

Halla Holdings Corporation and Subsidiaries

**Consolidated Financial Statements
December 31, 2021 and 2020**

Halla Holdings Corporation and Subsidiaries

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December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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, 2021, amounted to ₩157,490 million and ₩189,514 million, respectively, and its the right-of-use assets increased by ₩78,909 million during the year ended December 31, 2021. The Group identified lease and recognized right-of-use assets and lease liabilities in accordance with the policies as 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, 2021, 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 83% (₩ 131,320 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

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.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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 18, 2022

This report is effective as of March 18, 2022, 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, 2021 and 2020

<i>(in thousands of Korean won)</i>	Notes			2021			2020
Assets							
Current assets							
Cash and cash equivalents	6	₩		168,537,207	₩		141,753,802
Trade receivables	6,8,34			181,779,442			119,237,813
Lease receivables	6,34			834,295			844,793
Loans and other receivables	6,8,10,34			18,714,407			16,854,820
Derivative financial assets	5,6,12			97,752			356,922
Inventories	11			99,558,349			88,427,038
Other assets	18			6,305,210			4,067,615
Current tax asset				-			531,788
				<u>475,826,662</u>			<u>372,074,591</u>
Non-current assets							
Loans and other receivables	5,6,8,10,34			8,387,081			18,180,292
Financial assets at fair value through profit or loss	5,6,8			20,859,656			9,804,691
Financial assets at fair value through other comprehensive income	5,6,8			9,133,637			6,523,591
Derivative financial assets	5,6,12			15,255,432			10,438,765
Investments in joint ventures	7,13			-			77,267,692
Investments in associates	7,13			1,118,761,753			871,547,582
Property, plant and equipment	7,14			280,415,749			267,883,329
Right-of-use assets	7,17			157,489,658			117,854,456
Intangible assets	7,15,34			39,043,499			46,337,142
Investment properties	7,16			166,624,750			152,918,152
Deferred tax assets	24			3,160,590			4,363,203
Other non-current assets	18			-			6,320,716
				<u>1,819,131,805</u>			<u>1,589,439,611</u>
Total assets		₩		<u>2,294,958,467</u>	₩		<u>1,961,514,202</u>

Halla Holdings Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	Notes	2021	2020
<i>(in thousands of Korean won)</i>			
Liabilities			
Current liabilities			
Trade payables	4,6,34	₩ 187,995,993	₩ 120,980,533
Other payables	4,6,19,34	46,719,086	16,081,787
Short-term borrowings	4,6,22	76,210,583	83,443,199
Current portion of debentures	4,6,22	138,933,275	92,974,534
Current portion of long-term borrowings	4,6,22	18,669,011	133,936,000
Provisions	21	1,664,626	636,704
Current tax liabilities	24	19,180,879	59,914
Current lease liabilities	4,6,17,34	25,231,946	19,159,098
Other current liabilities	9,23	8,141,347	4,802,584
		522,746,746	472,074,353
Non-current liabilities			
Debentures	4,5,6,22	299,086,845	288,271,554
Long-term borrowings	4,5,6,22,34	217,034,488	109,306,168
Net defined benefit liabilities	20	4,464,864	8,055,155
Provisions	21	1,526,950	2,496,932
Deferred tax liabilities	24	62,933,684	51,602,291
Other payables	4,5,6,19	3,088,998	26,221,137
Derivative financial liabilities	4,5,6,12	2,572,394	3,754,477
Non-current lease liabilities	4,6,17,34	164,281,653	110,005,496
Other non-current liabilities	23	2,747,323	2,824,810
		757,737,199	602,538,020
Total liabilities		1,280,483,945	1,074,612,373
Equity			
Share capital	25	55,086,180	55,086,180
Share premium	25	262,014,748	262,014,748
Other components of equity	25	(22,433,534)	(31,268,277)
Accumulated other comprehensive income	25	(26,690,364)	(63,920,453)
Retained earnings	26	744,416,783	664,931,817
		1,012,393,813	886,844,015
Equity attributable to equity holders of the Group		2,080,709	57,814
Non-controlling interest	1	1,014,474,522	886,901,829
Total equity		₩ 2,294,958,467	₩ 1,961,514,202
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, 2021 and 2020

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2021		2020	
Revenue and share of profit of associates and joint venture	34,35				
Sale of goods		₩	668,380,423	₩	440,233,494
Rendering of services			236,439,569		209,999,904
Royalty income			30,364,916		26,025,405
Share of profit of associates and joint venture			105,973,505		59,538,836
			<u>1,041,158,413</u>		<u>735,797,639</u>
Cost of sales	28,34		<u>814,939,335</u>		<u>568,492,467</u>
Gross profit			226,219,078		167,305,172
Selling and administrative expenses	27,28		86,385,954		76,668,069
Reversal of provision for impairment			<u>(63,369)</u>		<u>(109,093)</u>
Operating profit			139,896,493		90,746,196
Other income	29		24,999,800		8,032,167
Other expenses	29		6,214,257		17,117,015
Interest income using the effective interest rate method			1,301,406		1,523,069
Other finance income	30		626,368		1,547,479
Finance costs	30		31,127,405		28,765,128
Profit before income tax			129,482,404		55,966,768
Income tax expense	24		<u>23,304,269</u>		<u>11,871,112</u>
Profit for the year		₩	<u>106,178,135</u>	₩	<u>44,095,656</u>
Other comprehensive income(loss), net of tax					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	25	₩	2,750,970	₩	(994,453)
Share of other comprehensive income of associates and joint venture	25		42,218,409		(8,716,820)
Cash flow hedges	25		74,096		(176,238)
			<u>45,043,475</u>		<u>(9,887,511)</u>
Items that will not be subsequently reclassified to profit or loss:					
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	25		282,382		(1,362,178)
Remeasurements of net defined benefit liability			(391,152)		573,525
Share of remeasurement for net defined benefit liability of associates and joint venture	20		4,538,612		(1,776,525)
			<u>4,429,842</u>		<u>(2,565,178)</u>
			<u>49,473,317</u>		<u>(12,452,689)</u>
Total comprehensive income for the year		₩	<u>155,651,452</u>	₩	<u>31,642,967</u>
Profit (loss) for the year attributable to:					
Equity holders of the Group		₩	106,245,048	₩	44,049,666
Non-controlling interest			(66,913)		45,990
Total comprehensive income (loss) for the year is attributable to:					
Equity holders of the Group		₩	155,715,090	₩	31,602,613
Non-controlling interest	1		(63,637)		40,354
Earnings per share attributable to equity holders of the Group during the year (in Korean won)	31				
Basic earnings per share		₩	10,531	₩	4,297

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, 2021 and 2020

(in thousands of Korean won)

	Attributable to equity holders of the Group						
	Share capital	Share premium	Other components of equity	Accumulated other comprehensive income	Retained earnings	Non-controlling interest	Total equity
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 Group	-	-	-	-	(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
Balance at January 1, 2021	₩ 55,086,180	₩ 262,014,748	₩ (31,268,278)	₩ (63,920,452)	₩ 664,931,818	₩ 57,814	₩ 886,901,830
Comprehensive income:							
Profit (loss) for the year	-	-	-	-	106,245,048	(66,913)	106,178,135
Gain on valuation of equity instruments at fair value through other comprehensive income	-	-	-	282,382	-	-	282,382
Cash flow hedges	-	-	-	74,096	-	-	74,096
Share of other comprehensive income of associates and joint venture	-	-	-	42,218,409	-	-	42,218,409
Share of remeasurements for net defined benefit liability of associates and joint venture	-	-	-	-	4,538,612	-	4,538,612
Changes in other equity of associates	-	-	(29,526)	-	-	-	(29,526)
Remeasurements of net defined benefit liability	-	-	-	-	(391,154)	-	(391,154)
Currency translation differences	-	-	-	2,747,695	-	3,276	2,750,971
Reclassification due to disposal of investments in associates	-	-	-	(1,532,441)	1,532,441	-	-
Reclassification due to disposal of financial assets at fair value through other comprehensive income of associates	-	-	-	(6,560,053)	6,560,053	-	-
Reclassification due to retirement of treasury shares	-	-	18,759,725	-	(18,759,725)	-	-
Transactions with equity holders:							
Changes in non-controlling interests	-	-	62,155	-	-	2,086,532	2,148,687
Dividends to equity holders of the Group	-	-	-	-	(20,240,310)	-	(20,240,310)
Acquisition of treasury shares	-	-	(9,957,610)	-	-	-	(9,957,610)
Balance at December 31, 2021	₩ 55,086,180	₩ 262,014,748	₩ (22,433,534)	₩ (26,690,364)	₩ 744,416,783	₩ 2,080,709	₩ 1,014,474,522

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, 2021 and 2020

<i>(in thousands of Korean won)</i>	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	32	₩ 75,709,513	₩ 32,711,813
Interest received		1,139,938	1,147,355
Interest paid		(23,224,522)	(21,666,521)
Dividends received		26,585,615	13,828,096
Income tax paid (refunded)		4,511,704	(2,813,744)
Net cash inflow from operating activities		<u>84,722,248</u>	<u>23,206,999</u>
Cash flows from investing activities			
Increase in financial deposits		(73,342,789)	(6,982,329)
Decrease in financial deposits		76,798,181	673,165
Increase in loans		(528,768)	(383,556)
Decrease in loans		906,924	125,199
Acquisition of financial assets at fair value through profit or loss		(8,250,212)	(5,665,816)
Acquisition of financial assets at fair value through other comprehensive income		(2,237,510)	(108,575)
Proceeds from disposal of securities investments in joint venture		81,822,865	-
Payments for acquisition of securities investments in associates		(138,300,000)	-
Proceeds from disposal of securities investments in associates		24,999,976	-
Decrease (increase) in advance payments		6,307,000	(6,307,000)
Payments for acquisition of property, plant and equipment		(22,121,105)	(10,163,362)
Proceeds from disposal of property, plant and equipment		27,982	3,617,441
Payments for acquisition of intangible assets		(826,002)	(35,524,933)
Proceeds from disposal of intangible assets		75,798	8,657,659
Payments for acquisition of investment in properties		(690,241)	(429,029)
Net cash outflow from investing activities		<u>(55,357,901)</u>	<u>(52,491,136)</u>
Cash flows from financing activities			
	32		
Proceeds from short-term borrowings		3,758,785	120,350,295
Repayments of short-term borrowings		(11,751,765)	(59,844,261)
Repayments of current portion of long-term borrowings		(64,952,400)	(80,269,175)
Proceeds from long-term borrowings		56,000,000	91,118,474
Repayments of long-term borrowings		(525,924)	(248,217)
Principal repayments of lease liabilities		(16,657,826)	(15,728,399)
Settlement of derivative financial instruments		1,023,312	(161,707)
Proceeds from issuance of debentures		150,000,000	150,000,000
Redemption of debentures		(93,000,000)	(116,000,000)
Payments for issue costs of debentures		(695,390)	(640,830)
Acquisition of treasury shares		(9,957,610)	(9,892,314)
Dividends paid		(20,240,310)	(20,944,140)
Changes in equity of subsidiaries		2,148,688	-
Net cash inflow (outflow) from financing activities		<u>(4,850,440)</u>	<u>57,739,726</u>
Exchange gains on cash and cash equivalents		2,269,498	84,364
Net increase in cash and cash equivalents		26,783,405	28,539,953
Cash and cash equivalents at the beginning of the year		141,753,802	113,213,849
Cash and cash equivalents at the end of the year		<u>₩ 168,537,207</u>	<u>₩ 141,753,802</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, 2021 and 2020

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, 2021, are as follows:

Subsidiary	Abbreviation ¹	Main business	Percentage of ownership (%)				Location	Closing month
			The Company	Subsidiaries	Non-controlling interest	Total		
Uriman, Inc.	URIMAN	Selling automotive parts business	100.0	-	-	100.0	USA	December
Meister Logistics Corporation America	MLCA	Distributing automotive parts business	100.0	-	-	100.0	USA	December
Halla Meister Global Transportation, LLC.	HMGT	Distributing automotive parts business	-	100.0	-	100.0	USA	December
Halla Trading Co., Ltd Shanghai (formerly, Halla Meister Shanghai Trading Co., Ltd.)	HCS	Distributing automotive parts business	60.0	-	40.0	100.0	China	December
Halla Meister(Suzhou) Logistics Co., Ltd.	HMLC	Distributing automotive parts business	100.0	-	-	100.0	China	December
HALLA CORPORATION EUROPE OTOMOTIV YEDEK PARCALARI SANAYI VE TICARET ANONIM SIRKETi	HCE	Distributing automotive parts business	100.0	-	-	100.0	Turkey	December
Halla Corporation Berlin GmbH ²	HCB	Distributing automotive parts business	100.0	-	-	100.0	Germany	December
WECO (formerly Woori Engineering Co., Ltd.)	WECO	Manufacturing and selling automotive parts business	100.0	-	-	100.0	Korea	December
J.J Halla Corporation	JJH	Real estate development and investment	100.0	-	-	100.0	Korea	December
Halla REITs Management ³	HREITS	Real estate asset management	90.1	-	9.9	100.0	Korea	December

¹ Abbreviations are used hereinafter.

² In 2021, the entity was newly established as a wholly owned subsidiary of the Group.

³ In 2021, the entity was newly established as the Group invested 90.1%.

Halla Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

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

December 31, 2021				
<i>(in thousands of Korean won)</i>	Assets	Liabilities	Equity	Accumulated non-controlling interest
URIMAN	₩ 46,944,983	₩ 25,798,633	₩ 21,146,350	₩ -
MLCA and its subsidiary	12,963,776	5,990,332	6,973,444	-
HCS	30,166,286	25,611,984	4,554,302	1,253,536
HMLC	74,028,162	65,595,673	8,432,489	-
HCE	21,489,172	16,645,603	4,843,569	-
HCB	10,820,011	9,123,119	1,696,892	-
WECO	148,357,149	10,553,095	137,804,054	-
JJH	342,007,110	361,402,633	(19,395,523)	-
HREITS	9,023,932	811,079	8,212,853	827,173

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
HCS	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)	-

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		2021				
					Attribution to non-controlling interest	
<i>(in thousands of Korean won)</i>		Sales	Profit (loss)	Total comprehensive income (loss)	Profit (loss)	Total comprehensive income (loss)
URIMAN	₩	49,859,929	₩ 3,160,588	₩ 4,653,684	₩ -	₩ -
MLCA and its subsidiary		32,822,724	900,367	1,426,257	37,437	40,713
HCS		43,436,931	59,814	305,064	8,977	8,977
HMLC		162,721,110	756,965	1,702,533	-	-
HCE		35,627,146	1,527,182	1,077,538	-	-
HCB		43,598	(1,705,693)	(1,847,357)	-	-
WECO		30,730,608	(1,209,929)	(1,209,929)	-	-
JJH		21,360,755	(8,087,846)	(8,087,846)	-	-
HREITS		569,509	(1,144,715)	(1,144,715)	(113,327)	(113,327)

		2020				
					Attribution to non-controlling interest	
<i>(in thousands of Korean won)</i>		Sales	Profit (loss)	Total comprehensive income (loss)	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
HCS		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)	-	-

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 2021 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

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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 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, 2021.

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

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. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not 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 (Phase 2 amendments)

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

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although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

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, 2021 reporting periods and have not been early adopted by the Group.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination 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 clarifies 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.

(b) 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 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 does not expect that these amendments have a significant impact on the financial statements.

(c) 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.

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(d) 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 includes 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 does not expect that these amendments have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Group does not expect that these amendments have a significant impact on the financial statements.

(f) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(g) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after

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January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(h) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(i) 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

(j) Amendment to Korean IFRS 1116 Lease - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the 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, is extended to lease payments originally due on or before June 30, 2022. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2.3 Consolidation

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

(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

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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 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

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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 Group'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.

2.5 Financial Assets

(a) Classification

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

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- 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 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

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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)'.

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

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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:

	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

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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:

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

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2.14 Investment Property

Investment property (including right-of-use assets) 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 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.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of

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

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

(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*

The related liability is recognized as 'other liabilities' in the statement of financial position.

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

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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 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 deductible temporary differences.

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

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authority and the Group intends to settle the current tax liabilities and assets on a net basis. 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 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 or settlement are recognized immediately in profit or loss as past service costs or gains and losses on settlement.

(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.

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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 Incoterms conditions. For transactions in which automotive parts, supplies, semi-finished parts, etc. are exported under C terms (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 various types of transportation services to customers. 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 consists of sales-based royalty promised in exchange for providing license of

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intellectual property, and is recognized when subsequent sales occurs.

(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 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 responsive 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

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- 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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset similar in value to right-of-use asset with similar economic environment, 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 incurred by the lessee, and
- Restoration costs

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. 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 IT equipment 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

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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

The consolidated financial statements 2021 were approved for issue by the Board of Directors on February 11, 2022 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 2021, 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.

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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. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 24).

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. Accordingly, the measurement of current and deferred income tax is affected by the tax laws. 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

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 (Note 13).

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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 11).

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. 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 Group'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:

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<i>(in thousands of Korean won)</i>	2021		2020	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ 4,361,787	₩ (4,361,787)	₩ 147,745	₩ (147,745)
CNY	1,147,866	(1,147,866)	1,048,586	(1,048,586)
EUR	96,411	(96,411)	85,280	(85,280)

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 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>	2021		2020	
	5% increase	5% decrease	5% increase	5% decrease
Other comprehensive income(loss)	₩ 406,211	₩ (406,211)	₩ 400,337	₩ (400,337)

(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>	2021		2020	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Interest expenses	₩ 1,029,810	₩ (1,029,810)	₩ 1,054,342	₩ (1,054,342)

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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 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 Group 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:

	December 31, 2021			
	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years
<i>(in thousands of Korean won)</i>				
Trade payables	₩ 187,995,993	₩ -	₩ -	₩ -
Other payables	45,637,376	2,341,236	-	-
Debentures	148,548,204	67,972,220	246,324,598	-
Short-term and long-term borrowings	119,928,595	202,153,644	50,607,808	-
Derivative liabilities	-	-	2,572,394	-
Lease liabilities	25,842,823	25,043,903	47,521,478	137,682,287

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<i>(in thousands of Korean won)</i>	December 31, 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

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

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 Korea Investors Service Incorporation. 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, 2021		December 31, 2020	
Total liabilities (A)	₩	1,280,483,945	₩	1,074,612,374
Total equity (B)		1,014,474,522		886,901,829
Debt-to-equity ratio (A/B)		126.2%		121.2%

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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, 2021		December 31, 2020	
	Book amount	Fair value	Book amount	Fair value
Current				
Derivative financial assets	₩ 97,752	₩ 97,752	₩ 356,922	₩ 356,922
Non-current				
Loans and other receivables	8,387,081	8,387,081	18,180,292	18,180,292
Financial assets at fair value through profit or loss	20,859,656	20,859,656	9,804,691	9,804,691
Financial assets at fair value through other comprehensive income	9,133,637	9,133,637	6,523,591	6,523,591
Derivative financial assets	15,255,432	15,255,432	10,438,765	10,438,765
	<u>₩ 53,733,558</u>	<u>₩ 53,733,558</u>	<u>₩ 45,304,261</u>	<u>₩ 45,304,261</u>

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

<i>(in thousands of Korean won)</i>	December 31, 2021		December 31, 2020	
	Book amount	Fair value	Book amount	Fair value
Non-current				
Debentures and long-term borrowings	₩ 516,121,333	₩ 511,491,374	₩ 397,577,722	₩ 395,750,874
Other payables	2,341,236	2,341,236	26,221,137	26,221,137
Derivative financial liabilities	2,572,394	2,572,394	3,754,477	3,754,477
	<u>₩ 521,034,963</u>	<u>₩ 516,405,004</u>	<u>₩ 427,553,336</u>	<u>₩ 425,726,488</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.

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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, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Derivative financial assets	₩ -	₩ 97,752	₩ 15,255,432	₩ 15,353,184
Financial assets at fair value through profit or loss	-	-	20,859,656	20,859,656
Financial assets at fair value through other comprehensive income	6,610,918	-	2,522,719	9,133,637
Derivative financial liabilities	-	-	2,572,394	2,572,394
Disclosed fair value				
Loans and other receivables	-	-	8,387,081	8,387,081
Debentures and borrowings	-	-	511,491,374	511,491,374
Other payables	-	-	2,341,236	2,341,236
<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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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, 2021 and 2020, are as follows:

		2021			
<i>(in thousands of Korean won)</i>	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	₩ 9,804,691	₩ 255,876		₩ 10,438,765	₩ 3,754,478
Amount recognized in profit or loss	819,111	-		4,816,667	(1,182,084)
Amount recognized in other comprehensive income	-	29,333		-	-
Acquisition	8,250,212	2,237,510		-	-
Transfer	1,985,642	-		-	-
Ending balance	<u>₩ 20,859,656</u>	<u>₩ 2,522,719</u>		<u>₩ 15,255,432</u>	<u>₩ 2,572,394</u>

		2020			
<i>(in thousands of Korean won)</i>	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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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 Group's own internal valuation model or provided by an independent external valuation experts. When using, discounted cash flow method, the Group 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, 2021.

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, 2021, 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 6.3 and its standard deviation of 32.3, which are significant but unobservable input variables.

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.

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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 to the chief financial officer (CFO) regarding valuation process and result on a 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 instruments which are categorized within Level 3 and subject to sensitivity analysis, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Favorable change ¹	Unfavorable change ¹	Favorable change	Unfavorable change
Derivative financial assets	₩ 1,527,046	₩ (1,527,923)	₩ 1,023,401	₩ (1,025,600)
Derivative financial liabilities	231,524	(232,866)	1,697,958	(350,994)

¹ Changes in derivative financial assets and liabilities are calculated by EBITDA multiples of 6.0~6.5 and the standard deviation of changes in EBITDA multiples of 31.8~32.8%.

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6. Financial Instruments by Category

Details of financial assets by category are as follows:

		December 31, 2021												
		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							
<i>(in thousands of Korean won)</i>														
Current														
Cash and cash equivalents	₩	168,537,207	₩	-	₩	-	₩	-	₩	-	₩	168,537,207		
Trade receivables		181,779,442		-		-		-		-		181,779,442		
Lease receivables		-		-		834,295		-		-		834,295		
Loans and other receivables		18,714,407		-		-		-		-		18,714,407		
Derivative financial assets		-		-		-		-		97,752		97,752		
		<u>369,031,056</u>		<u>-</u>		<u>834,295</u>		<u>-</u>		<u>97,752</u>		<u>369,963,103</u>		
Non-current														
Loans and other receivables		8,387,081		-		-		-		-		8,387,081		
Financial assets at fair value		-		20,859,656		9,133,637		-		-		29,993,293		
Derivative financial assets		-		-		-		15,255,432		-		15,255,432		
		<u>8,387,081</u>		<u>20,859,656</u>		<u>9,133,637</u>		<u>15,255,432</u>		<u>-</u>		<u>53,635,806</u>		
	₩	<u>377,418,137</u>	₩	<u>20,859,656</u>	₩	<u>9,133,637</u>	₩	<u>834,295</u>	₩	<u>15,255,432</u>	₩	<u>97,752</u>	₩	<u>423,598,909</u>
		December 31, 2020												
		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							
<i>(in thousands of Korean won)</i>														
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>844,793</u>		<u>-</u>		<u>356,922</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>10,438,765</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>323,995,489</u>

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Details of financial liabilities by category are as follows:

		December 31, 2021				
<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	₩	187,995,993	₩	-	₩	187,995,993
Other payables		45,637,376		-		45,637,376
Short-term borrowings		76,210,583		-		76,210,583
Debentures and current portion of long-term borrowings		157,602,286		-		157,602,286
Lease liabilities		-	25,231,946	-		25,231,946
		<u>467,446,238</u>	<u>25,231,946</u>	<u>-</u>		<u>492,678,184</u>
Non-current						
Debentures and long-term borrowings		516,121,333		-		516,121,333
Other payables		2,341,236		-		2,341,236
Derivative financial liabilities		-		2,572,394		2,572,394
Lease liabilities		-	164,281,653	-		164,281,653
		<u>518,462,569</u>	<u>164,281,653</u>	<u>2,572,394</u>		<u>685,316,616</u>
	₩	<u>985,908,807</u>	₩	<u>189,513,599</u>	₩	<u>1,177,994,800</u>
		December 31, 2020				
<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	₩	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
		<u>447,416,053</u>	<u>19,159,098</u>	<u>-</u>		<u>466,575,151</u>
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
		<u>423,798,859</u>	<u>110,005,496</u>	<u>3,754,477</u>		<u>537,558,832</u>
	₩	<u>871,214,912</u>	₩	<u>129,164,594</u>	₩	<u>1,004,133,983</u>

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

(in thousands of Korean won)	2021							
	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	
Profit (loss) for the year								
Gain on exchange differences	W 6,728,923	W -	W -	W 555,556	W -	W -	W -	W 7,284,479
Loss on exchange differences	(2,126,516)	-	-	(1,514,876)	-	-	-	(3,641,392)
Interest income	1,284,433	-	-	-	16,973	-	-	1,301,406
Interest expense	-	-	-	(24,350,530)	(5,153,182)	-	-	(29,503,712)
Reversal of provision for impairment	63,369	-	-	-	-	-	-	63,369
Other bad debts expense	70,000	-	-	-	-	-	-	70,000
Gain on valuation of financial assets at fair value	-	819,111	-	-	-	-	-	819,111
Gain on transaction of derivatives	-	-	-	-	-	1,016,172	-	1,016,172
Gain on valuation of derivatives	-	-	-	-	-	5,998,751	-	5,998,751
Dividend income	-	10,500	249,755	-	-	-	-	260,255
	<u>6,020,209</u>	<u>829,611</u>	<u>249,755</u>	<u>(25,309,850)</u>	<u>(5,136,209)</u>	<u>7,014,923</u>	<u>-</u>	<u>(16,331,561)</u>
Other comprehensive income								
Gain (loss) on valuation of financial assets at fair value	-	-	372,536	-	-	-	-	372,536
Cash flow hedge	-	-	-	-	-	-	97,752	97,752
	-	-	372,536	-	-	-	97,752	470,288
	<u>W 6,020,209</u>	<u>W 829,611</u>	<u>W 622,291</u>	<u>W (25,309,850)</u>	<u>W (5,136,209)</u>	<u>W 7,014,923</u>	<u>W 97,752</u>	<u>W (15,861,273)</u>

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(in thousands of Korean won)	2020												Total
	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							
						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)
Reversal of provision for impairment	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>-</u>	<u>-</u>	<u>-</u>	<u>-</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)
Cash flow hedge	-	-	-	-	-	-	(232,505)	-	-	-	(232,505)	-	(232,505)
	<u>-</u>	<u>-</u>	<u>(1,797,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(232,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(232,505)</u>	<u>-</u>	<u>(2,029,574)</u>
	<u>₩ 407,205</u>	<u>₩ 53,480</u>	<u>₩ (1,547,314)</u>	<u>₩ (25,826,446)</u>	<u>₩ (2,627,248)</u>	<u>₩ (1,351,120)</u>	<u>₩ (232,505)</u>	<u>₩ (232,505)</u>	<u>₩ (232,505)</u>	<u>₩ (232,505)</u>	<u>₩ (232,505)</u>	<u>₩ (232,505)</u>	<u>₩ (31,123,948)</u>

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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 separately as Holding segment, Distribution and logistics service segment, Golf business segment, and Other segment.

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.

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

	2021				Total
	Holding segment	Distribution and logistics service segment	Golf business segment	Other segment	
<i>(in thousands of Korean won)</i>					
Sales and share of profit of associates and joint ventures	₩ 137,344,313	₩ 883,706,914	₩ 21,360,756	₩ 569,509	₩ 1,042,981,492
Inter-segment sales	-	(17,130)	(1,805,949)	-	(1,823,079)
Sales to external customers and profit or loss of associates and joint ventures	137,344,313	883,689,784	19,554,807	569,509	1,041,158,413
Operating profit (loss)	109,026,727	26,751,044	5,288,097	(1,169,376)	139,896,492
Depreciation and amortization	7,245,658	8,285,448	2,383,358	33,833	17,948,297
	2020				
	Holding segment	Distribution and logistics service segment	Golf industry segment		Total
<i>(in thousands of Korean won)</i>					
Sales and share of profit of associates and joint ventures	₩ 90,211,951	₩ 631,908,908	₩ 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	90,211,951	631,871,503	13,714,185		735,797,639
Operating profit	69,430,406	20,637,024	678,766		90,746,196
Depreciation and amortization	566,977	7,152,465	2,282,061		10,001,503

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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.

Sales from external customers and share of profit or loss of associates and joint venture attributing to more than 10% of total sales are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Sales	Ratio	Sales	Ratio
Major customer	₩ 348,361,693	33%	₩ 239,551,757	33%

Sales and non-current assets by geographic areas for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021				
	Korea	China	U.S.A.	Other	Total
Sales to external customers	₩ 622,206,503	₩ 195,016,263	₩ 82,291,398	₩ 35,670,744	₩ 935,184,908
Share of profit or loss of associates and joint venture	105,973,505	-	-	-	105,973,505
Investments in associates and joint venture	1,118,761,753	-	-	-	1,118,761,753
Property, plant and equipment	265,673,154	3,847,531	10,132,597	762,468	280,415,750
Intangible assets	38,387,814	378,406	171,271	106,008	39,043,499
Right-of-use assets	139,554,957	3,588,686	5,900,920	8,445,095	157,489,658
Investment properties	166,624,750	-	-	-	166,624,750
<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

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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>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current		
Private equity investment trust	₩ 7,916,409	₩ 2,814,054
Redeemable convertible preference shares	10,831,187	6,149,286
Others	2,112,060	841,352
	<u>₩ 20,859,656</u>	<u>₩ 9,804,692</u>

(b) Amounts recognized in profit or loss

<i>(in thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Gain from equity instruments at fair value through profit or loss	₩ 829,611	₩ 53,480

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>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current		
Listed equity securities		
Hyundai Corporation	₩ 4,444,927	₩ 4,220,035
Hyundai Corporation Holdings Co., Ltd.	2,165,990	2,047,680
Unlisted equity securities		
LeapHigh Inc.	285,209	255,876
Others	2,237,510	-
	<u>₩ 9,133,636</u>	<u>₩ 6,523,591</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, 2021.

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, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trade receivables	₩ 182,075,980	₩ 119,750,809
Loss allowance provision	(296,538)	(512,997)
Trade receivables - net	<u>₩ 181,779,442</u>	<u>₩ 119,237,812</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>	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	Current	Non-current	Total	Current	Non-current	Total
Financial deposits	₩ 4,236,130	₩ 912,524	₩ 5,148,654	₩ 7,798,046	₩ 806,000	₩ 8,604,046
Non-trade receivables	5,380,323	1,000,000	6,380,323	6,026,003	6,036,083	12,062,086
Accrued income	131,055	56,075	187,130	103,412	-	103,412
Loans	12,284,343	-	12,284,343	13,103,747	58,750	13,162,497
Guarantee deposits	8,637,818	6,418,482	15,056,300	2,278,874	11,279,459	13,558,333
	<u>30,669,669</u>	<u>8,387,081</u>	<u>39,056,750</u>	<u>29,310,082</u>	<u>18,180,292</u>	<u>47,490,374</u>
Loss allowance provision	(11,955,262)	-	(11,955,262)	(12,455,262)	-	(12,455,262)
	<u>₩ 18,714,407</u>	<u>₩ 8,387,081</u>	<u>₩ 27,101,488</u>	<u>₩ 16,854,820</u>	<u>₩ 18,180,292</u>	<u>₩ 35,035,112</u>

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

		December 31, 2021								
		Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount	
(in thousands of Korean won)	Within due date	Up to 3 months	3 to 6 months	6 to 12 months	Over 12 months					
Current										
Trade receivables	₩ 178,329,026	₩ 3,159,387	₩ 64,201	₩ 243,248	₩ 12,293	₩ 267,825	₩ 182,075,980	₩ (296,538)	₩ 181,779,442	
Loans and other receivables										
Financial deposits	4,236,130	-	-	-	-	-	4,236,130	-	4,236,130	
Non-trade receivables	5,347,766	-	-	-	-	32,557	5,380,323	(32,557)	5,347,766	
Accrued income	131,055	-	-	-	-	-	131,055	-	131,055	
Loans	361,638	-	-	-	-	11,922,705	12,284,343	(11,922,705)	361,638	
Guarantee deposits	8,637,818	-	-	-	-	-	8,637,818	-	8,637,818	
	<u>197,043,433</u>	<u>3,159,387</u>	<u>64,201</u>	<u>243,248</u>	<u>12,293</u>	<u>12,223,087</u>	<u>212,745,649</u>	<u>(12,251,800)</u>	<u>200,493,849</u>	
Non-current										
Loans and other receivables										
Financial deposits	912,524	-	-	-	-	-	912,524	-	912,524	
Loans	1,000,000	-	-	-	-	-	1,000,000	-	1,000,000	
Accrued income	56,075	-	-	-	-	-	56,075	-	56,075	
Guarantee deposits	6,418,482	-	-	-	-	-	6,418,482	-	6,418,482	
	<u>8,387,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,387,081</u>	<u>-</u>	<u>8,387,081</u>	
	<u>₩ 205,430,514</u>	<u>₩ 3,159,387</u>	<u>₩ 64,201</u>	<u>₩ 243,248</u>	<u>₩ 12,293</u>	<u>₩ 12,223,087</u>	<u>₩ 221,132,730</u>	<u>₩ (12,251,800)</u>	<u>₩ 208,880,930</u>	
		December 31, 2020								
		Past due but not impaired				Impaired	Total amount	Allowance for doubtful accounts	Net book amount	
(in thousands of Korean won)	Within due date	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	
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										
Financial deposits	806,000	-	-	-	-	-	806,000	-	806,000	
Non-trade receivables	-	-	-	-	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>12,144,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,036,083</u>	<u>-</u>	<u>18,180,292</u>	<u>-</u>	<u>18,180,292</u>	
	<u>₩ 146,792,204</u>	<u>₩ 1,048,532</u>	<u>₩ 57,346</u>	<u>₩ 98,382</u>	<u>₩ 6,298,810</u>	<u>₩ 12,945,910</u>	<u>₩ 167,241,183</u>	<u>₩ (12,968,259)</u>	<u>₩ 154,272,926</u>	

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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 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' and 'other expense' in the statement of comprehensive income. Changes in allowances for doubtful receivables are as follows:

(in thousands of Korean won)	2021			2020		
	Trade receivables	Loans and other receivables	Total	Trade receivables	Loans and other receivables	Total
At January 1	₩ 512,997	₩ 12,455,262	₩ 12,968,259	₩ 637,252	₩ 29,488,933	₩ 30,126,185
Provision for receivables impairment	5,000	70,000	75,000	588	-	588
Collections of receivables impairment	(68,369)	-	(68,369)	(109,681)	-	(109,681)
Receivables written off during the year as uncollectible	(155,040)	(570,000)	(725,040)	(13,767)	(17,033,670)	(17,047,437)
Exchange differences	1,950	-	1,950	(1,396)	-	(1,396)
At December 31	₩ 296,538	₩ 11,955,262	₩ 12,251,800	₩ 512,997	₩ 12,455,263	₩ 12,968,259

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, 2021, trade receivables from major customers comprise approximately 13% (2020: 20%) of trade receivables neither past due nor impaired and their external credit ratings are AA- Stable (rated by Korea Ratings Corporation) 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 Liabilities

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

<i>(in thousands of Korean won)</i>	December 31, 2021	December 31, 2020
Other liabilities – transportation services	₩ 84,789	₩ 24,551
Other liabilities – complex transportation services	2,681,617	1,361,693
Other liabilities – sales of GolfTel	2,747,324	2,824,810
Total contract liabilities	<u>₩ 5,513,730</u>	<u>₩ 4,211,054</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>	2021	2020
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Transportation services	₩ 24,551	₩ 3,545
Complex transportation services	1,361,693	1,531,685
IT revenue	-	356,774
Sales of GolfTel	77,486	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,	December 31,	Remarks
Accounts	Financial institutions	2021	2020	
Current	INDUSTRIAL BANK	₩ 4,236,130	₩ 7,189,731	Pledged for borrowings and overdraft account deposit
Non-current	Jeju Bank	800,000	800,000	Collateral provided to Seoul Guarantee Insurance Group
	Woori Bank and others	6,000	6,000	Key money deposits
	QNB FINANSBANK	-	221,010	Secured deposits
		<u>₩ 5,042,130</u>	<u>₩ 8,216,741</u>	

11. Inventories

Details of inventories are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2021						
	Merchandise	Finished goods	Work-in-process	Raw materials	Stored goods	Inventory-in-transit	Total
Cost	₩ 87,609,753	₩ 762,026	₩ 1,217,114	₩ 6,564,232	₩ 219,299	₩ 5,708,141	₩ 102,080,565
Valuation allowance	<u>(2,228,856)</u>	<u>(83,508)</u>	<u>(43,184)</u>	<u>(166,668)</u>	<u>-</u>	<u>-</u>	<u>(2,522,216)</u>
Net book amount	<u>₩ 85,380,897</u>	<u>₩ 678,518</u>	<u>₩ 1,173,930</u>	<u>₩ 6,397,564</u>	<u>₩ 219,299</u>	<u>₩ 5,708,141</u>	<u>₩ 99,558,349</u>
<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	<u>(1,326,882)</u>	<u>(24,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,350,886)</u>
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>

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩ 548,059,653 thousand (2020: ₩ 423,605,911 thousand).

The valuation losses of inventories included in 'cost of sales' amounts to ₩ 1,171,330 thousand (2020: ₩ 573,382 thousand).

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12. Derivative Financial Instruments

Details related to currency forward contracts among derivative financial instruments of the Group are as follows:

(in thousands of Korean won, and thousands of USD)

Contractor ¹	Position	Sale price	Purchase price	Contracted exchange rate	Maturities
[Cash flow hedge]					
Kookmin Bank	Sale	USD 17,400	₩ 20,773,185	1192.20~ 1196.10	2022.1.28 ~ 2022.12.23

¹ As at December 31, 2021, the Group has entered into contracts with Kookmin Bank of USD 40,000 thousand, Shinhan Bank of USD 5,000 thousand and NongHyup Bank of USD 4,000 thousand with respect to transactions of derivative financial instruments.

In relation to cash flow hedges, forecast transactions are expected to occur highly probably at the various dates over the next 12 months, and there are no forecast transactions that are not expected to occur.

The gain on valuation that was recognized in other comprehensive income is ₩ 546,372 thousand (2020: the loss on valuation of ₩ 140,549 thousand). The loss on valuation that was reclassified from other comprehensive income to profit or loss is recognized in 'revenue' amounting to ₩ 448,620 thousand (2020: the loss on valuation on ₩ 91,956 thousand).

As at December 31, 2021, the gain on transactions of derivatives amounting to ₩ 1,110,478 thousand is recognized as other income, as the swap contract with Kookmin Bank of USD 22,000 thousand was matured.

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

(in thousands of Korean won)	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current				
Cash flow hedges	₩ 97,752	₩ -	₩ -	₩ -
Fair value at profit or loss	-	-	356,922	-

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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:

	<u>Put option</u>	<u>Call option</u>
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 Group 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>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Fair value at profit or loss	₩ 15,255,432	₩ 2,572,394	₩ 10,438,765	₩ 3,754,477

In 2021, gain on valuation of derivatives amounting to ₩ 5,998,751 thousand recognized in profit or loss was recognized in other income.

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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 ¹	Location	Percentage of ownership (%)		Closing month
			December 31, 2021	December 31, 2020	
Associates					
Mando Corporation	MANDO	Korea	30.25	30.25	December
Halla Corporation ²	HL	Korea	16.27	15.85	December
Halla Stackpole Corporation	HSC	Korea	20.00	20.00	March
JD Tech Corp.	JDT	Korea	33.33	33.33	December
AMT Engineering Co., Ltd.	AMT	Korea	22.22	22.22	December
WIDE CORPORATION ²	WD	Korea	19.24	19.24	December
Togetherhanrasigma ²	THSR	Korea	9.84	-	December
Next Level No. 1 Private Equity JV	NLPEF	Korea	75.64	-	December
Clover Private Equity JV	WCPEF	Korea	75.86	-	December
HALEE VALUE MAREBO CO.,LTD ²	HVM	Korea	2.65	-	December
Joint venture					
HL Klemove Corp. (formerly, Mando-Hella Electronics Corp.)	KLK	Korea	-	50.00	December

¹ Abbreviations are used hereinafter.

² 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:

<i>(in thousands of Korean won)</i>	2021				
	At January 1	Acquisitions	Transfer	Disposal	Dividends received
Investee					
MANDO	₩ 589,688,849	₩ -	₩ -	₩ 537,249	₩ -
KLK	77,267,692	-	-	(78,725,622)	-
HL (Ordinary shares)	21,951,307	-	-	-	(616,121)
HL (Preferred shares)	202,534,887	-	-	(18,343,285)	(24,681,108)
HSC	51,411,470	-	-	-	(604,800)
JDT	2,436,253	-	(1,985,642)	-	(139,467)
AMT	536,692	-	-	-	-
WD	2,988,125	-	-	-	-
THSR	-	5,000,000	-	-	(283,864)
NLPEF	-	100,000,000	-	-	-
WCPEF	-	33,000,000	-	-	-
HVM	-	300,000	-	-	-
	<u>₩ 948,815,275</u>	<u>₩ 138,300,000</u>	<u>₩ (1,985,642)</u>	<u>₩ (96,531,658)</u>	<u>₩ (26,325,360)</u>

<i>(in thousands of Korean won)</i>	2021					At December 31
	Share of profit (loss)	Share of other comprehensive income	Share of remeasure- ments	Share of changes in retained earnings	Share of changes in other equity	
Investee						
MANDO	₩ 43,779,969	₩ 36,149,264	₩ 2,886,704	₩ 6,335,494	₩ -	₩ 679,377,529
KLK	1,105,771	352,159	-	-	-	-
HL (Ordinary shares)	6,532,220	176,478	176,889	(2,159,053)	2,183,455	28,245,175
HL (Preferred shares)	52,788,121	1,309,435	1,453,521	(16,376,113)	16,576,270	215,261,728
HSC	3,326,914	1,463,708	21,497	-	-	55,618,789
JDT	(311,144)	-	-	-	-	-
AMT	15,908	-	-	-	-	552,600
WD	(179,913)	-	-	-	-	2,808,212
THSR	56,060	-	-	-	(29,528)	4,742,668
NLPEF	(697,133)	-	-	-	-	99,302,867
WCPEF	(444,496)	-	-	-	-	32,555,504
HVM	1,228	-	-	-	(4,548)	296,680
	<u>₩ 105,973,505</u>	<u>₩ 39,451,044</u>	<u>₩ 4,538,611</u>	<u>₩ (12,199,672)</u>	<u>₩ 18,725,649</u>	<u>₩ 1,118,761,752</u>

During the year ended December 31, 2021, the Group sold the entire shares of KLK to MANDO at ₩ 82,500,000 thousand (Note 34). In relation to this, other comprehensive income, net of tax, amounting to ₩ 1,014,373 thousand was reclassified to profit or loss.

During the year ended December 31, 2021, the Group sold 819,537 shares of convertible preferred shares of HL to HL at ₩ 24,999,976 thousand (Note 34). In relation to this, other comprehensive income, net of tax, amounting to ₩ 1,532,441 thousand was reclassified to retained earnings.

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(in thousands of Korean won)	2020							At December 31
	At January 1	Dividends received	Share of profit (loss)	Share of other comprehensive income	Share of re-measurements	Share of changes in retained earnings		
Investee								
MANDO	₩ 609,464,390	₩ (7,811,788)	₩ (3,162,744)	₩ (7,109,969)	₩ (1,691,040)	₩ -	₩ 589,688,849	
KLK	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>	

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

(in thousands of Korean won)	2021							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)
MANDO	₩2,944,289,900	₩2,589,020,049	₩2,129,591,137	₩1,530,518,764	₩6,147,433,113	₩179,852,995	₩ 158,563,635	₩ 338,416,630
HL	778,188,927	743,163,064	650,866,568	453,959,537	1,475,299,062	99,926,469	2,999,621	102,926,091
HSC	162,442,822	85,871,822	31,644,756	15,931,010	187,294,133	19,206,537	7,311,414	26,517,950
AMT	1,557,292	507,116	358,520	21,608	3,300,482	53,030	-	53,030
WD	12,147,839	3,257,822	167,558	741,509	11,360,103	(1,187,083)	-	(1,187,083)
THSR	3,514,414	140,227,650	1,269,672	91,446,912	7,697,969	1,866,252	-	1,866,252
NLPEF	4,677,571	126,600,000	-	-	994	(922,429)	-	(922,429)
WCPEF	3,500,516	39,999,800	37,598	-	316	(37,282)	-	(37,282)
HVM	1,978,201	36,291,124	94,393	27,000,000	434,778	46,244	-	46,244

(in thousands of Korean won)	2020							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Sales	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)
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)
KLK	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)

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As at December 31, 2021, the Group applied the equity method based on the recently audited financial statements or unaudited financial statements of joint venture and associates.

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:

(in thousands of
Korean won)

Investee	2021						
	Net assets of controlling interest	Percentage of ownership (%)	Interests in net assets	Goodwill and others	Unrealized gain	Others ⁴	Book amount
MANDO ¹	₩1,584,155,339	30.28	₩479,682,237	₩201,900,712	₩ (2,205,420)	₩ -	₩ 679,377,529
HL (Ordinary shares) ²	416,505,996	7.28	30,321,266	453,198	(2,148,049)	(381,239)	28,245,176
HL (Preferred shares) ²	416,505,996	55.27	230,191,777	-	(17,272,637)	2,342,588	215,261,728
HSC	204,233,535	20.00	40,846,706	14,772,083	-	-	55,618,789
AMT	1,684,280	22.22	374,284	178,315	-	-	552,599
WD ³	14,496,594	19.37	2,808,212	-	-	-	2,808,212
THSR	51,025,479	9.84	5,022,192	64,460	-	(343,984)	4,742,668
NLPEF	131,278,390	75.64	99,302,867	-	-	-	99,302,867
WCPEF	42,914,074	75.86	32,555,504	-	-	-	32,555,504
HVM	11,174,933	2.65	296,680	-	-	-	296,680

(in thousands of
Korean won)

Investee	2020						
	Net assets of controlling interest	Percentage of ownership (%)	Interests in net assets	Goodwill and others	Unrealized gain	Others ³	Book amount
MANDO ¹	₩1,265,847,218	30.33	₩383,967,597	₩206,993,450	₩ (1,272,198)	₩ -	₩ 589,688,849
KLK	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 ³	15,528,105	19.24	2,988,124	-	-	-	2,988,124

¹ As at December 31, 2021, the nominal percentage of ownership is 30.25% (2020: 30.25%) and the effective percentage of ownership considering the treasury shares is 30.28% (2020: 30.33%).

² As at December 31, 2021, the Company has 16.27% (2020: 15.85%) ownership in ordinary shares and 100% (2020: 100%) ownership in preferred shares. Considering the conversion ratio of preferred shares and treasury shares that HL holds, ownership applied to equity method is 7.28% (2020: 6.94%) to ordinary shares and 55.27% (2020: 57.33%) to preferred shares.

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³ As at December 31, 2021, the nominal percentage of ownership is 19.24%, however, ownership applied to equity method is 19.37%, considering treasury shares that WD holds.

⁴ Others represents the effects of preferred dividend amounts on preferred shares which have priority rights of distributions.

Fair value of marketable investments in associates are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2021		December 31, 2020	
	Fair value	Book amount	Fair value	Book amount
MANDO	₩ 900,486,050	₩ 679,377,529	₩ 835,151,100	₩ 589,688,849
HL (Ordinary shares)	33,270,523	28,245,176	30,189,919	21,951,307

14. Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Land ¹	Buildings and structures ¹	Machinery	Tools
At January 1, 2021	₩ 97,330,154	₩ 80,363,419	₩ 12,446,130	₩ 455,421
Acquisition	109,142	821,938	1,546,379	45,165
Disposal/ Retirement	-	(36,498)	(9,987)	-
Depreciation	-	(3,148,606)	(2,340,611)	(147,720)
Impairment	-	-	-	-
Transfer	-	103,450	48,432	-
Exchange differences	125,531	92,769	939,180	4,253
At December 31, 2021	₩ 97,564,827	₩ 78,196,471	₩ 12,629,523	₩ 357,118
Acquisition cost	₩ 97,564,827	₩ 116,794,194	₩ 28,460,026	₩ 2,332,797
Accumulated depreciation and impairment loss	-	(38,597,723)	(15,830,503)	(1,975,679)

<i>(in thousands of Korean won)</i>	2021				
	Furniture & fixture and vehicles	Leasehold improvements	Course & tree	Materials in transit and construction-in-progress	Total
At January 1, 2021	₩ 4,125,517	₩ 767,983	₩ 56,108,825	₩ 16,285,881	₩ 267,883,329
Acquisition	1,143,522	115,576	66,491	16,260,922	20,109,134
Disposal/ Retirement	(25,019)	-	(308,697)	-	(380,201)
Depreciation	(1,643,032)	(73,470)	-	-	(7,353,439)
Impairment	-	-	-	(763,711)	(763,711)
Transfer	72,540	-	1,436,370	(2,024,287)	(363,495)
Exchange differences	93,636	-	-	28,763	1,284,132
At December 31, 2021	₩ 3,767,164	₩ 810,089	₩ 57,302,990	₩ 29,787,568	₩ 280,415,749
Acquisition cost	₩ 23,092,716	₩ 896,576	₩ 57,302,990	₩ 29,787,568	₩ 356,231,693
Accumulated depreciation and impairment loss	(19,325,552)	(86,486)	-	-	(75,815,944)

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	2020			
<i>(in thousands of Korean won)</i>	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	<u>(89,868)</u>	<u>(65,514)</u>	<u>(455,456)</u>	<u>(789)</u>
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)

	2020				
<i>(in thousands of Korean won)</i>	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	<u>(49,725)</u>	<u>-</u>	<u>-</u>	<u>65,299</u>	<u>(596,053)</u>
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)

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>	2021	2020
Cost of sales	₩ 5,347,734	₩ 5,361,089
Selling and administrative expenses	<u>2,005,705</u>	<u>2,320,858</u>
	<u>₩ 7,353,439</u>	<u>₩ 7,681,946</u>

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15. Intangible Assets

Changes in intangible assets are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Goodwill	Customer relationship	Trademarks	Software
At January 1, 2021	₩ 7,477,436	₩ 812,115	₩ 34,916,050	₩ 2,340,844
Acquisition	-	-	12,000	251,575
Amortization	-	(94,615)	(7,164,000)	(938,369)
Disposal	-	-	-	(75,798)
Transfer	-	-	-	279,800
Exchange differences	-	-	-	76,512
At December 31, 2021	<u>₩ 7,477,436</u>	<u>₩ 717,500</u>	<u>₩ 27,764,050</u>	<u>₩ 1,934,564</u>
Acquisition cost	₩ 7,477,436	₩ 1,230,000	₩ 38,336,473	₩ 10,474,937
Accumulated amortization and impairment loss	-	(512,500)	(10,572,423)	(8,540,373)

<i>(in thousands of Korean won)</i>	2021		
	Membership	Other intangible assets	Total
At January 1, 2021	₩ 729,517	₩ 61,180	₩ 46,337,142
Acquisition	-	649,939	913,514
Amortization	-	(10,887)	(8,207,871)
Disposal	-	-	(75,798)
Transfer	-	(279,800)	-
Exchange differences	-	-	76,512
At December 31, 2021	<u>₩ 729,517</u>	<u>₩ 420,432</u>	<u>₩ 39,043,499</u>
Acquisition cost	₩ 1,699,064	₩ 476,987	₩ 59,694,897
Accumulated amortization and impairment loss	(969,547)	(56,555)	(20,651,398)

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<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)

During 2020, the Group acquired all the 'Halla' trademarks held by the related Group HL to strengthen the comprehensive management of intellectual property rights, such as brand and trademark rights of the holding group(Note 34).

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

<i>(in thousands of Korean won)</i>	2021	2020
Cost of sales	₩ 7,572,476	₩ 612,946
Selling and administrative expenses	635,395	1,305,304
	<u>₩ 8,207,871</u>	<u>₩ 1,918,250</u>

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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>	<u>2021</u>		<u>2020</u>	
IT business	₩	6,252,183	₩	6,252,183
Insurance business		1,225,253		1,225,253

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.

The key assumptions used in the value-in-use calculation during the year ended December 31, 2021, are as follows.

	<u>Permanent growth rate</u>	<u>Pre-tax discount rate</u>
IT business	0.00%	13.41%
Insurance business	1.00%	13.68%

As a result of impairment test on goodwill, the Group 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>	<u>2021</u>		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2021	₩ 142,544,194	₩ 10,373,957	₩ 152,918,151
Acquisition	690,241	-	690,241
Reclassification from right-of-use assets	-	15,403,344	15,403,344
Depreciation	-	<u>(2,386,987)</u>	<u>(2,386,987)</u>
At December 31, 2021	<u>₩ 143,234,435</u>	<u>₩ 23,390,315</u>	<u>₩ 166,624,750</u>
Acquisition cost	₩ 143,234,435	₩ 29,591,305	₩ 172,825,740
Accumulated depreciation	-	(6,200,990)	(6,200,990)

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<i>(in thousands of Korean won)</i>	2020		
	Land	Buildings	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	-	(401,307)	(401,307)
At December 31, 2020	<u>₩ 142,544,194</u>	<u>₩ 10,373,957</u>	<u>₩ 152,918,151</u>
Acquisition cost	₩ 142,544,194	₩ 10,920,298	₩ 153,464,492
Accumulated depreciation	-	(546,340)	(546,340)

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

<i>(in thousands of Korean won)</i>	2021	2020
Cost of sales	₩ 2,370,865	₩ 385,184
Selling and administrative expenses	16,122	16,122
	<u>₩ 2,386,987</u>	<u>₩ 401,306</u>

Fair value of investment properties as at December 31, 2021, is ₩ 243,804,828 thousand (2020: ₩ 208,782,362 thousand). Rental income from investment properties is ₩ 5,122,303 thousand (2020: ₩ 2,087,860 thousand) and operating expenses (including depreciation) directly related to the investment properties is ₩ 3,874,068 thousand (2020: ₩ 1,031,690 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 당기말 현재 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, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2021	December 31, 2020
Within one year	₩ 3,508,257	₩ 2,281,523
Between 1 and 5 years	1,089,023	927,590
	<u>₩ 4,597,280</u>	<u>₩ 3,209,113</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>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Right-of-use assets		
Offices and others	₩ 24,276,569	₩ 14,803,734
Cold storages	131,320,229	100,723,928
Vehicles	1,882,724	2,311,283
Office equipment	10,136	15,511
	<u>₩ 157,489,658</u>	<u>₩ 117,854,456</u>
 <i>(in thousands of Korean won)</i>	 <u>2021</u>	 <u>2020</u>
Lease liabilities		
Current	₩ 25,231,946	₩ 19,159,098
Non-current	164,281,653	110,005,496
	<u>₩ 189,513,599</u>	<u>₩ 129,164,594</u>

Additions to the right-of-use assets during the 2021 were ₩ 78,908,675 thousand (2020: ₩ 105,956,038 thousand).

During the year ended December 31, 2021, ₩ 17,029,457 thousand (2020: ₩ 10,275,470 thousand) were reclassified from right-of-use assets to investment properties, and ₩ 1,626,113 thousand of investment properties were reclassified from investment properties to right-of-use assets. As at December 31, 2021, the accumulated amounts of right-of-use assets recognized as investment property is ₩ 22,922,766 thousand (Note 14).

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(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>	<u>2021</u>	<u>2020</u>
Depreciation of right-of-use assets		
Offices	₩ 6,810,252	₩ 6,042,970
Cold storages	13,275,380	9,876,013
Vehicles	1,771,857	1,436,511
Office equipment	6,604	6,416
	<u>₩ 21,864,093</u>	<u>₩ 17,361,910</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 5,149,845	₩ 2,647,426
Interest income relating to net investment in sub-lease (included in finance income)	16,973	23,264
Gain on disposal of right-of-use assets (included in other income)	26,256	29,354
Expense relating short-term leases (included in administrative expenses)	4,662	39,693
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	109,467	124,953

The total cash outflow for leases in 2021 was ₩ 21,921,800 thousand.

18. Other Assets

Details of other assets are as follows:

<i>(in thousands of Korean won)</i>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current		
Prepaid other taxes including VAT	₩ -	₩ 136,855
Advance payments	2,037,759	1,280,576
Prepaid expenses	4,261,725	2,623,788
Other assets	5,726	26,397
	<u>6,305,210</u>	<u>4,067,615</u>
Non-current		
Advance payments	-	6,307,000
Prepaid expenses	-	13,716
	<u>-</u>	<u>6,320,716</u>
	<u>₩ 6,305,210</u>	<u>₩ 10,388,332</u>

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19. Other Payables

Details of other payables are as follows:

<i>(in thousands of Korean won)</i>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Current				
Other accounts payable	₩	13,911,176	₩	13,077,850
Leasehold deposits received		426,041		108,941
Accrued expenses		<u>32,381,869</u>		<u>2,894,996</u>
		<u>46,719,086</u>		<u>16,081,787</u>
Non-current				
Other accounts payable		747,761		791,814
Leasehold deposits received		1,122,432		838,335
Withholdings		10,000		10,000
Accrued expenses		<u>1,208,805</u>		<u>24,580,988</u>
		<u>3,088,998</u>		<u>26,221,137</u>
	₩	<u>49,808,084</u>	₩	<u>42,302,924</u>

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>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Present value of funded defined benefit obligations	₩	23,080,874	₩	21,037,789
Fair value of plan assets		<u>(18,616,010)</u>		<u>(12,982,633)</u>
Liability in the statement of financial position	₩	<u>4,464,864</u>	₩	<u>8,055,156</u>

Changes in the defined benefit obligations are as follows:

<i>(in thousands of Korean won)</i>	<u>2021</u>		<u>2020</u>	
At January 1	₩	21,037,789	₩	20,018,941
Current service cost		3,565,742		3,554,991
Interest cost		306,280		320,174
Transfer from related parties		475,736		72,302
Transfer to related parties		(153,636)		(802,890)
Benefits paid		(2,672,478)		(1,356,832)
Remeasurements:				
Actuarial gains and losses arising from changes in financial assumptions		(581,760)		114,050
Actuarial gains and losses arising from experience adjustments		<u>1,103,201</u>		<u>(882,947)</u>
At December 31	₩	<u>23,080,874</u>	₩	<u>21,037,789</u>

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Changes in the plan assets are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
At January 1	₩	12,982,633	₩	8,407,079
Additional contribution		6,575,177		5,000,000
Interest income		197,724		140,235
Transfer from related parties		444,125		59,440
Transfer to related parties		(159,151)		(179,820)
Benefits paid		(1,425,405)		(450,576)
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		907		6,275
At December 31	₩	18,616,010	₩	12,982,633

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

<i>(in thousands of Korean won)</i>	2021		2020	
Selling and administrative expenses	₩	2,616,062	₩	2,608,311
Cost of sales		1,058,236		1,126,618
	₩	3,674,298	₩	3,734,929

Plan assets consist of the following:

<i>(in thousands of Korean won)</i>	December 31, 2021		December 31, 2020	
	Amount	Ratio	Amount	Ratio
Debt instrument	₩ 12,632,457	68%	₩ 6,634,893	51%
Deposits	1,885,922	10%	2,603,579	20%
Others	4,097,631	22%	3,744,161	29%
Total	₩ 18,616,010	100%	₩ 12,982,633	100%

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

	December 31, 2021	December 31, 2020
Discount rate	2.46% ~ 2.80%	1.71% ~ 1.87%
Expected rates of salary increases	3.00% ~ 5.09%	4.29% ~ 4.56%

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The sensitivity of the defined benefit obligations as at December 31, 2021, to changes in the principal assumptions is as follows:

	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	4.9% decrease	5.5% increase
Expected rates of salary increases	1.0%	5.5% increase	4.9% 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.

Expected contributions to post-employment benefit plans for the year ending December 31, 2022, are ₩ 2,552,684 thousand.

The weighted average duration of the defined benefit obligations is 5.5 years. The information on expected maturity of undiscounted pension benefits as at December 31, 2021, 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	₩ 4,525,433	₩ 3,216,841	₩ 6,247,588	₩ 11,092,097	₩ 25,081,959

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21. 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.

Provisions for warranty reserve are recognized at the amounts expected to be paid for free warranties in the future by estimating based on warranty periods as well as historical warranty claim information. 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. In addition, the increase in the provision as a result of the 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.

Changes in provisions are as follows:

<i>(in thousands of Korean won)</i>	2021			2020		
	Warranty reserve	Other	Total	Warranty reserve	Other	Total
At January 1	₩ 396,771	₩ 2,736,864	₩ 3,133,635	₩ 388,253	₩ 2,218,143	₩ 2,606,396
Additional provisions	82,734	777,287	860,021	217,379	630,089	847,468
Reversal of provision	-	(434,470)	(434,470)	-	(86,380)	(86,380)
Used amounts	(144,000)	(239,933)	(383,933)	(195,998)	(15,500)	(211,498)
Exchange differences	-	16,324	16,324	(12,864)	(9,487)	(22,351)
At December 31	₩ 335,505	₩ 2,856,072	₩ 3,191,577	₩ 396,770	₩ 2,736,865	₩ 3,133,635
Current	₩ 335,505	₩ 1,329,122	₩ 1,664,627	₩ 396,770	₩ 239,933	₩ 636,703
Non-current	-	1,526,950	1,526,950	-	2,496,932	2,496,932

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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, 2021		December 31, 2020	
				Current	Non-current	Current	Non-current
7th-3 public debenture	2016.3.4	2021.3.4	-	₩ -	₩ -	₩ 36,000,000	₩ -
10th public debenture	2018.3.14	2021.3.14	-	-	-	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	-	61,000,000
12-2th public debenture	2020.7.3	2025.7.3	3.41	-	39,000,000	-	39,000,000
13th public debenture	2020.12.2	2025.12.2	3.60	-	50,000,000	-	50,000,000
14-1th public debenture	2021.2.2.	2024.2.2.	1.89	-	115,000,000	-	-
14-2th public debenture	2021.2.2.	2026.2.2.	2.27	-	35,000,000	-	-
2 nd profit participating debenture ¹	2016.3.10	2022.3.10	5.00	80,000,000	-	-	80,000,000
				139,000,000	300,000,000	93,000,000	289,000,000
Less: Discount on debenture				(66,725)	(913,155)	(25,466)	(728,446)
				<u>₩138,933,275</u>	<u>₩299,086,845</u>	<u>₩ 92,974,534</u>	<u>₩288,271,554</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. As the above debentures are subordinated borrowings compared to other senior borrowings (acquisition financing loans, maturity date: August 3, 2023), it cannot be redeemed unless the senior borrowings are redeemed.

Details of short-term borrowings are as follows:

(in thousands)	Creditor	Interest rate (%)	December 31, 2021		December 31, 2020	
			₩		₩	
Working capital loans	Woori Bank and others	1.82~5.39	₩ 66,964,177		₩ 66,881,759	
	Shinhan Bank (China)	-		-	2,170,480	
					(CNY 13,000)	
	Kookmin Bank (China)	-		-	1,991,259	
					(CNY 11,927)	
	Shinhan Bank (USA)	2.08		3,556,500		2,825,754
				(USD 3,000)		(USD 2,597)
	Comerica Bank	2.20~2.50		5,689,906		9,573,947
			(USD 4,800)		(USD 8,800)	
			<u>₩ 76,210,583</u>	<u>₩</u>	<u>83,443,199</u>	

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Details of long-term borrowings are as follows:

(in thousands of Korean won)	Creditor	The latest maturity	Interest rate (%)	December 31, 2021		December 31, 2020	
				Current	Non-current	Current	Non-current
General loans	The Korea Development Bank and others	2024.06.18	2.61~3.2	₩ -	₩ 123,000,000	₩ 133,936,000	₩ -
General loans	Shinhan Bank (China)	2023.09.25	4.50	1,369,011 (CNY 7,350)	1,955,730 (CNY 10,500)	-	3,506,160 (CNY 21,000)
Working capital loans	Halla Corporation	2022.12.31	4.60	17,300,000	-	-	17,300,000
Acquisition financing loan ¹	Saint Four Hi 3rd Co., Ltd. and others	2023.08.03	3.10~3.20	-	93,000,000	-	90,000,000
				18,669,011	217,955,730	133,936,000	110,806,160
Less: Discount on debenture				-	(921,242)	-	(1,499,992)
				₩ 18,669,011	₩ 217,034,488	₩ 133,936,000	₩ 109,306,168

¹ In relation to the borrowing, shares of JJH held by the Group, 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, 2021, JJH loaned the borrower ₩ 296,558 thousand (2020: ₩ 628,543 thousand) under the agreement.

Details of collateral provided for borrowings are as follows:

(in thousands of Korean won)	December 31, 2021		Related line item	Related amount	Secured party
	Carrying amount	Secured amount			
Land and buildings	₩ 8,023,167	₩ 7,670,000	General loans	₩ 5,900,000	Shinhan Bank
Land and buildings	41,328,770	54,000,000	Operating loans	80,000,000	The Korea Development Bank
Land and buildings	1,559,058	1,559,058	Line of credit	3,556,500	Shinhan Bank
Inventories, facilities and trade receivables	25,083,819	25,083,819	Line of credit	3,318,906	Comerica Bank
Shares of subsidiary ¹	-	50,000,000	Acquisition financing loan	93,000,000	Saint Four Hi 3rd Co., Ltd. and others

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<i>(in thousands of Korean won)</i>	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 3rd Co., Ltd. and others

¹ Shares of JJH, held by the Group, 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, 2021	December 31, 2020
Current		
Advances from customers	₩ 2,693,869	₩ 2,068,593
Withholdings	2,633,345	1,179,139
Unearned income	2,787,887	1,545,208
Other current liabilities	26,246	9,644
	<u>8,141,347</u>	<u>4,802,584</u>
Non-current		
Long-term unearned income	<u>2,747,323</u>	<u>2,824,810</u>
	<u>2,747,323</u>	<u>2,824,810</u>
	<u>₩ 10,888,670</u>	<u>₩ 7,627,394</u>

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24. Current and Deferred Tax

Components of income tax expense are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Current income tax	₩ 20,053,108	₩ 985,586
Income tax refund and others	(5,204,468)	(2,937,906)
Changes in total deferred income tax	12,534,006	14,309,659
Changes in deferred tax recognized directly in equity	(4,158,813)	(499,485)
Changes in current tax recognized directly in equity	(23,656)	56,266
Exchange differences	104,092	(43,008)
Income tax expense	<u>₩ 23,304,269</u>	<u>₩ 11,871,112</u>

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

<i>(in thousands of Korean won)</i>	2021	2020
Profit before income tax	₩ 129,482,404	₩ 55,966,769
Tax at domestic tax rates applicable to profits in the respective countries	31,685,861	13,928,088
Adjustments:		
Income not subject to tax or expenses not deductible for tax purposes	283,116	1,890,716
Tax system for recirculation of corporate income	407,146	737,047
Income tax refund and others	(5,204,468)	(2,937,906)
Deferred tax effects on temporary differences associated with the investment in subsidiaries and others	6,326,041	8,510,427
Changes in unrecognized deferred tax assets	(10,212,973)	(10,274,410)
Others	19,546	17,150
Income tax expense	<u>₩ 23,304,269</u>	<u>₩ 11,871,112</u>
Effective tax rate	18.0%	21.2%

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Details of deferred tax assets and liabilities are as follows:

<i>(in thousands of Korean won)</i>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deferred tax assets		
Deferred tax asset to be recovered within 1 year	₩ 673,986	₩ 1,052,209
Deferred tax asset to be recovered after more than 1 year	60,323,866	49,294,917
	<u>60,997,852</u>	<u>50,347,126</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 1 year	(105,728)	(4,988,968)
Deferred tax liability to be recovered after more than 1 year	(120,665,218)	(92,597,246)
	<u>(120,770,946)</u>	<u>(97,586,214)</u>
Deferred tax liabilities, net	<u>₩ (59,773,094)</u>	<u>₩ (47,239,088)</u>

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

<i>(in thousands of Korean won)</i>	2021		
	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	₩ 372,536	₩ (90,154)	₩ 282,382
Cash flow hedge	97,752	(23,656)	74,096
Foreign currency translation differences	2,750,970	-	2,750,970
Remeasurements of net defined benefit liabilities	(545,297)	154,145	(391,152)
Changes in the equity of associates and joint venture	46,441,213	(4,222,804)	42,218,409
	<u>₩ 49,117,174</u>	<u>₩ (4,182,469)</u>	<u>₩ 44,934,705</u>

<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>

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Changes in total deferred tax are as follows:

	2021				
	Deferred tax assets (liabilities)				
<i>(in thousands of Korean won)</i>	January 1, 2021	Profit (loss)	Changes in other comprehensive income of controlling interest	Currency translation differences	December 31, 2021
Retirement benefit liabilities	₩ 1,111,472	₩ (1,026,559)	₩ 154,145	₩ -	₩ 239,058
Employee benefits	180,130	828	-	-	180,958
Accrued expenses	245,302	10,453	-	-	255,755
Depreciation	6,291,324	(123,601)	-	-	6,167,723
Amortization	1,800	900	-	-	2,700
Investments in subsidiaries and others	(25,615,608)	(4,644,264)	(4,222,804)	5,253	(34,477,423)
Unused tax losses	5,182,218	(370,485)	-	98,839	4,910,572
Losses on valuation of inventories	215,767	97,153	-	-	312,920
Revaluation of land	(35,170,723)	-	-	-	(35,170,723)
Impairment loss on intangible assets	234,630	-	-	-	234,630
Other provisions	58,064	(58,064)	-	-	-
Accrued income	(4,538,260)	(1,073,056)	-	-	(5,611,316)
Valuation of derivatives	563,596	(1,498,121)	-	-	(934,525)
Financial assets at fair value through profit or loss	(56,423)	(139,835)	-	-	(196,258)
Financial assets at fair value through other comprehensive income	2,409,980	-	(90,154)	-	2,319,826
Lease assets	(28,099,723)	(10,835,697)	-	-	(38,935,420)
Lease liabilities	28,885,254	12,660,061	-	-	41,545,315
Others	862,113	(1,478,999)	-	-	(616,886)
	<u>₩ (47,239,087)</u>	<u>₩ (8,479,286)</u>	<u>₩ (4,158,813)</u>	<u>₩ 104,092</u>	<u>₩(59,773,094)</u>

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2020						
Deferred tax assets (liabilities)						
<i>(in thousands of Korean won)</i>	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>	

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 ₩ 134,865,660 thousand (2020: ₩ 148,420,788 thousand) carried forward from business combination (Halla Jeju Development Corporation). Because it is not probable to be utilised. Unused tax loss carryforwards mature up to 2029.

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In addition, the Group did not recognize the deferred tax assets related to deductible temporary differences amounting to ₩ 60,122,504 thousand (2020: ₩ 63,283,092 thousand) and other deductible temporary differences amounting to ₩ 33,363,334 thousand that are expected to be not realizable.

As at December 31, 2021, the Group did not recognize deferred tax assets for temporary differences on certain investments in associates amounting to ₩ 94,922,370 thousand (2020: ₩ 139,060,440 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, 2021 and 2020.

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

	December 31, 2021		December 31, 2020	
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 Group 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, 2021		December 31, 2020	
Treasury shares	₩	(19,849,924)	₩	(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 Group		17,473,121		(1,319,232)
	₩	(22,433,534)	₩	(31,268,277)

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

<i>(in thousands of Korean won)</i>	2021				
	At January 1	Increase (decrease)	Reclassified to profit or loss	Reclassified to retained earnings	At December 31
Financial assets at fair value through other comprehensive income	₩ (7,548,615)	₩ 282,383	₩ -	₩ -	₩ (7,266,232)
Cash flow hedges	-	414,150	(340,054)	-	74,096
Foreign currency translation differences	(301,198)	2,747,695	-	-	2,446,497
Other comprehensive income of associates and others	(56,070,640)	42,218,409	-	(8,092,494)	(21,944,725)
	<u>₩ (63,920,453)</u>	<u>₩ 45,662,637</u>	<u>₩ (340,054)</u>	<u>₩ (8,092,494)</u>	<u>₩ (26,690,364)</u>

<i>(in thousands of Korean won)</i>	2020				
	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	(47,353,820)	(8,716,820)	-	-	(56,070,640)
	<u>₩ (52,676,400)</u>	<u>₩ (11,174,351)</u>	<u>₩ (69,702)</u>	<u>₩ -</u>	<u>₩ (63,920,453)</u>

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26. Retained Earnings

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

<i>(in thousands of Korean won)</i>	December 31, 2021	December 31, 2020
Legal reserve	₩ 27,543,090	₩ 27,543,090
Unappropriated retained earnings	716,873,693	637,388,727
	₩ 744,416,783	₩ 664,931,817

The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 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, 2020, amounting to ₩ 20,240,310 thousand, were paid in April 2021. The cash dividends of the Group for the financial year ended December 31, 2021, amounting to ₩ 19,822,700 thousand, will be proposed at the general meeting of shareholders. These financial statements do not include this dividend payable.

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27. Selling and Administrative Expenses

Details of selling and administrative expenses are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Salaries and wages	₩	32,488,039	₩	28,700,573
Retirement benefits		2,616,062		2,608,311
Employee fringe benefits		5,194,921		4,977,464
Travel		684,459		670,254
Communication		193,896		235,041
Water, light, heating and others		454,758		440,118
Taxes and dues		1,731,594		1,569,871
Rent		739,785		1,089,647
Depreciation on property, plant and equipment		2,005,705		2,320,858
Amortization		635,395		1,305,304
Depreciation on investment properties		16,122		16,122
Depreciation on right-of-use assets		3,120,714		3,591,146
Repair and maintenance		527,506		379,579
Insurance premium		624,176		492,397
Entertainment		1,208,050		836,710
Advertising		2,530,580		3,041,478
Overseas marketing		84,522		27,907
Export expenses		1,535,687		1,100,570
Sample expenses		22,750		-
Packing expenses		2,115,301		1,189,123
Freight expenses		4,124,129		2,476,108
Research and development expenses		236,927		467,536
Commissions		21,171,068		17,455,218
Office supplies expenses		112,387		101,307
Supplies expenses		1,113,969		547,455
Publication		91,245		109,338
Training		398,145		324,709
Vehicles		326,368		244,769
Warranty expenses		82,734		217,379
Others		198,961		131,778
	₩	<u>86,385,955</u>	₩	<u>76,668,070</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>	2021	2020
Materials consumed and purchase of merchandise, net	₩ 554,726,044	₩ 430,245,050
Changes in inventories	(8,011,267)	(6,639,139)
Employee benefit expenses	54,477,535	48,543,975
Depreciation on property, plant and equipment	7,353,439	7,681,946
Amortization	8,207,871	1,918,250
Depreciation on investment properties	2,386,987	401,307
Depreciation on right-of-use assets	21,864,093	17,361,910
Employee fringe benefits	6,640,050	6,396,567
Commissions	102,438,525	82,106,302
Water, light, heating and others	3,614,663	2,510,880
Repair and maintenance	1,855,480	1,405,213
Others	145,771,869	53,228,276
	<u>₩ 901,325,289</u>	<u>₩ 645,160,537</u>

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29. Other Income and Expenses

Details of other income and expenses are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Other income		
Exchange differences	₩ 6,658,111	₩ 2,510,602
Rental revenues	22,440	-
Dividend income	260,255	260,255
Gain on disposal of property, plant and equipment	15,160	13,636
Gain on transaction of derivatives	1,110,478	35,552
Gain on valuation of derivatives	5,998,751	3,885,357
Gain on valuation of financial assets at fair value	873,581	169,583
Gain on disposal of investments in joint ventures	2,082,870	-
Gain on disposal of investments in associates	7,193,940	-
Reversal of other provisions	43,397	86,380
Others	740,816	1,070,802
	<u>₩ 24,999,799</u>	<u>₩ 8,032,167</u>
Other expenses		
Exchange differences	₩ 2,017,699	₩ 4,971,606
Loss on valuation of financial assets at fair value	54,470	126,603
Loss on disposal of property, plant and equipment	367,380	4,420
Impairment loss on property, plant and equipment	763,711	1,173,248
Loss on disposal of intangible assets	-	856,964
Loss on transaction of derivatives	94,306	197,258
Loss on valuation of derivatives	-	5,074,770
Donations	2,291,867	4,332,300
Contribution to other provisions	42,399	36,866
Others	582,424	342,980
	<u>₩ 6,214,256</u>	<u>₩ 17,117,015</u>

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30. Finance Income and Costs

Details of finance income and costs are as follows:

<i>(in thousands of Korean won)</i>	<u>2021</u>	<u>2020</u>
Other finance income		
Exchange differences	₩ 626,368	₩ 1,547,480
	<u>₩ 626,368</u>	<u>₩ 1,547,480</u>
Finance costs		
Interest expenses	₩ 29,503,712	₩ 28,586,259
Exchange differences	1,623,693	178,869
	<u>₩ 31,127,405</u>	<u>₩ 28,765,128</u>

31. Earnings Per Share

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

<i>(in Korean won and in shares)</i>	<u>2021</u>	<u>2020</u>
Profit for ordinary shares outstanding	₩ 106,245,048,052	₩ 44,049,666,343
Weighted average number of ordinary shares outstanding	10,089,066	10,250,133
Basic earnings per share	10,531	4,297

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

<i>(unit: shares)</i>	<u>2021</u>	<u>2020</u>
Ordinary shares in issue at January 1	₩ 10,120,155	₩ 10,472,070
Ordinary shares in issue at December 31	9,911,350	10,120,155
Weighted average number of ordinary shares in issue	<u>₩ 10,089,066</u>	<u>₩ 10,250,133</u>

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

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32. Cash Generated from Operations

Cash generated from operations is as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Profit before income tax	₩ 129,482,404	₩ 55,966,769
Adjustments for:		
Share of profit of associates and joint venture	(105,973,505)	(59,538,836)
Gain on disposal of investments in joint venture	(2,082,870)	-
Gain on disposal of investments in associates	(7,193,940)	-
Gain on valuation of financial assets at fair value	(819,111)	(42,980)
Depreciation	9,740,426	8,083,253
Amortization	8,207,871	1,918,250
Depreciation on right-of-use assets	21,864,093	17,361,910
Retirement benefits	3,674,298	3,734,929
Bad debts expenses (reversal)	(63,369)	(109,093)
Sales warranty expenses	82,734	217,379
Other bad debt expenses	70,000	-
Loss on valuation of inventories	1,171,330	573,382
Loss (gain) on valuation of derivatives	(5,998,751)	1,189,412
Loss (gain) on transaction of derivatives	(1,016,172)	161,706
Loss (gain) on disposal of property, plant and equipment	352,219	(9,216)
Impairment loss on property, plant and equipment	763,711	1,173,249
Loss on disposal of intangible assets	-	856,964
Exchange differences	75,227	482,353
Reversal of provisions	(998)	(49,514)
Dividend income	(260,255)	(260,255)
Interest income	(1,301,406)	(1,523,069)
Interest expenses	29,503,712	28,586,259
	<u>(49,204,756)</u>	<u>2,806,083</u>
Changes in working capital:		
Decrease (increase) in trade receivables	(56,442,056)	(6,970,344)
Decrease (increase) in loans and other receivables	4,598,566	(4,571,790)
Increase in inventories	(10,097,990)	(9,613,159)
Increase in other assets	(1,561,174)	(770,143)
Increase (decrease) in trade payables	60,143,078	6,952,871
Increase (decrease) in other payables	3,755,581	(2,522,291)
Payment of retirement benefit, net	(1,209,946)	(1,516,464)
Reserve of plan assets	(6,575,177)	(5,000,000)
Decrease in provisions	(358,505)	(210,636)
Increase (decrease) in other liabilities	3,179,488	(1,839,084)
	<u>(4,568,135)</u>	<u>(26,061,040)</u>
Cash generated from operations	<u>₩ 75,709,513</u>	<u>₩ 32,711,812</u>

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Significant non-cash transactions are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Purchases of right-of-use assets	₩ 78,908,675	₩ 105,956,038
Reclassification of right-of-use assets to investment property	17,029,457	10,275,470
Reclassification of investment property to right-of-use assets	1,626,113	-
Increase in other payables relating to the acquisition of property, plant and equipment and intangible assets	2,414,284	4,338,743
Non-cash transactions related to the disposal of intangible assets	-	1,672,564
Classification of investments in associates to financial assets at fair value through profit or loss	1,985,642	-
Reclassification of current portion of long-term borrowings and debentures	60,272,514	230,166,375
Extension of borrowing's maturity	70,000,000	-

Changes in liabilities arising from financing activities are as follows:

<i>(in thousands of Korean won)</i>	2021				
	At January 1, 2021	Cash flows from financing activities	Other non-financial changes¹	Exchange differences	At December 31, 2021
Short-term borrowings	₩ 83,443,199	₩ (7,992,980)	₩ 760,364	₩ -	₩ 76,210,583
Long-term borrowings	243,242,168	(9,478,324)	923,255	1,016,400	235,703,499
Debentures	381,246,087	56,304,610	469,423	-	438,020,120
Lease liabilities	129,164,594	(16,657,826)	77,006,831	-	189,513,599
	<u>₩ 837,096,048</u>	<u>₩ 22,175,480</u>	<u>₩ 79,159,873</u>	<u>₩ 1,016,400</u>	<u>₩ 939,447,801</u>

<i>(in thousands of Korean won)</i>	2020					
	At January 1, 2020	Cash flows from financing activities	Other non-financial changes¹	Exchange differences	Transfer	At December 31, 2020
Short-term borrowings	₩ 41,326,917	₩ 60,506,034	₩ (1,089,753)	₩ -	₩ (17,300,000)	₩ 83,443,199
Long-term borrowings	218,254,872	10,601,082	(1,378,186)	(1,535,600)	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>₩ 88,737,887</u>	<u>₩ 101,687,077</u>	<u>₩ (1,535,600)</u>	<u>₩ -</u>	<u>₩ 837,096,048</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.

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.

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33. Contingencies and Commitments

Significant financing agreements of the Group are as follows:

<i>(in thousands)</i>	Details	Maximum limit			
		December 31, 2021		December 31, 2020	
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	2,000,000	KRW	1,000,000
	General corporate purpose loan	KRW	20,000,000	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	General loan	KRW	15,000,000	KRW	15,000,000
	General loan	KRW	47,000,000	KRW	47,000,000
Kookmin Bank	General corporate purpose loan	KRW	10,000,000	KRW	10,000,000
	General corporate purpose loan	KRW	23,000,000	KRW	-
	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	Export growth loan	KRW	10,000,000	KRW	10,000,000

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>		<u>Maximum limit</u>			
		December 31, 2021		December 31, 2020	
Subsidiaries	Financial institutions and agreements				
MLCA	Comerica Bank				
	Working capital loans	USD	3,000	USD	3,000
URIMAN	Shinhan Bank				
	Line of Credit	USD	4,000	USD	4,000
	Comerica Bank				
	Line of Credit	USD	15,000	USD	15,000
WECO	Woori Bank				
	General loan	KRW	4,000,000	KRW	4,000,000
JJH	Saint Four Hi 3rd Co., Ltd. and others				
	Acquisition financing loan	KRW	120,000,000	KRW	120,000,000
HMLC	Shinhan Bank				
	Working capital loans	CNY	-	CNY	13,000
	Facility loan	CNY	21,000	CNY	21,000
	Kookmin Bank				
	Working capital loans	CNY	-	CNY	16,500

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

<i>(in thousands of Korean won and USD)</i>	<u>Maximum limit</u>		Remarks
	<u>December 31, December 31,</u>		
	<u>2021</u>	<u>2020</u>	
Provided by			
Woori Bank	₩ 6,600,000	₩ 8,000,000	Guarantee for payment of purchase of goods and others
KEB Hana Bank	-	1,000,000	
Seoul Guarantee Insurance Company	14,455,499	13,417,667	Performance guarantee and others ¹
Kookmin Bank	-	USD 22,000	Comprehensive foreign-currency payment guarantee

¹ As at December 31, 2021, 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 ₩ 9,769,001 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 Group's long-term financial instruments are provided as collateral.

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As at December 31, 2021, 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, 2021, the Group has entered into the agreement under which HL compensates operating losses incurred in related to Pyeongtaek Refrigerated Logistics Warehouse.

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, 2021, 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 ₩ 3,000,000 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 ₩ 93,000,000 thousand of JJH (Note 18), 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. 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, 2021, JJH loaned the borrower ₩ 296,558 thousand (2020: ₩ 628,543 thousand) under the agreement.

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34. Related Party Transactions

As at December 31, 2021 and 2020, 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, 2021	December 31, 2020	
Joint venture					
HL Klemove Corp. (formerly, Mando-Hella Electronics Corp.) ²	KLK	Korea	50.00	50.00	December
Associates					
Mando Corporation	MANDO	Korea	30.25	30.25	December
Halla Corporation ³	HL	Korea	16.27	15.85	December
Halla Stackpole Corporation	HSC	Korea	20.00	20.00	March
AMT Engineering Co., Ltd.	AMT	Korea	22.22	22.22	December
WIDE CORPORATION ³	WD	Korea	19.24	19.24	December
Togetherhanrasigma ³	THSR	Korea	9.84	-	December
Next Level No. 1 Private Equity JV	NLPEF	Korea	75.64	-	December
Clover Private Equity JV	WCPEF	Korea	75.86	-	December
HALEE VALUE MAREBO CO.,LTD ³	HVM	Korea	2.65	-	December
Others					
JD Tech Corp.	JDT	Korea	33.33	33.33	December
My Chef Co., Ltd. ⁴	MY	Korea	7.58	9.84	March
BEMYCAR Co., Ltd. ⁴	BE	Korea	1.84	2.40	December

¹ Abbreviations are used hereinafter.

² The entity was reclassified to 'other related parties' as the Group sold the entire shares of the entity to MANDO, an associate.

³ 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 appointment right of directors, and other reasons.

⁴ The redeemable convertible preferred shares were recognized as financial instruments at fair value through profit and loss but the Company included the entities in related parties due to the interchange of managerial personnel. (Note 7)

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Details of other related parties as at December 31, 2021 and 2020, are as follows:

December 31, 2021	December 31, 2020	Abbreviation ¹	Remark
Other related parties			
Next Level No. 1 Co., Ltd.	-	NLLC	Subsidiaries of NLPEF
Clover Private Equity JV	-	WCC	Subsidiaries of WCPEF
WOOSUNGPLATECH CO., LTD.	-	-	Subsidiaries of WCC
-	HL Klemove (Suzhou) Co., Ltd. (formerly, Mando-Hella Electronics (Suzhou) Co., Ltd.)	KLS	Subsidiaries of KLK
-	HL Klemove India Private Limited (formerly, Mando-Hella Electronics Automotive India Private Limited)	KLI	
HL Klemove Cor. (formerly, Mando-Hella Electronics Corp.) ²	-	KLK	Subsidiaries and joint ventures of Mando Corporation
HL Klemove (Suzhou) Co., Ltd. (formerly, Mando-Hella Electronics (Suzhou) Co., Ltd.)	-	KLS	
HL Klemove India Private Limited (formerly, Mando-Hella Electronics Automotive India Private Limited)	-	KLI	
Mando China Holdings Limited	Mando China Holdings Limited	MCH	
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.	MHC	
Mando(Ningbo) Automotive Parts Co., Ltd.	Mando(Ningbo) Automotive Parts Co., Ltd.	MNC	
-	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) Automotive Parts Co., Ltd.	Mando(Chongqing) Automotive Parts 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 Softech India Private, Ltd.	Mando Softech 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 Corporation America and others	Halla Corporation America and others	-	
Halla Stackpole(Beijing) Automotive Co., Ltd.	Halla Stackpole(Beijing) Automotive Co., Ltd.	HSBC	Subsidiary of HSC
Others²			
Mando Brose Corporation	Mando Brose Corporation	MBCO	
Mando Brose(Zhangjiagang) Electric Motors Co., Ltd	Mando Brose(Zhangjiagang) Electric Motors Co., Ltd	MBZ	
Lotus Private Equity Inc. and others	-	-	

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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.

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

		2021			
<i>(in thousands of Korean won)</i>		Sales of goods	Rendering of services	Royalty income	Others
Associates and joint venture	MANDO	₩ 12,661,936	₩ 65,737,443	₩ 24,268,575	₩ 85,228,526
	HL	1,000	6,811,272	5,317,084	1,345,800
	KLK	946	724,230	-	-
	JDT	-	28,934	-	1,110
	BE	33,067	-	-	-
	MY	-	-	-	6,052
	HSC	-	244,350	-	-
	Other related parties	Subsidiaries and joint ventures of MANDO	120,185,089	78,131,336	405,508
	Subsidiaries of HL	-	32,126	373,748	284,920
	Subsidiaries of KLK	-	50,065	-	-
	Subsidiaries of HSC	-	676,486	-	-
		<u>₩ 132,882,038</u>	<u>₩ 152,436,242</u>	<u>₩ 30,364,915</u>	<u>₩ 87,329,719</u>
		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
	KLK	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 KLK	-	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>

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Significant purchase transactions with related parties are as follows:

		2021			
<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	₩ 10,152,887	₩ 765,987	₩ -	₩ 1,105,058
	HL	-	-	7,075,700	455,494
	JDT	-	2,880,417	-	-
	THSR	-	-	-	619,316
	HSC	2,499,180	-	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	21,450,161	22,507	-	661,052
	Subsidiaries of HL	-	-	-	582,208
		<u>₩ 34,102,228</u>	<u>₩ 3,668,911</u>	<u>₩ 7,075,700</u>	<u>₩ 3,423,128</u>
		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
	KLK	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>₩ 22,702,429</u>	<u>₩ 5,016,969</u>	<u>₩ 36,874,000</u>	<u>₩ 3,505,115</u>

The Group has entered into a lease agreement for business facilities that are owned by THSR, an associate, and located in Shincheon-dong, Songpa-gu, Seoul. As at December 31, 2021, right-of-use assets and lease liabilities amount ₩ 2,917,441 thousand and lease liabilities of ₩ 2,674,755 thousand, respectively. According to the agreement, the repayment of lease liabilities and interest expenses amount to ₩ 469,609 thousand and ₩ 51,806 thousand, respectively, during the year ended December 31, 2021.

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Significant fund transactions with related parties are as follows:

<i>(in thousands of Korean won)</i>		2021			
		Dividend	Interest income	Interest expenses	Changes in ownership and others
Associates and joint venture	MANDO	₩ -	₩ 14,776	₩ 21,497	₩ -
	HL	25,297,229	-	4,795,800	24,999,976
	JDT	139,467	-	-	-
	HSC	604,800	-	-	-
	THSR	283,864	-	-	-
	NLPEF	-	-	-	100,000,000
	WCPEF	-	-	-	33,000,000
Other related parties	Subsidiaries and joint ventures of MANDO	-	1,464	-	-
		<u>₩ 26,325,360</u>	<u>₩ 16,240</u>	<u>₩ 4,817,297</u>	<u>₩ 157,999,976</u>

<i>(in thousands of Korean won)</i>		2020		
		Dividend	Interest income	Interest expenses
Associates and joint venture	MANDO	₩ 7,811,788	₩ 18,707	₩ 22,131
	HL	-	-	4,795,800
	KLK	5,001,120	126	-
	JDT	150,134	-	-
	HSC	604,800	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	-	1,336	-
	Subsidiaries of HL	-	-	216,022
		<u>₩ 13,567,842</u>	<u>₩ 20,169</u>	<u>₩ 5,033,953</u>

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

<i>(in thousands of Korean won)</i>		December 31, 2021		
		Trade receivables	Lease receivables	Other receivables
Associates and joint venture	MANDO	₩ 22,518,095	₩ 704,032	₩ 639,085
	HL	2,001,812	-	533,238
	KLK	-	-	-
	JDT	825	-	-
	HSC	36,497	-	-
	BE	-	-	-
	THSR	-	-	647,591
Other related parties	Subsidiaries and joint ventures of MANDO	35,450,728	62,475	-
	Subsidiaries of HL	159,304	-	-
	Subsidiaries of KLK	-	-	-
	Subsidiaries of HSC	228,036	-	-
		<u>₩ 60,395,297</u>	<u>₩ 766,507</u>	<u>₩ 1,819,914</u>
		December 31, 2020		
<i>(in thousands of Korean won)</i>		Trade receivables	Lease receivables	Other receivables
Associates and joint venture	MANDO	₩ 24,252,774	₩ 756,277	₩ 648,191
	HL	1,053,741	-	457,563
	KLK	1,492,903	6,021	-
	JDT	4,104	-	-
	HSC	4,121	-	-
	BE	2,954	-	-
	THSR	-	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	35,285,303	51,648	-
	Subsidiaries of HL	88,948	-	-
	Subsidiaries of KLK	140,138	-	-
	Subsidiaries of HSC	350,548	-	-
	<u>₩ 62,675,534</u>	<u>₩ 813,946</u>	<u>₩ 1,105,754</u>	

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

		December 31, 2021			
		Trade payables	Lease liabilities	Borrowing and others	Other payables
<i>(in thousands of Korean won)</i>					
Associates and joint venture	MANDO	₩ 728,903	₩ 1,103,311	₩ -	₩ 93,346
	HL	-	-	97,300,000	31,080,917
	JDT	260,297	-	-	-
	HSC	425,131	-	-	-
Other related parties	Subsidiaries and joint ventures of MANDO	4,656,265	-	-	223,607
	Subsidiaries of HL	-	-	-	-
		₩ 6,070,596	₩ 1,103,311	₩ 97,300,000	₩ 31,397,870

		December 31, 2020			
		Trade payables	Lease liabilities	Borrowing and others	Other payables
<i>(in thousands of Korean won)</i>					
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

As at December 31, 2021, the Group has entered into the reimburse agreement under which HL compensates operating losses incurred in related to Pyeongtaek refrigerated logistics warehouse (Note 33).

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>	2021	2020
Short-term employee benefit expenses	₩ 3,313,443	₩ 2,948,838
Retirement benefits	505,489	509,092
	₩ 3,818,932	₩ 3,457,930

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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>	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	₩ 930,062,605	₩ 674,620,521
Revenue from other sources		
Rental income	5,122,303	1,638,283
Share of profit of associates and joint venture	105,973,505	59,538,836
Total revenue	<u>₩ 1,041,158,413</u>	<u>₩ 735,797,639</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>	<u>2021</u>				
	<u>Merchandise</u>			<u>Finished goods</u>	
	<u>Korea</u>	<u>China</u>	<u>USA and others</u>	<u>Korea</u>	<u>USA and others</u>
Segment revenue	₩ 457,187,656	₩ 139,562,047	₩ 85,256,055	₩ 30,730,608	₩ 292,757
Inter-segment revenue	(43,947,070)	(538,551)	(9,208)	-	-
Revenue from contracts with customers	<u>₩ 413,240,586</u>	<u>₩ 139,023,496</u>	<u>₩ 85,246,847</u>	<u>₩ 30,730,608</u>	<u>₩ 292,757</u>
Timing of revenue recognition					
At a point in time	₩ 413,240,586	₩ 139,023,496	₩ 85,246,847	₩ 30,730,608	₩ 292,757
Over time	-	-	-	-	-

<i>(in thousands of Korean won)</i>	<u>2021</u>					
	<u>Distribution</u>			<u>IT</u>	<u>Others</u>	
	<u>Korea</u>	<u>China</u>	<u>USA and others</u>	<u>Korea</u>	<u>Korea</u>	<u>Total</u>
Segment revenue	₩ 92,438,870	₩ 66,595,994	₩ 32,804,584	₩ 4,495,380	₩ 78,126,493	₩ 987,490,444
Inter-segment revenue	(93,464)	(10,603,227)	(382,047)	(48,324)	(1,805,948)	(57,427,839)
Revenue from contracts with customers	<u>₩ 92,345,406</u>	<u>₩ 55,992,767</u>	<u>₩ 32,422,537</u>	<u>₩ 4,447,056</u>	<u>₩ 76,320,545</u>	<u>₩ 930,062,605</u>
Timing of revenue recognition						
At a point in time	₩ -	₩ -	₩ -	₩ -	₩ 14,458,788	₩ 682,993,082
Over time	92,345,406	55,992,767	32,422,537	4,447,056	61,861,756	247,069,522

Halla Holdings Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2020				
	Merchandise			Finished goods	
	Korea	China	USA and others	Korea	USA and others
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	Total
	Korea	China	USA and others	Korea	Korea	
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