383,967,597	206,993,450	(1,272,198)	-	589,688,849
MHE	154,535,384	50.00	77,267,692	-	-	-	77,267,692
HL (Ordinary shares) ²	367,341,999	6.94	25,507,186	470,205	(2,316,183)	(1,709,901)	21,951,307
HL (Preferred shares) ²	367,341,999	57.33	210,608,715	-	(19,124,349)	11,050,521	202,534,887
HSC	180,624,972	20.00	36,124,994	15,286,476	-	-	51,411,470
JDT	7,400,816	33.33	2,466,939	-	-	(30,687)	2,436,252
AMT	1,612,695	22.22	358,377	178,315	-	-	536,692
WD	15,528,105	19.24	2,988,124	-	-	-	2,988,124

<i>(in thousands of Korean won)</i>	2019						
	Investee	Net assets of controlling interest	Percentage of ownership (%)	Interests in net assets	Goodwill and others	Unrealized gain	Others ³
MANDO ¹	1,317,435,852	30.33	399,615,903	211,468,355	(1,619,868)	-	609,464,390
MHE	158,178,834	50.00	79,089,417	-	-	-	79,089,417
HL (Ordinary shares) ²	261,050,786	6.94	18,126,626	558,935	(663,689)	(1,314,411)	16,707,461
HL (Preferred shares) ²	261,050,786	57.33	149,668,622	-	(5,479,972)	8,620,370	152,809,020
HSC	166,073,176	20.00	33,214,635	15,800,867	-	-	49,015,502
JDT	6,322,081	35.09	2,218,276	-	-	(51,054)	2,167,222
AMT	1,586,518	22.22	352,560	178,315	-	-	530,875
WD	14,659,664	19.24	2,821,007	-	-	-	2,821,007

¹ As at December 31, 2020 and 2019, the nominal percentage of ownership is 30.25% and the effective percentage of ownership considering the treasury shares is 30.33%.

² The Company has 15.85% ownership in ordinary shares and 100% ownership in preferred shares. Considering the conversion ratio of preferred shares and treasury shares that HL holds, ownership applied to equity method is 6.94% to ordinary shares and 57.33% to preferred shares.

³ Others represents the effects of preferred dividend amounts on preferred shares which have priority rights of distributions.

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Fair value of marketable investments in associates are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020		December 31, 2019	
	Fair value	Book amount	Fair value	Book amount
MANDO	835,151,100	589,688,849	499,954,400	609,464,390
HL (Ordinary shares)	30,189,919	21,951,307	18,483,624	16,707,461

14. Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

<i>(in thousands of Korean won)</i>	2020				
	Land¹	Buildings and structures¹	Machinery	Tools	
At January 1, 2020	97,410,349	83,349,941	11,391,574	388,816	
Acquisition	9,672	-	4,166,112	229,017	
Disposal/ Retirement	-	-	(48,994)	(8,634)	
Depreciation	-	(3,150,228)	(2,607,106)	(152,989)	
Impairment	-	-	-	-	
Transfer	-	229,220	-	-	
Exchange differences	(89,868)	(65,514)	(455,456)	(789)	
At December 31, 2020	<u>97,330,153</u>	<u>80,363,419</u>	<u>12,446,130</u>	<u>455,421</u>	
Acquisition cost	97,330,153	115,650,777	25,972,117	2,270,224	
Accumulated depreciation and impairment loss	-	(35,287,358)	(13,525,987)	(1,814,803)	

<i>(in thousands of Korean won)</i>	2020				
	Furniture & fixture and vehicles	Leasehold improvements	Course & tree	Materials in transit and construction-in-progress	Total
At January 1, 2020	4,968,705	-	56,108,825	13,057,034	266,675,244
Acquisition	945,602	-	-	8,922,464	14,272,867
Disposal/ Retirement	(5,362)	-	-	(3,545,235)	(3,608,225)
Depreciation	(1,758,606)	(13,017)	-	-	(7,681,946)
Impairment	-	-	-	(1,173,248)	(1,173,248)
Transfer	24,903	781,000	-	(1,040,433)	(5,310)
Exchange differences	(49,725)	-	-	65,299	(596,053)
At December 31, 2020	<u>4,125,517</u>	<u>767,983</u>	<u>56,108,825</u>	<u>16,285,881</u>	<u>267,883,329</u>
Acquisition cost	22,193,648	781,000	56,108,825	16,285,881	336,592,625
Accumulated depreciation and impairment loss	(18,068,131)	(13,017)	-	-	(68,709,296)

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	2019			
<i>(in thousands of Korean won)</i>	Land¹	Buildings and structures¹	Machinery	Tools
At January 1, 2019	97,118,022	56,909,181	8,511,055	305,364
Acquisition	138,114	43,965	1,305,724	198,501
Disposal/ Retirement	-	(856)	(23,778)	(1,079)
Depreciation	-	(3,140,134)	(1,977,399)	(144,578)
Transfer	103,100	29,494,462	3,406,783	30,500
Exchange differences	51,113	43,323	169,189	108
At December 31, 2019	<u>97,410,349</u>	<u>83,349,941</u>	<u>11,391,574</u>	<u>388,816</u>
Acquisition cost	97,410,349	115,607,329	22,686,983	2,151,364
Accumulated depreciation and impairment loss	-	(32,257,388)	(11,295,409)	(1,762,548)

	2019			
<i>(in thousands of Korean won)</i>	Furniture & fixture and vehicles	Course & tree	Materials in transit and construction-in-progress	Total
At January 1, 2019	3,526,646	56,108,825	39,924,102	262,403,195
Acquisition	1,770,266	-	7,982,263	11,438,833
Disposal/ Retirement	(98,175)	-	(47,300)	(171,188)
Depreciation	(1,890,167)	-	-	(7,152,278)
Transfer	1,657,897	-	(34,790,383)	(97,641)
Exchange differences	2,238	-	(11,648)	254,323
At December 31, 2019	<u>4,968,705</u>	<u>56,108,825</u>	<u>13,057,034</u>	<u>266,675,244</u>
Acquisition cost	21,912,427	56,108,825	13,057,034	328,934,311
Accumulated depreciation and impairment loss	(16,943,722)	-	-	(62,259,067)

¹ The Group's land and buildings are pledged as collateral for borrowings (Note 22).

Line items including depreciation in the statements of comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Cost of sales	5,361,089	5,142,078
Selling and administrative expenses	<u>2,320,858</u>	<u>2,010,200</u>
	<u>7,681,946</u>	<u>7,152,278</u>

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15. Intangible Assets

Changes in intangible assets are as follows:

<i>(in thousands of Korean won)</i>	2020			
	Goodwill	Customer relationship	Trademarks	Software
At January 1, 2020	13,467,566	6,223,398	882,157	2,906,116
Acquisition	-	-	34,510,000	663,482
Amortization	-	(215,449)	(476,107)	(1,215,808)
Disposal	(5,990,130)	(5,195,834)	-	(1,223)
Transfer	-	-	-	22,810
Exchange differences	-	-	-	(34,533)
At December 31, 2020	<u>7,477,436</u>	<u>812,115</u>	<u>34,916,050</u>	<u>2,340,844</u>
Acquisition cost	7,477,436	1,230,000	38,324,473	10,118,624
Accumulated amortization and impairment loss	-	(417,885)	(3,408,423)	(7,777,781)

<i>(in thousands of Korean won)</i>	2020		
	Membership	Other intangible assets	Total
At January 1, 2020	729,517	58,576	24,267,330
Acquisition	-	30,990	35,204,472
Amortization	-	(10,886)	(1,918,250)
Disposal	-	-	(11,187,187)
Transfer	-	(17,500)	5,310
Exchange differences	-	-	(34,533)
At December 31, 2020	<u>729,517</u>	<u>61,180</u>	<u>46,337,142</u>
Acquisition cost	1,699,064	107,893	58,957,490
Accumulated amortization and impairment loss	(969,547)	(46,713)	(12,620,348)

The Group transferred all the 'Halla' trademarks held by the related company HL to strengthen the comprehensive management of intellectual property rights, such as brand and trademark rights of the holding company during the current term (Note 34).

<i>(in thousands of Korean won)</i>	2019		
	Goodwill	Customer relationship	Software
At January 1, 2019	13,467,566	6,801,347	2,943,255
Acquisition	-	-	617,393
Amortization	-	(577,949)	(1,161,953)
Disposal	-	-	(794)

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<i>(in thousands of Korean won)</i>	2019		
	Goodwill	Customer relationship	Software
Transfer	-	-	496,306
Exchange differences	-	-	11,909
At December 31, 2019	<u>13,467,566</u>	<u>6,223,398</u>	<u>2,906,116</u>
Acquisition cost	13,467,566	8,480,000	8,986,662
Accumulated amortization and impairment loss	-	(2,256,602)	(6,080,546)

<i>(in thousands of Korean won)</i>	2019		
	Membership	Other intangible assets	Total
At January 1, 2019	4,684,657	1,294,260	29,191,085
Acquisition	-	654,900	1,272,293
Amortization	-	(609,762)	(2,349,664)
Disposal	(3,955,140)	-	(3,955,934)
Transfer	-	(398,665)	97,641
Exchange differences	-	-	11,909
At December 31, 2019	<u>729,517</u>	<u>940,733</u>	<u>24,267,330</u>
Acquisition cost	1,699,064	3,908,876	36,542,168
Accumulated amortization and impairment loss	(969,547)	(2,968,143)	(12,274,838)

Line items including amortization in the statements of comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Cost of sales ¹	612,946	576,946
Selling and administrative expenses ¹	<u>1,305,304</u>	<u>1,772,718</u>
	<u>1,918,250</u>	<u>2,349,664</u>

¹ Depreciation of OSPS and OSU are presented as profit from discontinued operations in the consolidated statements of comprehensive income.

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The Group annually performs an impairment test for goodwill. Goodwill is allocated to each cash-generating unit where the Group's management monitors as follows:

<i>(in thousands of Korean won)</i>	2020	2019
IT business	6,252,183	12,242,313
Insurance business	<u>1,225,253</u>	<u>1,225,253</u>
	<u>7,477,436</u>	<u>13,467,566</u>

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plan approved by management covering a five-year period. The sales growth rate used for the period is determined based on historical performance and prediction of the market growth. The cash flow over five years is only estimated in the maximum range of long-term average growth rate in the industry where the cash-generating units are affiliated to. Also, the rate used in value-in-use calculation is rate which reflects particular risk of the cash-generating unit.

As a result of impairment test on goodwill, the Company did not recognize impairment loss as the recoverable amount of cash-generating units exceeds the carrying amount.

16. Investment Properties

Changes in investment properties are as follows:

<i>(in thousands of Korean won)</i>	2020		
	Land¹	Buildings¹	Total
At January 1, 2020	142,115,165	499,794	142,614,959
Acquisition	429,029	-	429,029
Reclassification from right-of-use assets		10,275,470	10,275,470
Depreciation	-	<u>(401,307)</u>	<u>(401,307)</u>
At December 31, 2020	<u>-</u>	<u>10,373,957</u>	<u>152,918,151</u>
Acquisition cost	142,544,194	10,920,298	153,464,492
Accumulated depreciation	142,544,194	(546,340)	(546,340)
	2019		
	Land¹	Buildings¹	Total
At January 1, 2019	142,115,165	515,916	142,631,081
Acquisition	-	-	-
Reclassification from right-of-use assets	-	-	-
Depreciation	-	<u>(16,122)</u>	<u>(16,122)</u>
At December 31, 2019	<u>142,115,165</u>	<u>499,794</u>	<u>142,614,959</u>
Acquisition cost	142,115,165	644,827	142,759,992
Accumulated depreciation	-	(145,034)	(145,034)

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¹ The Group's land and buildings are pledged as collaterals for borrowings (Note 22).

Line items including depreciation in the statements of comprehensive income are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Cost of sales	385,184	-
Selling and administrative expenses	<u>16,122</u>	<u>16,122</u>
	<u>401,306</u>	<u>16,122</u>

Fair value of investment properties as at December 31, 2020, is ₩ 208,782,362 thousand (2019: ₩ 197,453,072 thousand). Rental income from investment properties is ₩ 2,087,860 thousand (2019: ₩ 1,384,039 thousand) and operating expenses (including depreciation) directly related to the investment properties is ₩ 1,031,690 thousand (2019: ₩ 182,566 thousand).

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may receive bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment property as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Within one year	2,281,523	714,400
Between 1 and 5 years	<u>927,590</u>	<u>-</u>
	<u>3,209,113</u>	<u>714,400</u>

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17. Leases

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Right-of-use assets		
Offices and others	14,803,734	19,006,249
Cold storages	100,723,928	19,470,286
Vehicles ¹	2,311,283	2,203,662
Office equipment	15,511	3,663
	<u>117,854,456</u>	<u>40,683,860</u>

<i>(in thousands of Korean won)</i>	2020	2019
Lease liabilities		
Current	19,159,098	15,438,759
Non-current	110,005,496	25,670,072
	<u>129,164,594</u>	<u>41,108,831</u>

Additions to the right-of-use assets during the 2020 were ₩ 105,956,038 thousand and ₩ 10,275,470 thousands were reclassified to investment properties(Note 16).

(b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2020	2019
Depreciation of right-of-use assets		
Offices	6,042,970	5,046,849
Cold storages	9,876,013	7,536,885
Vehicles	1,436,511	1,269,593
Office equipment	6,416	5,532
	<u>17,361,910</u>	<u>13,858,859</u>
Interest expense relating to lease liabilities (included in finance cost)	2,647,426	1,508,724
Interest income relating to net investment in sub-lease (included in finance income)	23,264	65,722
Gain on disposal of right-of-use assets (included in other income)	29,354	76,480
Expense relating short-term leases (included	39,693	-

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<i>(in thousands of Korean won)</i>	2020	2019
in administrative expenses)		
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	124,953	51,992

The total cash outflow for leases in 2020 was ₩ 18,540,471 thousand.

18. Other Assets

Details of other assets are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Current		
Prepaid other taxes including VAT	136,855	9,611
Advance payments	1,280,576	1,350,915
Prepaid expenses	2,623,788	2,973,053
Other assets	26,397	-
	<u>4,067,615</u>	<u>4,333,581</u>
Non-current		
Advance payments	6,307,000	-
Prepaid expenses	13,716	1,920
	<u>6,320,716</u>	<u>1,920</u>
	<u>10,388,332</u>	<u>4,335,501</u>

19. Other Payables

Details of other payables are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Current		
Other accounts payable	13,077,850	11,695,117
Leasehold deposits received	108,941	-
Accrued expenses	2,894,996	21,839,930
	<u>16,081,787</u>	<u>33,535,047</u>
Non-current		
Other accounts payable	791,814	674,771
Leasehold deposits received	838,335	566,270
Withholdings	10,000	10,000
Accrued expenses	24,580,988	-
	<u>26,221,137</u>	<u>1,251,041</u>
	<u>42,302,924</u>	<u>34,786,088</u>

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20. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the consolidated statements of financial position are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Present value of funded defined benefit obligations	21,037,789	20,018,941
Fair value of plan assets	<u>(12,982,633)</u>	<u>(8,407,079)</u>
Liability in the statement of financial position	<u>8,055,156</u>	<u>11,611,862</u>

Changes in the defined benefit obligations are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
At January 1	20,018,941	17,055,395
Current service cost	3,554,991	4,624,946
Interest cost	320,174	334,013
Transfer from related parties	72,302	232,316
Transfer to related parties	(802,890)	(148,637)
Benefits paid	(1,356,832)	(3,937,717)
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	-	297,712
Actuarial losses arising from changes in financial assumptions	114,050	286,077
Actuarial gains and losses arising from experience adjustments	<u>(882,947)</u>	<u>1,274,836</u>
At December 31	<u>21,037,789</u>	<u>20,018,941</u>

Changes in the plan assets are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
At January 1	8,407,079	6,178,501
Additional contribution	5,000,000	3,500,000
Interest income	140,235	126,391
Transfer from related parties	59,440	197,508
Transfer to related parties	(179,820)	(108,227)
Benefits paid	(450,576)	(1,458,990)
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	<u>6,275</u>	<u>(28,104)</u>
At December 31	<u>12,982,633</u>	<u>8,407,079</u>

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Line items including total expenses and the amounts are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Selling and administrative expenses	2,608,311	3,712,726
Cost of sales	1,126,618	1,119,844
	<u>3,734,929</u>	<u>4,832,570</u>

Plan assets consist of the following:

<i>(in thousands of Korean won)</i>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Amount	Ratio	Amount	Ratio
Deposits	12,982,633	100%	8,407,079	100%

The principal actuarial assumptions used for the defined benefit obligations and plan assets are as follows:

	December 31, 2020	December 31, 2019
Discount rate	1.71% ~ 1.87%	1.87% ~ 1.93%
Expected rates of salary increases	4.29% ~ 4.56%	3.87% ~ 4.63%

The sensitivity of the defined benefit obligations as of December 31, 2020, to changes in the principal assumptions is as follows:

	<u>Effect on defined benefit obligation</u>		
	Changes in principal assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	5.4% decrease	6.1% increase
Expected rates of salary increases	1.0%	6.0% increase	5.4% decrease

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. But in practice, the assumptions may be correlated. 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 on the statement of financial position.

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The weighted average duration of the defined benefit obligations is 5.83 years. The information on expected maturity of undiscounted pension benefits as at December 31, 2020, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Retirement benefits	3,636,909	2,816,517	5,744,291	9,784,797	21,982,514

21. Provisions

The Group accrues warranty reserve for the estimated costs of future service, repairs and recalls to provide a warranty relating to defects for a specified period of time after sale.

In addition, when there is a probability that an outflow of economic benefits will occur from litigation or disputes and provision for restoration in accordance with lease agreement, and whose amount is reasonably estimable, a corresponding amount of provision is recognized as other provisions in the financial statement.

If the expected timing of any resulting outflows of economic benefits is within one year from the end of the reporting period, the amount is classified as current. If not, it is presented as non-current.

Changes in provisions are as follows:

<i>(in thousands of Korean won)</i>	2020			2019		
	Warranty reserve	Other	Total	Warranty reserve	Other	Total
At January 1 (before adjustment)	388,253	2,218,143	2,606,396	432,312	239,933	672,245
Effect of changes in accounting policy	-	-	-	-	1,909,409	1,909,409
At January 1 (after adjustment)	388,253	2,218,143	2,606,396	432,312	2,149,342	2,581,654
Additional provisions	217,379	630,089	847,468	184,666	60,690	245,356
Reversal of provision	-	(86,380)	(86,380)	-	-	-
Used amounts	(195,998)	(15,500)	(211,498)	(236,037)	-	(236,037)
Exchange differences	(12,864)	(9,487)	(22,351)	7,312	8,111	15,423
At December 31	396,770	2,736,865	3,133,635	388,253	2,218,143	2,606,396
Current	396,770	239,933	636,703	343,423	239,933	583,356
Non-current	-	2,496,932	2,496,932	44,830	1,978,210	2,023,040

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22. Debentures and Borrowings

Details of debentures are as follows:

(in thousands of Korean won)	Issuance date	Maturity date	Interest rate (%)	December 31, 2020		December 31, 2019	
				Current	Non-current	Current	Non-current
6th-3 public debenture	2013.12.6	2020.12.6	-	-	-	69,000,000	-
7th-3 public debenture	2016.3.4	2021.3.4	3.40	36,000,000	-	-	36,000,000
9th public debenture	2017.7.12	2020.7.12	-	-	-	47,000,000	-
10th public debenture	2018.3.14	2021.3.14	3.44	57,000,000	-	-	57,000,000
11th public debenture	2019.9.27	2022.9.27	2.19	-	59,000,000	-	59,000,000
12-1th public debenture	2020.7.3	2023.7.3	2.85	-	61,000,000	-	-
12-2th public debenture	2020.7.3	2025.7.3	3.41	-	39,000,000	-	-
13th public debenture	2020.12.2	2025.12.2	3.60	-	50,000,000	-	-
2 nd profit participating debenture ¹	2016.3.10	2022.3.10	5.00	-	80,000,000	80,000,000	-
				93,000,000	289,000,000	196,000,000	152,000,000
Less: Discount on debenture				(25,466)	(728,446)	(81,647)	(402,290)
				<u>92,974,534</u>	<u>288,271,554</u>	<u>195,918,353</u>	<u>151,597,710</u>

¹ The holders of the debenture can participate cumulatively in dividend prior to the issuer's shareholders with respect to profits available for dividend of the issuer until the aggregate amount of the annual interest payments and dividends received becomes 15% of the par value of the debenture.

Details of short-term borrowings are as follows:

(in thousands)	Creditor	Interest rate (%)	December 31, 2020	December 31, 2019
Working capital loans	Woori Bank and others	1.65~3.50	66,881,759	7,946,103
	Shinhan Bank (China)	3.95	2,170,480	403,493
			(CNY 13,000)	(CNY 2,434)
	Kookmin Bank (China)	3.61	1,991,259	-
			(CNY 11,927)	-
	Shinhan Bank (USA)	1.62~1.63	2,825,754	2,428,138
			(USD 2,597)	(USD 2,097)
Comerica Bank	1.81~2.80	9,573,947	13,249,184	
		(USD 8,800)	(USD 11,443)	
Halla Corporation	-	-	17,300,000	
			<u>83,443,199</u>	<u>41,326,918</u>

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Details of long-term borrowings are as follows:

(in thousands of Korean won)	Creditor	Interest rate (%)	December 31, 2020		December 31, 2019	
			Current	Non-current	Current	Non-current
General loans	The Korea Development Bank and others	1.20~ 3.65	133,936,000	135,471,600	-	135,471,600
General loans	Shinhan Bank (China)	4.50	-	3,506,160 (CNY 21,000)	-	3,148,496 (CNY 18,997)
Working capital loans	QNB Finans Bank	-	-	-	-	292,005 (TRY 1,500)
Working capital loans	Halla Corporation	4.60	-	17,300,000	-	-
Acquisition financing loan ¹	Saint Four Hi 1st Co., Ltd. and others	3.10~ 3.20	-	90,000,000	80,000,000	-
			133,936,000	110,806,160	80,000,000	138,912,101
Less: Discount on debenture			-	(1,499,992)	(657,229)	-
			133,936,000	109,306,168	79,342,771	138,912,101

¹ In relation to the borrowing, shares of JJH held by the Company, deposit accounts, the first priority beneficial right of real estate trust and the first priority of insurance claims right held by JJH are provided as collateral (Maximum pledged amount: ₩ 156,000,000 thousand). JJH entered into a real estate collateral trust agreement with Hana Asset Trust Corporation to guarantee the repayment of borrowing and performance of obligation. Moreover, JJH entered into a subordinate loan agreement to lend the borrower the amount of withholding tax on the interest income by corporate and local income tax law relate to the loan above. As at December 31, 2020, JJH loaned the borrower ₩ 628,543 thousand (2019: ₩ 331,985 thousand) under the agreement.

Details of collateral provided for borrowings are as follows:

(in thousands of Korean won)	December 31, 2020				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and buildings	8,169,036	7,670,000	General loans	5,900,000	Shinhan Bank
Land and buildings	42,064,709	54,000,000	Facility loans	80,000,000	The Korea Development Bank
Land and buildings	2,453,027	2,453,027	Line of credit	2,825,754	Shinhan Bank
Inventories, facilities and trade receivables	20,705,379	20,705,379	Line of credit	7,397,947	Comerica Bank
Shares of subsidiary ¹	-	50,000,000	Acquisition financing loan	90,000,000	Saint Four Hi 1st Co., Ltd. and others

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<i>(in thousands of Korean won)</i>	December 31, 2019				
	Carrying amount	Secured amount	Related line item	Related amount	Secured party
Land and buildings	8,314,905	7,670,000	General loans	5,900,000	Shinhan Bank
Land and buildings	42,790,976	54,000,000	Facility loans	30,000,000	The Korea Development Bank
Land and buildings	2,714,012	2,714,012	Line of credit	2,428,138	Shinhan Bank
Inventories, facilities and trade receivables	28,661,412	28,661,412	Line of credit	10,354,684	Comerica Bank
Long-term financial instruments	292,005	292,005	General loans	292,005	QNB Finans Bank
Land and buildings	-	1,000,000			
Shares of subsidiary ¹	-	50,000,000	Acquisition financing loan	80,000,000	Saint Four Hi 1st Co., Ltd. and others

¹ Shares of JJH, held by the Company, were offset by the subsidiary's equity in the consolidated financial statements.

23. Other Liabilities

Details of other liabilities are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Current		
Advances from customers	2,068,593	1,913,473
Withholdings	1,179,139	2,972,541
Unearned income	1,545,208	1,719,947
Other current liabilities	9,644	360,068
	4,802,584	6,966,029
Non-current		
Long-term unearned income	2,824,810	2,867,448
	2,824,810	2,867,448
	7,627,394	9,833,477

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24. Current and Deferred Tax

Components of income tax expense are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Current income tax	985,586	7,065,122
Income tax refund and others	(2,937,906)	(1,113,794)
Changes in total deferred income tax	14,309,659	3,030,443
Changes in deferred tax recognized directly in equity	(499,485)	511,281
Changes in current tax recognized directly in equity	56,266	22,238
Exchange differences	(43,008)	121,899
Income tax expense	<u>11,871,112</u>	<u>9,637,189</u>

The relationship between profit before income tax and income tax expense is as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Profit before income tax	55,966,769	52,108,646
Tax at domestic tax rates applicable to profits in the respective countries	13,928,088	12,787,413
Adjustments:		
Income not subject to tax or expenses not deductible for tax purposes	1,890,716	1,842,801
Tax system for recirculation of corporate income	737,047	1,498,654
Income tax refund and others	(2,937,906)	(1,113,794)
Deferred tax effects on temporary differences associated with the investment in subsidiaries and others	8,510,427	(7,720,991)
Changes in unrecognized deferred tax assets	(10,274,410)	1,570,578
Others	17,150	772,528
Income tax expense	<u>11,871,112</u>	<u>9,637,189</u>
Effective tax rate	21.2%	18.49%

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Details of deferred tax assets and liabilities are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Deferred tax assets		
Deferred tax asset to be recovered within 1 year	1,052,209	4,770,091
Deferred tax asset to be recovered after more than 1 year	49,294,917	24,571,669
	<u>50,347,126</u>	<u>29,341,760</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 1 year	(4,988,968)	(3,732,137)
Deferred tax liability to be recovered after more than 1 year	(92,597,246)	(58,539,052)
	<u>(97,586,214)</u>	<u>(62,271,189)</u>
Deferred tax liabilities, net	<u>(47,239,088)</u>	<u>(32,929,429)</u>

The income tax changed on credited directly to equity is as follows:

<i>(in thousands of Korean won)</i>	2020		
	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(1,797,069)	434,891	(1,362,178)
Cash flow hedge	(232,504)	56,266	(176,238)
Foreign currency translation differences	(994,453)	-	(994,453)
Remeasurements of net defined benefit liabilities	775,172	(201,647)	573,525
Changes in the equity of associates and joint venture	(7,984,091)	(732,729)	(8,716,820)
	<u>(10,232,945)</u>	<u>(443,219)</u>	<u>(10,676,164)</u>
	2019		
	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	(3,279,332)	793,598	(2,485,734)
Cash flow hedge	(91,892)	22,238	(69,654)
Foreign currency translation differences	483,955	-	483,955
Remeasurements of net defined benefit liabilities	(1,886,729)	431,579	(1,455,150)
Changes in the equity of associates and joint venture	6,125,772	(713,899)	5,411,873
	<u>1,351,774</u>	<u>533,516</u>	<u>1,885,290</u>

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Changes in total deferred tax are as follows:

<i>(in thousands of Korean won)</i>	2020				
	Deferred tax assets (liabilities)				
	January 1, 2020	Profit (loss)	Changes in other comprehensive income of controlling interest	Currency translation differences	December 31, 2020
Retirement benefit liabilities	2,104,255	(791,136)	(201,647)	-	1,111,472
Employee benefits	163,295	16,835	-	-	180,130
Accrued expenses	186,197	59,105	-	-	245,302
Depreciation	6,361,115	(69,791)	-	-	6,291,324
Amortization	1,006	794	-	-	1,800
Investments in subsidiaries and others	(16,414,236)	(8,470,161)	(732,729)	1,518	(25,615,608)
Unused tax losses	6,088,837	(582,316)	-	(324,303)	5,182,218
Losses on valuation of inventories	127,692	88,075	-	-	215,767
Revaluation of land	(35,170,723)	-	-	-	(35,170,723)
Impairment loss on intangible assets	234,630	-	-	-	234,630
Other provisions	39,900	18,164	-	-	58,064
Accrued income	(3,517,591)	(1,020,669)	-	-	(4,538,260)
Valuation of derivatives	13,646	549,950	-	-	563,596
Financial assets at fair value through profit or loss	485,878	(542,301)	-	-	(56,423)
Financial assets at fair value through other comprehensive income	1,975,089	-	434,891	-	2,409,980
Lease assets	(6,422,945)	(21,676,778)	-	-	(28,099,723)
Lease liabilities	6,674,589	22,210,665	-	-	28,885,254
Others	4,139,937	(3,277,824)	-	-	862,113
	<u>(32,929,429)</u>	<u>(13,487,388)</u>	<u>(499,485)</u>	<u>(322,785)</u>	<u>(47,239,087)</u>

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<i>(in thousands of Korean won)</i>	2019				
	Deferred tax assets (liabilities)				
	January 1, 2020	Profit (loss)	Changes in other comprehensive income of controlling interest	Currency translation differences	December 31, 2020
Retirement benefit liabilities	2,057,731	(385,055)	431,579	-	2,104,255
Employee benefits	62,288	101,007	-	-	163,295
Accrued expenses	171,231	14,966	-	-	186,197
Depreciation	7,601,962	(1,240,847)	-	-	6,361,115
Amortization	1,574	(568)	-	-	1,006
Investments in subsidiaries and others	(13,538,831)	(2,082,550)	(713,899)	(78,957)	(16,414,237)
Unused tax losses	5,693,777	194,201	-	200,859	6,088,837
Losses on valuation of inventories	69,200	58,492	-	-	127,692
Revaluation of land	(36,267,138)	1,096,415	-	-	(35,170,723)
Impairment loss on intangible assets	234,630	-	-	-	234,630
Provisions	110,664	(70,764)	-	-	39,900
Accrued income	(2,734,111)	(783,480)	-	-	(3,517,591)
Valuation of derivatives	66,805	(53,159)	-	-	13,646
Financial assets at fair value through profit or loss	1,398,831	(912,953)	-	-	485,878
Financial assets at fair value through other comprehensive income	1,181,491	-	793,598	-	1,975,089
Lease assets	-	(6,422,945)	-	-	(6,422,945)
Lease liabilities	-	6,674,589	-	-	6,674,589
Others	(13,360)	(142,612)	-	-	(155,972)
	<u>(29,898,986)</u>	<u>(3,663,623)</u>	<u>511,281</u>	<u>121,899</u>	<u>(32,929,429)</u>

Deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets in respect of accumulated tax loss amounting to ₩ 148,420,788 thousand (2019: ₩ 148,042,851 thousand) carried forward from business combination (Halla Jeju Development Corporation) in 2019 because it is not probable to be utilised. Unused tax loss carryforwards mature up to 2029.

In addition, the Group did not recognize the deferred tax assets related to deductible temporary differences amounting to ₩ 63,283,092 thousand (2019: ₩ 63,015,494 thousand) that are expected to be not realizable.

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As at December 31, 2020, the Group did not recognize deferred tax assets for temporary differences on certain investments in associates amounting to ₩ 139,060,440 thousand (2019: ₩ 194,030,153 thousand) as it is not probable that the temporary differences will reverse in the foreseeable future.

25. Share Capital, Other Components of Equity and Accumulated Other Comprehensive Income

There are no changes in share capital and share premium of the Group for the periods ended December 31, 2020 and 2019.

Details of the Group's share capital are as follows:

	December 31, 2020	December 31, 2019
Authorized shares to issue (in shares)	100,000,000	100,000,000
Issued shares (in shares) ¹	10,472,070	10,472,070
Par value per share (in Korean won)	5,000	5,000

¹ On May 3, 2013, the Company retired 545,166 treasury shares by an appropriation of retained earnings based on the Clause 1, Article 343 of the Commercial Law of the Republic of Korea. Accordingly, the amount of share capital is different from the total par value for the issued shares.

Details of other components of equity are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Treasury shares	(9,892,314)	-
Gain on disposal of treasury shares	2,734,106	2,734,106
Loss on spin-off	(22,790,837)	(22,790,837)
Other component of equity due to transactions with the owners of the Company	(1,319,232)	(1,319,232)
	<u>(31,268,277)</u>	<u>(21,375,963)</u>

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Changes in the accumulated other comprehensive income (after income tax effect) are as follows:

2020				
<i>(in thousands of Korean won)</i>	At January 1	Increase (decrease)	Reclassified to profit or loss	At December 31
Financial assets at fair value through other comprehensive income	(6,186,437)	(1,362,178)	-	(7,548,615)
Cash flow hedges	176,238	(106,536)	(69,702)	-
Foreign currency translation differences	687,619	(988,817)	-	(301,198)
Other comprehensive income of associates and others	<u>(47,353,820)</u>	<u>(8,716,820)</u>	<u>-</u>	<u>(56,070,640)</u>
	<u>(52,676,400)</u>	<u>(11,174,351)</u>	<u>(69,702)</u>	<u>(63,920,453)</u>
2019				
<i>(in thousands of Korean won)</i>	At January 1	Increase (decrease)	Reclassified to profit or loss	At December 31
Financial assets at fair value through other comprehensive income	(3,700,703)	(2,485,734)	-	(6,186,437)
Cash flow hedges	245,892	2,041,949	(2,111,603)	176,238
Foreign currency translation differences	204,739	482,880	-	687,619
Other comprehensive income of associates and others	<u>(52,765,693)</u>	<u>5,411,873</u>	<u>-</u>	<u>(47,353,820)</u>
	<u>(56,015,765)</u>	<u>5,450,968</u>	<u>(2,111,603)</u>	<u>(52,676,400)</u>

26. Retained Earnings

Details of the Group's retained earnings are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2020	December 31, 2019
Legal reserve	27,543,090	27,543,090
Unappropriated retained earnings	<u>637,388,727</u>	<u>615,486,201</u>
	<u>664,931,817</u>	<u>643,029,291</u>

The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

The cash dividends of the Group for the financial year ended December 31, 2019, amounting to ₩ 20,944,140 thousand, were paid in April 2020. The cash dividends of the Group for the financial year ended December 31, 2020, amounting to ₩ 20,240,310 thousand, will be proposed at the general meeting of shareholders on March 25, 2021. These financial statements do not include

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this dividend payable.

27. Selling and Administrative Expenses

Details of selling and administrative expenses are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Salaries and wages	28,700,573	31,646,710
Retirement benefits	2,608,311	3,712,726
Employee fringe benefits	4,977,464	5,798,559
Travel	670,254	1,741,003
Communication	235,041	210,323
Water, light, heating and others	440,118	451,203
Taxes and dues	1,569,871	503,273
Rent	1,089,647	1,405,393
Depreciation on property, plant and equipment	2,320,858	2,010,200
Depreciation on investment properties	16,122	16,122
Depreciation on right-of-use assets	3,591,146	3,620,832
Repair and maintenance	379,579	537,512
Insurance premium	492,397	477,188
Entertainment	836,710	868,339
Advertising	3,041,478	3,834,436
Overseas marketing	27,907	117,896
Export expenses	1,100,570	692,016
Sample expenses	-	169,551
Packing expenses	1,189,123	1,267,632
Freight expenses	2,476,108	2,663,165
Research and development expenses	467,536	318,679
Commissions	17,455,218	17,237,384
Office supplies expenses	101,307	108,877
Supplies expenses	547,455	763,162
Publication	109,338	104,412
Training	324,709	614,803
Vehicles	244,769	314,853
Warranty expenses	217,379	184,666
Amortization	1,305,304	1,772,719
Others	131,778	95,354
	<u>76,668,070</u>	<u>83,258,988</u>

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28. Expenses by Nature

Expenses by nature for the cost of sales and selling and administrative expenses are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Materials consumed and purchase of merchandise, net	430,245,050	463,274,581
Changes in inventories	(6,639,139)	(5,071,368)
Employee benefit expenses	48,543,975	55,264,463
Depreciation on property, plant and equipment	7,681,946	7,152,278
Depreciation on investment properties	401,307	16,122
Depreciation on right-of-use assets	17,361,910	13,858,858
Amortization	1,918,250	2,349,665
Employee fringe benefits	6,396,567	7,213,715
Commissions	82,106,302	102,006,139
Water, light, heating and others	2,510,880	2,574,112
Repair and maintenance	1,405,213	1,223,017
Others	53,228,276	72,867,443
	<u>645,160,537</u>	<u>722,729,025</u>

29. Other Income and Expenses

Details of other income and expenses are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Other income		
Exchange differences	2,510,602	3,594,703
Dividend income	260,255	260,255
Gain on valuation of financial assets at fair value	169,583	18,147
Gain on disposal of property, plant and equipment	13,636	79,463
Gain on transaction of derivatives	35,552	224,299
Gain on valuation of derivatives	3,885,357	4,878,392
Reversal of other provisions	86,380	-
Others	1,070,802	516,450
	<u>8,032,167</u>	<u>9,571,709</u>
Other expenses		
Exchange differences	4,971,606	2,662,425
Loss on valuation of financial assets at fair value	126,603	59,373
Loss on disposal of property, plant and equipment	4,420	82,761
Impairment loss on property, plant and equipment	1,173,248	
Loss on disposal of intangible assets	856,964	85,140
Loss on transaction of derivatives	197,258	-
Loss on valuation of derivatives	5,074,770	195,896

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<i>(in thousands of Korean won)</i>	2020	2019
Donations	4,332,300	4,125,968
Contribution to other provisions	36,866	32,818
Others	342,980	396,963
	<u>17,117,015</u>	<u>7,641,344</u>

30. Finance Income and Costs

Details of finance income and costs are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Other finance income		
Exchange differences	1,547,480	394,250
	<u>1,547,480</u>	<u>394,250</u>
Finance costs		
Interest expenses	28,586,259	25,968,841
Exchange differences	178,869	1,076,587
	<u>28,765,128</u>	<u>27,045,428</u>

31. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to Shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year excluding shares purchased by the Company and held as treasury shares.

Calculations of basic earnings per share are as follows:

<i>(in Korean won and in shares)</i>	2020	2019
Profit attributable to the ordinary equity holders of the Parent Company	44,049,666,343	42,469,246,389
Loss from discontinued operation attributable to the ordinary equity holders of the Parent Company	-	(1,408,539,731)
	<u>44,049,666,343</u>	<u>41,060,706,658</u>
Weighted average number of ordinary shares outstanding	<u>10,250,133</u>	<u>10,472,478</u>
Basic earnings per share		
Basic earnings per share from continuing operations	4,297	4,055
Basic losses per share from discontinued operations	-	(134)

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Calculations of weighted average number of ordinary shares outstanding are as follows:

<i>(unit: shares)</i>	2020	2019
Ordinary shares in issue at January 1	10,472,070	10,515,062
Ordinary shares in issue at December 31	<u>10,120,155</u>	<u>10,472,070</u>
Weighted average number of ordinary shares in issue	<u>10,250,133</u>	<u>10,472,478</u>

The Group has no potential ordinary shares. Accordingly, diluted earnings per share is the same as the basic earnings per share.

32. Cash Generated from Operations

Cash generated from operations is as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Profit before income tax	<u>55,966,769</u>	<u>50,700,106</u>
Adjustments for:		
Share of profit of associates and joint venture	(59,538,836)	(40,880,290)
Gain on disposal of discontinued operations ¹	-	(311,640)
Loss (gain) on valuation of financial assets at fair value	(42,980)	41,226
Depreciation ¹	8,083,253	7,168,401
Amortization ¹	1,918,250	2,349,664
Depreciation on right-of-use assets	17,361,910	13,858,858
Retirement benefits ¹	3,734,929	4,832,569
Bad debts expenses (reversal) ¹	(109,093)	218,361
Sales warranty expenses	217,379	184,666
Loss on valuation of inventories	573,382	319,612
Loss (gain) on valuation of derivatives	1,189,412	(4,682,496)
Loss (gain) on transaction of derivatives	161,706	(224,299)
Loss (gain) on disposal of property, plant and equipment	(9,216)	3,298
Impairment loss on property, plant and equipment	1,173,249	-
Loss on disposal of intangible assets	856,964	85,140
Exchange differences	482,353	1,081,804
Contribution to provisions (reversal)	(49,514)	32,818
Dividend income	(260,255)	(260,255)
Interest income	(1,523,069)	(1,345,967)
Interest expenses	<u>28,586,259</u>	<u>24,408,681</u>
	<u>2,806,083</u>	<u>6,880,151</u>
Changes in working capital:		
Decrease (increase) in trade receivables	(6,970,344)	41,837,671
Decrease (increase) in loans and other receivables	(4,571,790)	400,970
Increase in inventories	(9,613,159)	(2,732,016)
Increase in other assets	(770,143)	(1,432,355)
Increase (decrease) in trade payables	6,952,871	(37,858,382)
Increase (decrease) in other payables	(2,522,291)	6,101,678
Payment of retirement benefit, net	(1,516,464)	(2,484,331)

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<i>(in thousands of Korean won)</i>	2020	2019
Reserve of plan assets	(5,000,000)	(3,500,000)
Decrease in provisions	(210,636)	(236,037)
Increase (decrease) in other liabilities	(1,839,084)	1,188,771
	<u>(26,061,040)</u>	<u>1,285,969</u>
Cash generated from operations	<u>32,711,812</u>	<u>58,866,226</u>

¹ Adjustments of OSPS, OSU are presented as profit from discontinued operations in the consolidated statements of comprehensive income.

Significant non-cash transactions are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Reclassification of current portion of long-term borrowings and debentures	230,166,375	195,878,712
Purchases of right-of-use assets	105,956,038	39,662,446
Reclassification of right-of-use assets to investment property	10,275,470	-
Increase in other payables relating to the acquisition of property, plant and equipment and intangible assets	4,338,743	549,699
Non-cash transactions related to the disposal of intangible assets	1,672,564	-
Retirement of treasury shares	-	15,592,239

Changes in liabilities arising from financing activities are as follows:

<i>(in thousands of Korean won)</i>	At January 1, 2020	Cash flows from financing activities	Non-cash transactions			At December 31, 2020
			Exchange differences	Other non-financial changes¹	Transfer	
Short-term borrowings	41,326,917	60,506,035	-	(1,089,753)	(17,300,000)	83,443,199
Long-term borrowings	218,254,872	10,601,082	(1,535,600)	(1,378,186)	17,300,000	243,242,168
Debentures	347,516,063	33,359,170	-	370,854	-	381,246,087
Lease liabilities	41,108,831	(15,728,399)	-	103,784,162	-	129,164,594
	<u>648,206,683</u>	<u>88,737,888</u>	<u>(1,535,600)</u>	<u>101,687,077</u>	<u>-</u>	<u>837,096,048</u>

(in thousands of Korean won)

	At January 1, 2019	Accounting policy Change Effect	Cash flows from financing activities	Non-cash transactions		At December 31, 2019
				Exchange differences	Other non-financial changes¹	
Short-term borrowings	53,901,827	-	(13,205,127)	630,217	-	41,326,917
Long-term borrowings	207,229,606	-	9,440,501	873,400	711,365	218,254,872
Debentures	328,463,734	-	18,730,700	-	321,629	347,516,063
Lease liabilities	-	46,794,358	(13,570,343)	-	7,884,816	41,108,831
	<u>589,595,167</u>	<u>46,794,358</u>	<u>1,395,731</u>	<u>1,503,617</u>	<u>8,917,810</u>	<u>648,206,683</u>

¹ Other non-financial changes include non-cash changes and interest payments that are presented in the consolidated statement of cash flows as operating activities at the time of payment.

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The Group presented cash receipts and payments on a net basis for financial deposits and short-term borrowings in which the turnover is quick, the amounts are large, and the maturities are short.

33. Contingencies and Commitments

Significant financing agreements of the Group are as follows:

<i>(in thousands)</i>	Details	Maximum limit			
		December 31, 2020		December 31, 2019	
KEB Hana Bank	Comprehensive credit line	KRW	5,000,000	KRW	5,000,000
	Revolving loan for general corporate purpose ¹	KRW	3,000,000	KRW	3,000,000
	Letters of credit ¹	KRW	1,000,000	KRW	1,000,000
	General corporate purpose loan	KRW	30,000,000	KRW	30,000,000
	Overdraft	KRW	100,000	KRW	100,000
	Factoring agreements for notes receivable	KRW	20,000,000	KRW	20,000,000
	Factoring agreements for trades receivable-electronic	KRW	10,000	KRW	10,000
	e-purchase loan (Hyundai Mobis Co., Ltd.)	KRW	59,900,000	KRW	59,900,000
NH Bank	General loan	KRW	5,000,000	KRW	5,000,000
Shinhan Bank	Revolving loan for general corporate purpose	KRW	5,900,000	KRW	5,900,000
Woori Bank	Overdraft	KRW	-	KRW	10,000,000
	General loan	KRW	15,000,000	KRW	-
	General loan	KRW	47,000,000	KRW	-
Kookmin Bank	General corporate purpose loan	KRW	10,000,000	KRW	10,000,000
	Factoring agreements for trades receivable-electronic	KRW	15,000,000	KRW	15,000,000
The Korea Development Bank	General corporate purpose loan	KRW	15,000,000	KRW	15,000,000
	General borrowings	KRW	50,000,000	KRW	50,000,000
	General borrowings	KRW	30,000,000	KRW	30,000,000
Export-Import Bank of Korea	Facility loan	KRW	10,000,000	KRW	-

¹ Included in the comprehensive credit line.

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Significant financing agreements of the consolidated subsidiaries are as follows:

<i>(in thousands)</i>		Maximum limit			
		December 31, 2020		December 31, 2019	
Subsidiaries	Financial institutions and agreements				
MLCA	Comerica Bank				
	Working capital loans	USD	3,000	USD	3,000
URIMAN	Comerica Bank				
	Line of Credit	USD	15,000	USD	15,000
	Shinhan Bank				
	Line of Credit	USD	4,000	USD	4,000
WECO	Woori Bank				
	General loan	KRW	4,000,000	KRW	3,000,000
	Commercial note discount	KRW	2,000,000	KRW	4,000,000
JJH	Saint Four Hi 1st Co., Ltd. and others				
	Acquisition financing loan	KRW	120,000,000	KRW	110,000,000
HCE	QNB Finans Bank				
	General loan	TRY	-	TRY	1,500
HMLC	Shinhan Bank				
	Working capital loans	CNY	13,000	CNY	13,000
	Facility loan	CNY	21,000	CNY	21,000
	Kookmin Bank				
	Working capital loans	CNY	16,500	-	-

The Group's payment guarantees provided by others are as follows:

<i>(in thousands of Korean won and USD)</i>	Maximum limit		Remarks
	December 31, 2020	December 31, 2019	
Provided by			
Woori Bank	6,000,000	6,000,000	Guarantee for payment of purchase of goods and others
KEB Hana Bank	1,000,000	1,000,000	
Seoul Guarantee Insurance Company ¹	13,417,667	9,890,842	Performance guarantee and others
Kookmin Bank	USD 22,000	USD 22,000	Comprehensive foreign-currency payment guarantee

¹ As at December 31, 2020, the securities for performance guarantee that the Group provides payment guarantee with a limit of ₩3,400,000 thousand to lessee as collateral for payment obligations in relation to Dongtan Logistics center. In addition, JJH, a subsidiary, is provided payment guarantee of ₩ 9,006,528 thousand for both the restoration of the original state of forest, underground water development and performance guarantee of travel agency business. In relation to this, the Company's long-term financial instruments are provided as collateral.

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As at December 31, 2020, the Group has entered into a royalty agreement with major related parties, including Mando Corporation, for the use of the brand and trademark of the Company. In relation to the agreement, the Company has received certain amount of sales from counterparties as commissions.

As at December 31, 2020, the Group has entered into the agreement under which HL compensates operating losses incurred in related to Pyeongtaek Refrigerated Logistics Warehouse.(Note 34)

The Company is providing a promissory note of ₩ 70,000,000 thousand issued by the Company as collateral to Hyundai Mobis Co., Ltd. relating to the payment of purchase of goods.

As at December 31, 2020, a lawsuit filed with Suwon Hwaseong Osan Livestock Industry Cooperative and Age Farm Co., Ltd. has been terminated, and the Company has recognized the amounts of ₩6,036,083 thousand to be reimbursed from HALLA ENCOM CORP. according to the agreement, as other receivables.

In relation to borrowing for acquisition financing loans amounting to ₩90,000,000 thousand of JJH(Note 22), a subsidiary, JJH shares held by the Company are pledged as collateral, and the Company provides funding arrangements for principal and interest on its borrowing. The provision is not recognized because significant liabilities are unlikely to arise from the funding arrangement. In addition, JJH's deposit account, JJH's first-priority real estate collateral trust and first-priority claims right(maximum of ₩156,000,000 thousand) were provided as collateral to guarantee the repayment of the principal and interest of its loan. Moreover, JJH entered into a subordinate loan agreement to lend the borrower the amount of withholding tax on the interest income by corporate and local income tax law relate to the loan above. As at December 31, 2020, JJH loaned the borrower ₩ 628,543 thousand (2019: ₩ 331,985 thousand) under the agreement.

Other loan agreements of the borrowings mentioned above are as follows:

Details

Compliance matters The Company maintains 67% of ownership in J.J. Halla Corporation (the 'Target Company')

The Borrower shall not assume any financial liabilities without the written consent of the Lender

The waivers of debt covenant contain collateral or material properties of borrower is enforced an order of seizure over amount ₩ 5,000,000 thousand.

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34. Related Party Transactions

As at December 31, 2020 and 2019, there is no parent company or ultimate parent company of the Company. Details of the Group's associates and joint venture are as follows.

Investee	Abbreviation ¹	Location	Percentage of ownership (%)		Closing month
			December 31, 2020	December 31, 2019	
Joint venture					
Mando-Hella Electronics Corp.	MHE	Korea	50.00	50.00	December
Associates					
Mando Corporation	MANDO	Korea	30.25	30.25	December
Halla Corporation	HL	Korea	15.85	15.85	December
Halla Stackpole Corporation	HSC	Korea	20.00	20.00	March
JD Tech Corp.	JDT	Korea	33.33	35.09	December
AMT Engineering Co., Ltd.	AMT	Korea	22.22	22.22	December
WIDE CORPORATION	WD	Korea	19.24	19.24	December
My Chef Co., Ltd. ²	MY	Korea	9.84	10.33	March
BEMYCAR Co., Ltd. ³	BE	Korea	2.40	-	December

¹ Abbreviations are used hereinafter.

² The Group has acquired redeemable convertible preferred shares of My Chef Co., Ltd. with voting rights during 2019. The redeemable convertible preferred shares were recognized as financial instruments at fair value through profit and loss but the Company included My Chef Co., Ltd in related parties due to the interchange of managerial personnel. (Note 8)

³ The Group has acquired redeemable convertible preferred shares of BEMYCAR Co., Ltd. with voting rights during the 2020. The redeemable convertible preferred shares were recognized as financial instruments at fair value through profit and loss but the Company included My Chef Co., Ltd in related parties due to the interchange of managerial personnel. (Note 8)

Details of other related parties are as follows:

December 31, 2020	December 31, 2019	Abbreviation ¹	Remark
Mando-Hella Electronics (Suzhou) Co., Ltd.	Mando-Hella Electronics (Suzhou) Co., Ltd.	MHES	Subsidiaries of MHE
Mando-Hella Electronics Automotive India Private Limited	Mando-Hella Electronics Automotive India Private Limited	MHEAI	
Mando China Holdings Limited	Mando China Holdings Limited	MCH	Subsidiaries of Mando Corporation
Mando Suzhou Chassis System Co., Ltd.	Mando Suzhou Chassis System Co., Ltd.	MSC	
Mando(Beijing) Automotive Chassis System Co., Ltd.	Mando(Beijing) Automotive Chassis System Co., Ltd.	MBC	
Mando(Tianjin) Automotive Parts Co., Ltd.	Mando(Tianjin) Automotive Parts Co., Ltd.	MTC	
Mando(Harbin) Automotive Chassis System Co., Ltd.	Mando(Harbin) Automotive Chassis System Co., Ltd.	MHC	

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December 31, 2020	December 31, 2019	Abbreviation ¹	Remark
Mando(Ningbo) Automotive Parts Co., Ltd.	Mando(Ningbo) Automotive Parts Co., Ltd.	MNC	
Mando(Shenyang) Automotive Parts Co., Ltd.	Mando(Shenyang) Automotive Parts Co., Ltd.	MSYC	
Mando(Beijing) R&D Center	Mando(Beijing) R&D Center	MRC	
Mando(Beijing) Trading Co., Ltd.	Mando(Beijing) Trading Co., Ltd.	MBTC	
Mando Chongqing Chassis System Co., Ltd	Mando Chongqing Chassis System Co., Ltd	MCC	
Mando Corporation Mexico	Mando Corporation Mexico	MCM	
Mando America Corporation	Mando America Corporation	MCA	
Alabama Plating Technology LLC	Alabama Plating Technology LLC	APT	
Mando Automotive India Limited	Mando Automotive India Limited	MAIL	
Mando Softtech India Private, Ltd.	Mando Softtech India Private, Ltd.	MSI	
Mando Corporation Europe GmbH	Mando Corporation Europe GmbH	MCE	
Mando Corporation do Brasil Industry and Commercial Auto Parts Ltda.	Mando Corporation do Brasil Industry and Commercial Auto Parts Ltda.	MCB	
Mando Corporation Poland	Mando Corporation Poland	MCP	
Mokpo Newport Management Co., Ltd.	Mokpo Newport Management Co., Ltd.	MPO	Subsidiary of HL
HALLA CERAGIO Corporation	HALLA CERAGIO Corporation	HLC	
Halla GLS Co., Ltd. (formerly, K-ECO LOGIS Co., Ltd.)	Halla GLS Co., Ltd. (formerly, K-ECO LOGIS Co., Ltd.)	GLS	
HALLA Operation & Maintenance Services Co., Ltd.	HALLA Operation & Maintenance Services Co., Ltd.	HLO	
Halla Stackpole(Beijing) Automotive Co., Ltd.	Halla Stackpole(Beijing) Automotive Co., Ltd.	HSBC	Subsidiary of HSC
Mando Brose Corporation	Mando Brose Corporation	MBCO	
Mando Brose(Zhangjiagang) Electric Motors Co., Ltd	Mando Brose(Zhangjiagang) Electric Motors Co., Ltd	MBZ	
-	Halla Development Corporation and others	-	

¹ Abbreviations are used hereinafter.

² Although the entity is not the related party of the Group in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation.

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Significant sales transactions with related parties are as follows are as follows:

		2020			
<i>(in thousands of Korean won)</i>		Sales of goods	Rendering of services	Royalty income	Others
Associates and joint venture	MANDO	11,984,146	61,745,607	22,199,470	11,433,568
	HL	511,163	6,306,956	2,970,693	4,264,168
	MHE	14,583	3,471,962	-	-
	JDT	-	31,403	-	1,062
	BE	68,635	-	-	-
	MY	-	-	-	3,039
	HSC	4,002	124,031	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	87,077,397	62,432,417	-	-
	Subsidiaries of HL	5,533	488,139	302,003	-
	Subsidiaries of MHE	-	657,807	-	-
	Subsidiaries of HSC	-	910,387	-	-
		<u>99,665,459</u>	<u>136,168,709</u>	<u>25,472,166</u>	<u>15,701,837</u>
		2019			
<i>(in thousands of Korean won)</i>		Sales of goods	Rendering of services	Royalty income	Others
Associates and joint venture	MANDO	17,267,340	91,257,315	23,536,879	4,873,909
	HL	10,710,837	7,702,934	2,482,937	1,843,885
	JDT	-	9,000	-	-
	MHE	97,929	4,588,805	-	1,136
	HSC	4,700	150,463	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	100,360,313	68,654,060	-	9,137
	Subsidiaries of HL	21,086	499,457	246,981	3,955,140
	Subsidiaries of MHE	-	234,601	-	-
	Subsidiaries of HSC	-	1,080,373	-	-
		<u>128,462,205</u>	<u>174,177,008</u>	<u>26,266,797</u>	<u>10,683,207</u>

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Significant purchase transactions with related parties are as follows:

		2020			
<i>(in thousands of Korean won)</i>		Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
Associates and joint venture	MANDO	8,572,664	1,055,069	-	1,080,926
	HL	-	-	36,093,000	451,479
	MHE	207,480	-	-	29,861
	JDT	3,078,952	-	-	-
	MY	-	-	-	5,420
	HSC	1,712,741	-	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	12,209,544	2,672	-	582,595
	Subsidiaries of HL	-	880,276	781,000	1,354,834
		<u>25,781,381</u>	<u>1,938,017</u>	<u>36,874,000</u>	<u>3,505,115</u>
		2019			
<i>(in thousands of Korean won)</i>		Purchase of goods	Rendered Service	Acquisition of property, plant and equipment and intangible assets	Others
Associates and joint venture	MANDO	11,637,203	393,489	-	2,123,959
	HL	-	27,700	353,380	733,680
	JDT	3,408,777	-	-	-
	MHE	-	-	-	23,817
	HSC	1,636,860	-	-	-
	Other related parties	Subsidiaries and joint ventures of MANDO	23,177,095	74,554	-
Subsidiaries of HL		-	3,630,887	-	1,394,249
		<u>39,859,935</u>	<u>4,126,630</u>	<u>353,380</u>	<u>5,379,642</u>

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Significant fund transactions with related parties are as follows:

<i>(in thousands of Korean won)</i>		2020			2019		
		Dividend	Interest income	Interest expenses	Dividend	Interest income	Interest expenses
Associates and joint venture	MANDO	7,811,788	18,707	22,131	7,101,625	51,946	32,578
	HL	-	-	4,795,800	-	-	4,795,800
	MHE	5,001,120	126	-	228,576	-	-
	JDT	150,134	-	-	604,800	-	-
	HSC	604,800	-	-	6,000,240	321	-
Other related parties	Subsidiaries and joint ventures of MANDO	-	1,336	-	-	2,466	-
	Subsidiaries of HL	-	-	216,022	-	-	7,115
		<u>13,567,842</u>	<u>20,169</u>	<u>5,033,953</u>	<u>13,935,241</u>	<u>54,733</u>	<u>4,835,493</u>

The outstanding balances of receivables arising from significant transactions with related parties are as follows:

<i>(in thousands of Korean won)</i>		December 31, 2020			December 31, 2019		
		Trade receivables	Lease receivables	Other receivables	Trade receivables	Lease receivables	Other receivables
Associates and joint venture	MANDO	24,252,774	756,277	648,191	25,507,173	950,961	662,880
	HL	1,053,741	-	457,563	1,960,377	-	169,676
	MHE	1,492,903	6,021	-	1,430,496	6,021	-
	JDT	4,104	-	-	825	-	-
	BE	2,954	-	-	-	-	-
	HSC	4,121	-	-	18,266	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	35,285,303	51,648	-	28,201,344	51,651	-
	Subsidiaries of HL	88,948	-	-	76,255	-	-
	Subsidiaries of MHE	140,138	-	-	35,060	-	-
	Subsidiaries of HSC	350,548	-	-	277,731	-	-
		<u>62,675,534</u>	<u>813,946</u>	<u>1,105,754</u>	<u>57,507,527</u>	<u>1,008,633</u>	<u>832,556</u>

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The outstanding balances of payables arising from significant transactions with related parties are as follows:

		December 31, 2020			
<i>(in thousands of Korean won)</i>		Trade payables	Lease liabilities	Borrowing and others	Other payables
Associates and joint venture	MANDO	1,603,890	1,100,899	-	123,607
	HL	-	-	97,300,000	26,509,680
	JDT	288,479	-	-	-
	HSC	281,672	-	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	3,720,874	-	-	528,788
	Subsidiaries of HL	-	-	-	115,680
		5,894,915	1,100,899	97,300,000	27,277,755

		December 31, 2019			
<i>(in thousands of Korean won)</i>		Trade payables	Lease liabilities	Borrowing and others	Other payables
Associates and joint venture	MANDO	1,434,646	940,278	-	491,065
	HL	-	-	97,300,000	20,121,805
	JDT	301,296	-	-	-
	HSC	176,433	-	-	199,653
Other related parties	Subsidiaries and joint ventures of MANDO	4,019,585	-	-	496,002
	Subsidiaries of HL	184,797	132,053	-	284,308
		6,116,757	1,072,331	97,300,000	21,592,833

As at December 31, 2020, the Group has entered into the reimburse agreement under which HL compensates operating losses incurred in related to Pyeongtaek refrigerated logistics warehouse(Note 33).

According to the lease agreement with GLS, the Group acquired right-of-use assets amounting W 54,946,393 thousand for the Dongtan Logistics center, which was started to lease during 2020. GLS comprehensively transferred its status of lessee to a third party as at December 31, 2020.

Key management refers to the directors (including non-executive) of the Group who have significant control and responsibilities on the Group's operations and business. Compensation for key management is as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Short-term employee benefit expenses	2,948,838	3,294,559
Retirement benefits	509,092	701,624
	3,457,930	3,996,183

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35. Revenue from Contracts with Customers

The Group has recognized the following amounts relating to revenue in the statement of profit or loss:

<i>(in thousands of Korean won)</i>	2020	2019
Revenue from contracts with customers	674,620,521	756,028,830
Revenue from other sources		
Rental income	1,638,283	1,456,039
Share of profit of associates and joint venture	59,538,836	40,880,290
Total revenue	<u>735,797,639</u>	<u>798,365,159</u>

35.1 Disaggregation of Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following type of sales and geographical regions:

<i>(in thousands of Korean won)</i>	2020				
	Merchandise			Finished goods	
	Korea	China	USA	Korea	USA
Segment revenue	370,659,640	7,697,654	66,889,022	24,004,546	239,360
Inter-segment revenue	(29,142,567)	(624,994)	(345,714)	-	-
Revenue from contracts with customers	<u>341,517,073</u>	<u>7,072,660</u>	<u>66,543,308</u>	<u>24,004,546</u>	<u>239,360</u>
Timing of revenue recognition					
At a point in time	341,517,073	7,072,660	66,543,308	24,004,546	239,360
Over time	-	-	-	-	-

<i>(in thousands of Korean won)</i>	2020					
	Distribution			IT	Others	
	Korea	China	USA	Korea	Korea	Total
Segment revenue	83,033,853	62,443,217	26,855,746	11,387,541	54,187,723	707,398,302
Inter-segment revenue	(373,664)	(110,810)	(136,998)	(53,535)	(1,989,500)	(32,777,782)
Revenue from contracts with customers	<u>82,660,189</u>	<u>62,332,407</u>	<u>26,718,748</u>	<u>11,334,006</u>	<u>52,198,223</u>	<u>674,620,520</u>
Timing of revenue recognition						
At a point in time	-	-	-	977,863	8,115,989	448,470,799
Over time	82,660,189	62,332,407	26,718,748	10,356,144	44,082,234	226,149,722

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	2019					
	Merchandise			Finished goods		
	Korea	China	USA	Korea	USA	
<i>(in thousands of Korean won)</i>						
Segment revenue	409,434,866	11,282,264	62,513,465	30,067,276		401,512
Inter-segment revenue	(2,550,523)	(144,104)	(3,436,014)	(12,788,312)		(168,347)
Revenue from contracts with customers	<u>406,884,343</u>	<u>11,138,160</u>	<u>59,077,451</u>	<u>17,278,964</u>		<u>233,165</u>
Timing of revenue recognition						
At a point in time	406,884,343	11,138,160	59,077,451	17,278,964		233,165
Over time	-	-	-	-		-

	2019					
	Distribution			IT	Others	
	Korea	China	USA	Korea	Korea	Total
<i>(in thousands of Korean won)</i>						
Segment revenue	104,180,262	50,204,356	25,790,104	30,957,635	52,682,853	777,514,593
Inter-segment revenue	(160,313)	(177,116)	(149,256)	(51,928)	(1,859,851)	(21,485,764)
Revenue from contracts with customers	<u>104,019,949</u>	<u>50,027,240</u>	<u>25,640,848</u>	<u>30,905,707</u>	<u>50,823,003</u>	<u>756,028,830</u>
Timing of revenue recognition						
At a point in time	-	-	-	4,814,614	9,052,766	508,479,463
Over time	104,019,949	50,027,240	25,640,848	26,091,093	41,770,237	247,549,367

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36. Non-current Assets Held for sale and Discontinued Operations

On December 1, 2018, URIMAN Corporation decided to sell OSPS and OSU, its subsidiaries, with the approval of the Board of Directors. The associated profit and loss on the related operations were presented as discontinued operations. The transaction was completed during the prior year in the form of a business transfer.

Profit and loss from discontinued operation are as follows:

<i>(in thousands of Korean won)</i>	2019
Sales	332,237
Cost of sales	<u>(514,620)</u>
Gross loss	(182,383)
Selling and administrative expenses	<u>(1,310,949)</u>
Operating loss	(1,493,332)
Other expenses	<u>(226,848)</u>
Loss before income tax of discontinued operation	(1,720,179)
Income tax expense	<u>-</u>
Loss after income tax of discontinued operation	(1,720,179)
Gain on disposal of discontinued operation	<u>311,640</u>
Loss for the year from discontinued operation	<u>(1,408,540)</u>

As at January 15, 2019, the Group transferred its automotive parts business to Elliott Auto Supply Co., Inc.

Total disposal consideration from the business transfer and assets and liabilities of the transferred business are as follows:

<i>(in thousands of Korean won)</i>	2019
Total disposal consideration	
Cash and cash equivalents	14,962,706
Other receivables	1,706,700
Assets of the transferred business	
Trade receivables	2,720,461
Inventories	14,208,843
Other current assets	208,264
Property, plant and equipment	1,017,819
Liabilities of the transferred business	
Trade payables	1,797,621
Gain on disposal of discontinued operation	311,640

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Cash flows from discontinued operations are as follows:

<i>(in thousands of Korean won)</i>	2019
Net cash outflow from operating activities	(999,825)
Net cash outflow from investing activities	-
Net cash inflow from financing activities	-
Exchange gains on cash and cash equivalents	6,733
Net decrease in cash generated from discontinued operations	<u>(993,091)</u>

37. Events after the reporting period

(a) Disposal of shares of Mando-Hella Electronics Corp.

The Group decided to dispose of all the 1,380,000 shares (percentage of ownership: 50.0%) of Mando-Hella Electronics Corp, a joint venture, according to the resolution of Board of Directors' meeting held on February 3, 2021. The disposal was completed on March 2, 2021.

(b) Decision to establish a new domestic subsidiary

The Group newly established a subsidiary (Halla REITs Management Corp.) on March 8, 2021 to enter into the real estate REITs business, with share capital of ₩ 6,307 million.

(c) Decision to establish overseas subsidiary

The Group newly established a subsidiary (Halla Corporation Berlin GmbH) on February 11, 2021, to set up domestic production base for the preparation of orders from Tire & Wheel business in Europe, with share capital of EUR 25,000.