

Youngone Holdings Co., Ltd. and Subsidiaries

**Consolidated Financial Statements
December 31, 2023 and 2022**

Youngone Holdings Co., Ltd. and Subsidiaries
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December 31, 2023 and 2022

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Independent Auditor's Report
(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Youngone Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Youngone Holdings Co., Ltd and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Youngone Holdings Co., Ltd. as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audit 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.

Impairment assessment of goodwill and brand value with indefinite useful lives

Why it is determined to be a key audit matter

The Group owns goodwill and brand value with indefinite useful lives amounting to ₩ 20,267 million and ₩ 118,070 million, respectively, as at December 31, 2023. The Group determines the recognition of impairment loss on goodwill and brand value with indefinite useful lives in accordance with Korean IFRS 1036 *Impairment of Assets*. We focused on this area due to the significance of size of goodwill and brand value with indefinite useful lives and because the assessment of the 'value in use' of the Group's Cash Generating Units (CGU's) involves management's judgements about the future results of the business and the discount rates applied to future cash flow forecast (Note 17).

In particular, we focused our audit effort on the impairment assessment of brand value with indefinite useful lives (₩ 62,491 million as at December 31, 2023) arising from the acquisition of SCOTT in which size of intangible assets with indefinite useful lives including goodwill is significant, and goodwill (₩ 17,187 million as at December 31, 2023) and brand value with indefinite useful lives (₩ 45,815 million as at December 31, 2023) held by SCOTT (Note 17).

How our audit addressed the key audit matter

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

- Evaluated the competency and objectivity of an external valuation expert engaged by management.
- Used internal experts to evaluate the adequacy of valuation model used by management to estimate the recoverable amount.
- Evaluated the reasonableness of key assumptions used to estimate recoverable amount.
- Confirmed the consistency of the sales growth rate, operating profit margin and investment forecasts of target company by comparing these with the past performance and market conditions.
- Compared the discount rates used by management with those calculated independently using observable information.

Other Matters

The consolidated financial statements of the Group for the year ended December 31, 2022, were audited by another auditor who expressed an unqualified opinion on those statements on March 21, 2023.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such 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 Seung-hwan, Hong, Certified Public Accountant.

Seoul, Korea
March 28, 2024

This report is effective as of March 28, 2024, 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.

Youngone Holdings Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4,7,8	₩ 1,183,867,828,814	₩ 1,000,869,586,527
Short-term financial instruments	4,7,8	833,982,020,902	643,585,312,074
Derivative assets	4,5,7	8,039,634,600	31,098,251,240
Trade receivables	4,7,11	526,160,340,093	586,370,104,833
Inventories	14	1,503,172,218,421	1,120,453,201,512
Other receivables	4,12	56,083,941,963	40,870,360,017
Other current assets	13	76,105,119,834	157,558,419,642
Current tax assets		12,627,331,492	8,657,651,421
		<u>4,200,038,436,119</u>	<u>3,589,462,887,266</u>
Non-current assets			
Long-term financial instruments	4,7,8	611,606,880	613,570,768
Financial assets at fair value through profit or loss	4,5,7,9	30,154,755,800	13,204,399,286
Financial assets at fair value through other comprehensive income	4,5,7,10	546,907,156,717	522,262,690,111
Investments in associate and joint ventures	20	1,061,139,900	926,687,250
Property, plant and equipment	15	1,086,678,790,808	988,764,616,054
Right-of-use assets	16	84,983,267,024	65,311,143,495
Intangible assets	17	210,572,518,294	183,062,884,234
Investment property	18	144,238,949,072	62,098,507,820
Other receivables	4,12	7,088,773,981	10,000,253,850
Other non-current assets	13	4,597,734,868	9,385,252,198
Deferred tax assets	26	62,410,016,638	45,126,818,552
		<u>2,179,304,709,982</u>	<u>1,900,756,823,918</u>
Total assets		<u>₩ 6,379,343,146,101</u>	<u>₩ 5,490,219,711,184</u>
Liabilities			
Current liabilities			
Trade payables	4,7,21	₩ 434,732,109,155	₩ 343,970,076,142
Short-term borrowings	4,7,24,38	400,421,228,237	225,446,775,196
Current portion of long-term borrowings	4,7,24,38	70,620,137,120	28,929,517,784
Current lease liabilities	16,38	20,567,114,313	14,682,729,323
Current portion of debentures	24,38	-	9,995,754,179
Derivative liabilities	5,7	1,010,074,888	3,443,949,811
Current tax liabilities		104,161,073,327	143,251,541,731
Provisions for other liabilities and charges	42	32,145,027,200	26,032,109,179
Other payables	4,7,21	134,050,476,393	113,679,852,910
Other current liabilities	22	22,957,882,492	28,484,741,662
		<u>1,220,665,123,125</u>	<u>937,917,047,917</u>
Non-current liabilities			
Long-term borrowings	4,7,24,38	80,864,722,332	136,390,463,654
Non-current lease liabilities	16,38	68,944,813,365	54,569,987,779
Net defined benefit liabilities	25	74,454,284,010	43,531,540,883
Deferred tax liabilities	26	350,399,607,554	328,624,814,195
Other payables	4,7,21	1,010,642,012	17,574,866
Provisions for other liabilities and charges	42	-	41,835,242
Other non-current liabilities	22	3,105,027,160	2,463,048,254
		<u>578,779,096,433</u>	<u>565,639,264,873</u>
Total liabilities		<u>1,799,444,219,558</u>	<u>1,503,556,312,790</u>
Equity attributable to owners of the Parent Company			
Issued capital	1,27	6,817,796,000	6,817,796,000
Share premium	27	113,893,779,001	113,893,779,001
Retained earnings	29,30	2,064,293,850,799	1,746,527,033,702
Other components of equity	28	170,451,322,297	180,613,100,214
		<u>2,355,456,748,097</u>	<u>2,047,851,708,917</u>
Non-controlling interest	40	<u>2,224,442,178,446</u>	<u>1,938,811,689,477</u>
Total equity		<u>4,579,898,926,543</u>	<u>3,986,663,398,394</u>
Total liabilities and equity		<u>₩ 6,379,343,146,101</u>	<u>₩ 5,490,219,711,184</u>

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

Youngone Holdings Co., Ltd. and Subsidiaries
Consolidated Income Statements
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023		2022	
Revenue	6,41	₩	4,355,478,262,337	₩	4,533,879,205,529
Cost of sales	33,41		<u>2,496,614,929,837</u>		<u>2,660,035,593,343</u>
Gross profit			1,858,863,332,500		1,873,843,612,186
Selling and administrative expenses	31,33		<u>986,281,198,998</u>		<u>871,644,904,937</u>
Operating income	6		872,582,133,502		1,002,198,707,249
Other income	32		224,186,345,435		296,830,721,593
Other expenses	32		194,036,010,014		224,791,044,202
Finance income	7,35		59,481,367,130		23,218,093,406
Finance costs	7,35		24,462,410,875		14,054,374,392
Share of loss of associates and joint ventures	20		<u>(920,445,300)</u>		<u>-</u>
Profit before income tax			936,830,979,878		1,083,402,103,654
Income tax expense	36		<u>218,094,352,838</u>		<u>185,257,542,546</u>
Profit		₩	<u>718,736,627,040</u>	₩	<u>898,144,561,108</u>
Profit is attributable to:					
Owners of the Parent Company		₩	371,729,592,797	₩	440,843,105,607
Non-controlling interests			347,007,034,243		457,301,455,501
Earnings per share attributable to the equity holders of the Parent Company					
Basic earnings per share	37	₩	32,032	₩	37,988

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

Youngone Holdings Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Notes	2023	2022
Profit		₩ 718,736,627,040	₩ 898,144,561,108
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		(11,242,955,386)	7,510,346,473
Gains on valuation of financial assets at fair value through other comprehensive income	10	19,121,656,719	86,102,151,186
Items that may be subsequently reclassified to profit or loss			
Gain (loss) on exchange differences		6,473,636,191	(98,804,552,554)
Share of other comprehensive income (loss) of associates and joint ventures	20	(7,553,825)	8,985,553
Gain (loss) on valuation of derivatives		(9,221,902,200)	5,071,539,550
Other comprehensive income (loss), net of tax		<u>5,122,881,499</u>	<u>(111,529,792)</u>
Total comprehensive income		<u>₩ 723,859,508,539</u>	<u>₩ 898,033,031,316</u>
Total comprehensive income attributable to:			
Owners of the Parent Company		₩ 361,567,814,880	₩ 442,810,217,855
Non-controlling interest		362,291,693,659	455,222,813,461

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

Youngone Holdings Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2023 and 2022

(in Korean won)

	Note	Attributable to owners of the Parent Company					Non-controlling Interest	Total Equity
		Issued Capital	Share Premium	Retained Earnings	Other Components of Equity	Total		
Balance at January 1, 2022		₩ 6,817,796,000	₩ 113,893,779,001	₩ 1,328,893,724,095	₩ 178,645,987,966	₩ 1,628,251,287,062	₩ 1,526,827,054,732	₩ 3,155,078,341,794
Total comprehensive income								
Profit		-	-	440,843,105,607	-	440,843,105,607	457,301,455,501	898,144,561,108
Gain on valuation of financial assets at fair value through other comprehensive income	10	-	-	-	55,480,313,926	55,480,313,926	30,621,837,260	86,102,151,186
Exchange differences		-	-	-	(53,907,614,392)	(53,907,614,392)	(44,896,938,162)	(98,804,552,554)
Share of other comprehensive income of associates and joint ventures		-	-	-	-	-	8,985,553	8,985,553
Remeasurements of net defined benefit liabilities		-	-	-	(893,032,998)	(893,032,998)	8,403,379,471	7,510,346,473
Gain on valuation of derivatives		-	-	-	1,287,445,712	1,287,445,712	3,784,093,838	5,071,539,550
Total transactions with owners of the Parent Company, recognized directly in equity								
Dividend paid		-	-	(23,209,796,000)	-	(23,209,796,000)	(43,238,178,716)	(66,447,974,716)
Balance at December 31, 2022		<u>₩ 6,817,796,000</u>	<u>₩ 113,893,779,001</u>	<u>₩ 1,746,527,033,702</u>	<u>₩ 180,613,100,214</u>	<u>₩ 2,047,851,708,917</u>	<u>₩ 1,938,811,689,477</u>	<u>₩ 3,986,663,398,394</u>
Balance at January 1, 2023		₩ 6,817,796,000	₩ 113,893,779,001	₩ 1,746,527,033,702	₩ 180,613,100,214	₩ 2,047,851,708,917	₩ 1,938,811,689,477	₩ 3,986,663,398,394
Total comprehensive income								
Profit		-	-	371,729,592,797	-	371,729,592,797	347,007,034,243	718,736,627,040
Gain on valuation of financial assets at fair value through other comprehensive income	10	-	-	-	10,702,462,697	10,702,462,697	8,419,194,022	19,121,656,719
Exchange differences		-	-	-	(11,519,472,697)	(11,519,472,697)	17,993,108,888	6,473,636,191
Share of other comprehensive loss of associates and joint ventures		-	-	-	-	-	(7,553,825)	(7,553,825)
Remeasurements of net defined benefit liabilities		-	-	-	(7,001,936,779)	(7,001,936,779)	(4,241,018,607)	(11,242,955,386)
Loss on valuation of derivatives		-	-	-	(2,342,831,138)	(2,342,831,138)	(6,879,071,062)	(9,221,902,200)
Total transactions with owners of the Parent Company, recognized directly in equity								
Dividend paid		-	-	(53,962,775,700)	-	(53,962,775,700)	(76,661,204,690)	(130,623,980,390)
Balance at December 31, 2023		<u>₩ 6,817,796,000</u>	<u>₩ 113,893,779,001</u>	<u>₩ 2,064,293,850,799</u>	<u>₩ 170,451,322,297</u>	<u>₩ 2,355,456,748,097</u>	<u>₩ 2,224,442,178,446</u>	<u>₩ 4,579,898,926,543</u>

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

Youngone Holdings Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

<i>(in Korean won)</i>	Note	2023	2022
Cash flows from operating activities			
Net cash flows from operations	38 W	927,255,949,651	W 682,850,662,923
Interest received		54,274,592,991	14,845,297,431
Interest paid		(24,693,882,738)	(13,983,317,194)
Dividends received		6,478,285,841	5,109,062,414
Income tax paid		(261,501,200,505)	(169,593,017,571)
Cash flows from operating activities		<u>701,813,745,240</u>	<u>519,228,688,003</u>
Cash flows used in investing activities			
Increase in short-term financial assets, net		(231,145,785,353)	(201,829,208,802)
Decrease in long-term financial assets		2,000,000	257,810,000
Proceeds from sale of property, plant and equipment		3,110,750,869	34,482,033,150
Payments for property, plant and equipment		(190,452,941,721)	(149,889,283,840)
Payments for investment property		(73,275,118,181)	(13,032,200,881)
Proceeds from sale of investment property		-	239,312,850
Proceeds from sale of intangible assets		18,016,847	520,000,074
Payments for intangible assets		(22,125,267,143)	(9,032,681,801)
Decrease in leasehold deposits		285,987,849	2,075,051,675
Increase in leasehold deposits		(1,926,812,914)	(4,441,999,818)
Payments for financial assets at fair value through other comprehensive income		-	(32,780,841,147)
Proceeds from sale of financial assets at fair value through profit or loss		227,320,782	241,228,976
Payments for financial assets at fair value through profit or loss		(12,141,631,744)	(8,840,208,652)
Settlement of derivatives		(200,500,000)	-
Payments for investments in associates		(949,527,300)	(912,633,750)
Changes in scope of consolidation		213,752,700	-
Cash flows used in investing activities		<u>(528,359,755,309)</u>	<u>(382,943,621,966)</u>
Cash flows from (used in) financing activities			
Proceeds from short-term borrowings, net		146,179,382,592	129,769,361,264
Proceeds from long-term borrowings		-	60,861,215,372
Repayments of long-term borrowings		-	(20,280,750)
Repayments of current portion of long-term borrowings		(30,839,796,407)	(1,763,073,200)
Dividends paid		(130,623,980,390)	(66,447,974,716)
Repayments of financial lease liabilities		(20,230,133,095)	(13,232,450,235)
Repayments of debentures		(10,000,000,000)	(40,000,000,000)
Increase in other deposits		3,159,331,912	3,159,710,232
Decrease in other deposits		(581,542,000)	(2,491,636,150)
Cash flows from (used in) financing activities		<u>(42,936,737,388)</u>	<u>69,834,871,817</u>
Changes in cash due to foreign currency translation		<u>52,480,989,744</u>	<u>(54,705,533,235)</u>
Increase in cash and cash equivalents		<u>182,998,242,287</u>	<u>151,414,404,619</u>
Cash and cash equivalents at the beginning of the year		<u>1,000,869,586,527</u>	<u>849,455,181,908</u>
Cash and cash equivalents at the end of the year		<u>W 1,183,867,828,814</u>	<u>W 1,000,869,586,527</u>

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

Youngone Holdings Co., Ltd and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1. General Information

Youngone Holdings Co., Ltd. (the Company) and its 81 subsidiaries (collectively referred to as the “Group”), including Youngone Corporation, are subject to consolidation and three entities including INTERNATIONAL RETAIL CORPORATION, Scott Network Solutions India are accounted for using the equity method in the preparation of the consolidated financial statements.

1.1 The Company

Youngone Holdings Co., Ltd. (formerly, Youngone Corporation, the Company) was established on June 5, 1974 and the Company’s headquarters located in Jung-gu, Seoul. On November 7, 1988, the Company was listed on the Korea Exchange.

The Company was mainly engaged in domestic and overseas import and export business, its agency business, and clothing manufacturing and sales business until June 30, 2009, before the spin-off of its operating segment. On July 1, 2009, which was the spin-off registration date, the Company carried out a spin-off of the operating segment to the newly established company, Youngone Corporation. After the spin-off, the Company changed its name to Youngone Holdings Co., Ltd., and the Company converted into a holding company that mainly engaged in the investment business and office renting business.

The Company’s issued capital as at December 31, 2023, is ₩ 6,817,796 thousand, and the Company’s shareholders and their respective percentage of ownership as at December 31, 2023, are as follows:

	Number of shares	Percentage of ownership (%)	Remark
YMSA	3,966,971	29.09	Majority shareholder
Sung, Ki Hak	2,286,445	16.77	
Youngone Holdings Co., Ltd.	2,030,694	14.89	Treasury shares
Others	5,351,482	39.25	
	<u>13,635,592</u>	<u>100.00</u>	

1.2 Consolidated Subsidiaries

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

Subsidiaries	Number of investment shares			Percentage of ownership (%)		Closing month	Location
	Parents	Subsidiaries	Total	Parents ⁵⁹	Subsidiaries		
Youngone Corporation	22,386,320	-	22,386,320	50.52%	-	December	Korea
Youngone Outdoor	355,814	-	355,814	59.30%	-	December	Korea
KEPZ ¹	4,832,000	-	4,832,000	100.00%	-	December	Bangladesh
Qweto GmbH	18	-	18	51.42%	-	December	Switzerland
PBI ²	600	-	600	100.00%	-	December	Switzerland
Scott North Asia Co.,Ltd.	300,000	200,000	500,000	60.00%	40.00%	December	Korea

Youngone Holdings Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Subsidiaries	Percentage of ownership					Closing month	Location
	Number of investment shares			(%)			
	Parents	Subsidiaries	Total	Parents ⁵⁹	Subsidiaries		
S-13 ³	-	12,000	12,000	-	100.00%	December	France
PBL ⁴	-	1,000	1,000	-	100.00%	December	Belgium
SCOTT JAPAN INC.	-	8,001	8,001	-	100.00%	December	Japan
YOH, LLC	6,000,000	-	6,000,000	100.00%	-	December	USA
YOH CVC PTE. LTD.	1,000,000	-	1,000,000	100.00%	-	December	Singapore
YOH CVC Fund 1 Limited Partnership ⁵⁷	-	-	-	47.06%	52.94%	December	Singapore
YCL ⁵	-	2,039,795	2,039,795	-	100.00%	December	Bangladesh
TSL ⁶	-	1,165,504	1,165,504	-	100.00%	December	Bangladesh
KSL ⁷	-	105,064	105,064	-	100.00%	December	Bangladesh
YHT ⁸	-	618,505	618,505	-	100.00%	December	Bangladesh
YPL ⁹	-	514,684	514,684	-	100.00%	December	Bangladesh
YGA ¹⁰	-	199,595	199,595	-	100.00%	December	Bangladesh
SEL ¹¹	-	346,802	346,802	-	100.00%	December	Bangladesh
SDF ¹²	-	619,760	619,760	-	100.00%	December	Bangladesh
YSF ¹³	-	453,722	453,722	-	100.00%	December	Bangladesh
STL ¹⁴	-	1,706,255	1,706,255	-	100.00%	December	Bangladesh
YSS ¹⁵	-	3,991,663	3,991,663	-	100.00%	December	Bangladesh
AAL ¹⁶	-	2,500,000	2,500,000	-	100.00%	December	Bangladesh
KSI ¹⁷	-	100,000	100,000	-	100.00%	December	Bangladesh
SWL ¹⁸	-	3	3	-	100.00%	December	Bangladesh
SLS ¹⁹	-	771,000	771,000	-	100.00%	December	Bangladesh
APD ²⁰	-	100,000	100,000	-	100.00%	December	Bangladesh
CPD ²¹	-	100,000	100,000	-	100.00%	December	Bangladesh
DPD ²²	-	100,000	100,000	-	100.00%	December	Bangladesh
EPD ²³	-	100,000	100,000	-	100.00%	December	Bangladesh
GPD ²⁴	-	100,000	100,000	-	100.00%	December	Bangladesh
KPP ²⁵	-	1,000,000	1,000,000	-	100.00%	December	Bangladesh
TWL ²⁶	-	100,000	100,000	-	100.00%	December	Bangladesh
TVL ²⁷	-	100,000	100,000	-	100.00%	December	Bangladesh
ICL ²⁸	-	100,000	100,000	-	100.00%	December	Bangladesh
SAL ²⁹	-	100,000	100,000	-	100.00%	December	Bangladesh
BHL ³⁰	-	100,000	100,000	-	100.00%	December	Bangladesh
KPL ³¹	-	900,000	900,000	-	100.00%	December	Bangladesh
YSP ^{32,57}	-	-	-	-	100.00%	December	China
GMC ^{33,57}	-	-	-	-	100.00%	December	China
YNL ^{34,57}	-	-	-	-	100.00%	December	Vietnam
YBL ^{35,57}	-	-	-	-	100.00%	December	Vietnam
YHL ^{36,57}	-	-	-	-	100.00%	December	Vietnam
BSL ^{37,57}	-	-	-	-	100.00%	December	Vietnam
YLS ³⁸	-	760,000	760,000	-	100.00%	December	El Salvador
ESL ³⁹	-	390,000	390,000	-	100.00%	December	Hong Kong
DTL ⁴⁰	-	510,000	510,000	-	100.00%	December	Thailand
YQA ⁴¹	-	1,000	1,000	-	100.00%	December	USA

Youngone Holdings Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Percentage of ownership					Closing month	Location
	Number of investment shares			(%)			
	Parents	Subsidiaries	Total	Parents ⁵⁹	Subsidiaries		
MSH ⁴²	-	40,817,178	40,817,178	-	100.00%	December	USA
OR ⁴³	-	800	800	-	80.00%	December	USA
OR CANADA ⁴⁴	-	1,000	1,000	-	100.00%	December	USA
YTL ^{45,57}	-	-	-	-	100.00%	December	Turkey
AAI ⁴⁶	-	66,000,000	66,000,000	-	100.00%	December	UK(IOM)
SQA ^{47,57}	-	-	-	-	100.00%	December	Uzbekistan
BKS ^{48,57}	-	-	-	-	100.00%	December	Uzbekistan
BPL ^{49,57}	-	-	-	-	100.00%	December	Taiwan
ESP ⁵⁰	-	5,352,755	5,352,755	-	100.00%	December	Ethiopia
DTI ⁵¹	-	102	102	-	100.00%	December	New Zealand
YIA ⁵²	-	15,300,000	15,300,000	-	100.00%	December	Singapore
ETL ⁵³	-	72,000,000	72,000,000	-	100.00%	December	India
YES ⁵⁴	-	200,000	200,000	-	100.00%	December	Portugal
YMS ⁵⁵	-	150,000	150,000	-	100.00%	December	Portugal
ASI ⁵⁶	-	40	40	-	100.00%	December	Guatemala
SCOTT CORPORATION SA	-	6,251,250	6,251,250	-	50.01%	September	Switzerland
SCOTT SPORTS SA	-	12,001	12,001	-	50.01%	September	Switzerland
SCOTT USA INC.	-	1	1	-	50.01%	September	USA
SSG (EUROPE) DISTRIBUTION CENTER NV	-	250	250	-	50.01%	September	Belgium
SCOTT ITALIA S.R.L.	-	100,000	100,000	-	50.01%	September	Italy
SCOTT SPORTS AB	-	5,000	5,000	-	50.01%	September	Sweden
SCOTT SPORTS AFRICA (PTY) LTD	-	100	100	-	50.01%	September	Republic of South Africa
SCOTT SPORTS INDIA (PVT) LTD	-	10,000	10,000	-	50.01%	September	India
DFG INC.	-	4,438	4,438	-	50.01%	September	USA
BERGAMONT FAHRRAD VERTRIEB GMBH ⁵⁷	-	-	-	-	50.01%	September	Germany
DOLOMITE S.R.L.	-	10,000	10,000	-	50.01%	September	Italy
SHEPPARD CYCLES AUSTRALIA PTY LTD ⁵⁸	-	95,000	95,000	-	47.51%	September	Australia
SHEPPARD CYCLES NEW ZEALAND LIMITED ⁵⁸	-	95,000	95,000	-	47.51%	September	New Zealand
SPORT NETWORK SOLUTION SA	-	10,000,000	10,000,000	-	50.01%	September	Switzerland
SCOTT SPORTS DENMARK A/S	-	5,000	5,000	-	50.01%	September	Denmark
SHEPPARD CYCLES	-	-	-	-	47.51%	September	Australia

Youngone Holdings Co., Ltd and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

Subsidiaries	Number of investment shares			Percentage of ownership		Closing month	Location
	Parents	Subsidiaries	Total	Parents ⁵⁹	Subsidiaries		
RETAIL SERVICES							
PTY LTD ^{57,58}							
BSSH Pty Ltd. ⁵⁸	-	2,280,000	2,280,000	-	47.51%	September	Australia

¹ KOREAN EPZ(KEPZ) CORPORATION(BD) LIMITED

² POIVRE BLANC INTERNATIONAL AG.

³ POIVRE BLANC S-13

⁴ POIVRE BLANC LOGISTICS

⁵ YOUNGONE (CEPZ) LTD.

⁶ TITAS SPORTSWEAR INDUSTRIES LTD.

⁷ KARNAPHULI SPORTSWEAR INDUSTRIES LTD.

⁸ YOUNGONE HI-TECH SPORTSWEAR INDUSTRIES LTD.

⁹ YOUNGONE PADDING (CEPZ) LTD.

¹⁰ YOUNGONE GARMENT ACCESSORIES INDUSTRIES LTD.

¹¹ SHINHAN EMULSION CO., LTD.

¹² SAVAR DYEING & FINISHING INDUSTRIES LTD.

¹³ YOUNGONE SYNTHETIC FIBRE PRODUCTS INDUSTRIES LTD.

¹⁴ SUNGNAM TEXTILES MILLS LTD.

¹⁵ YOUNGONE SPORTS SHOES INDUSTRIES LTD.

¹⁶ ARIRANG AVIATION LTD.

¹⁷ KARNAPHULI SHOES INDUSTRIES LTD.

¹⁸ SURMA GARMENTS WASHING & FINISHING CO., LTD.

¹⁹ SUNGNAM LEATHER AND SPORTS PRODUCT INDUSTRIES LTD.

²⁰ ALPHA PRODUCT DEVELOPMENT COMPANY (BD) LIMITED

²¹ CHANG-JO PRODUCT DEVELOPMENT CO.(BD) LIMITED

²² DAE-GU PRODUCT DEVELOPMENT CO.(BD) LIMITED

²³ EVERTOP PRODUCT DEVELOPMENT CO.(BD) LIMITED

²⁴ GAYA PRODUCT DEVELOPMENT COMPANY (BD) LIMITED

²⁵ KARNAPHULI POLYESTER PRODUCTS COMPANY LIMITED

²⁶ TEKWIN (BD) LIMITED

²⁷ TEKVISION (BD) LIMITED

²⁸ INCHEON CONTAINERS (BD) LIMITED

²⁹ SUNGNAM APPARELS (BD) LIMITED

³⁰ BUSAN HARBOUR (BD) LIMITED

³¹ KARNAPHULI PACKAGING IND LTD.

³² QINGDAO YOUNGONE SPORTS PRODUCTS CO., LTD.

³³ QINGDAO YOUNGONE SPORTSWEAR CO., LTD.

³⁴ YOUNGONE NAM DINH CO., LTD.

³⁵ YOUNGONE BAC GIANG CO., LTD.

³⁶ YOUNGONE HUNGYEN CO., LTD.

³⁷ BROADPEAK SOC TRANG CO., LTD.

³⁸ YOUNGONE (EL SALVADOR) S.A DE C.V.

³⁹ EVER SUMMIT (HK) LTD.

⁴⁰ DONGNAMA TRADING CO., LTD.

Youngone Holdings Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

⁴¹ YOUNGONE AMERICA INC.

⁴² MOUNTAIN SUMMIT HOLDINGS, LTD.

⁴³ OUTDOOR RESEARCH, LLC.

⁴⁴ Outdoor Research-Canada, Inc

⁴⁵ YOUNGONE (ISTANBUL) APPAREL SANAYI VE TICARET LTD.

⁴⁶ ARIRANG AVIATION (IOM) LTD.

⁴⁷ SAMARKAND APPAREL LLC.

⁴⁸ BUKA SPORTSWEAR LLC.

⁴⁹ BROAD PEAK INTL LTD.

⁵⁰ EVERTOP SPORTSWEAR PLC.

⁵¹ DESIGNER TEXTILES INTERNATIONAL LTD.

⁵² YOUNGONE INTERNATIONAL ASIA PTE. LTD.

⁵³ EVERTOP TEXTILE & APPAREL COMPLEX PRIVATE LIMITED

⁵⁴ YOUNGONE CORPORATION EUROPE SGPS S.A.

⁵⁵ YOK MIRAGAIA, S.A.

⁵⁶ AMATITLAN SUNGNAM INDUSTRIES, S. A.

⁵⁷ This subsidiary either does not issue the share certificates or is not a share corporation.
Thus, there is no share.

⁵⁸ The Group has more than 50% of ownership interest of SCOTT CORPORATION SA. Thus, it is
classified as a subsidiary in the scope of consolidation.

⁵⁹ Based on effective consolidated shareholding ratio.

Youngone Holdings Co., Ltd and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

1.3 Summary of Financial information of Subsidiaries

Summarized statements of financial position and statements of comprehensive income for consolidated subsidiaries as at and for the years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

Subsidiaries	2023					
	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Youngone Corporation	₩2,414,286,130	₩ 629,518,856	₩1,784,767,274	₩ 1,938,194,719	₩ 253,668,873	₩ 266,336,035
Youngone Outdoor	927,159,084	247,205,383	679,953,701	961,386,096	191,478,247	188,929,128
Qweto GmbH	5,014,753	3,091,676	1,923,077	-	-	193,905
PBI ¹	5,204,237	8,764,298	(3,560,061)	6,846,808	(1,865,521)	(1,972,874)
KEPZ	45,550,052	39,445,178	6,104,874	9,869,159	2,489,070	2,260,969
Scott North Asia Co.,Ltd. ¹	22,658,990	17,329,451	5,329,539	12,526,006	(338,181)	(376,045)
YOH, LLC	6,982,709	37,112	6,945,597	-	(364,219)	(234,540)
YOH CVC PTE. LTD.	2,132,760	85,087	2,047,673	848,706	481,360	502,404
YOH CVC Fund 1 Limited Partnership	90,442,070	116,736	90,325,334	4,306,407	6,346,437	7,709,314
YCL	379,368,223	40,809,795	338,558,428	326,348,539	67,460,302	52,828,286
TSL	254,474,097	23,957,913	230,516,184	187,092,431	40,362,562	30,271,508
KSL	147,069,154	28,299,904	118,769,250	141,554,101	20,691,900	15,841,643
YHT	288,495,614	31,701,219	256,794,395	152,012,196	28,859,356	11,498,342
YPL	27,501,026	1,301,964	26,199,062	7,199,920	2,410,406	1,239,319
YGA	29,306,222	1,174,034	28,132,188	7,475,108	3,287,227	2,005,488
SEL	15,882,845	383,325	15,499,520	6,258,867	3,113,021	2,453,976
SDF	38,127,355	7,650,318	30,477,037	45,109,822	8,405,037	7,181,523
YSF	24,461,887	1,357,427	23,104,460	12,144,841	2,513,476	1,460,422
STL	14,488,474	1,065,776	13,422,698	8,258,092	2,522,126	1,928,847
YSS	48,979,797	5,811,778	43,168,019	32,103,727	(2,293,301)	(4,365,760)
AAL	1,727,410	204,291	1,523,119	380,884	(163,528)	(236,369)
KSI	385,951,523	242,204,032	143,747,491	356,923,673	50,984,623	45,264,678
SWL	1,269,167	143,878	1,125,289	268,385	(75,278)	(128,302)
SLS	87,186	10,162	77,024	-	(6,900)	(10,560)
YSP	23,171,992	10,307,688	12,864,304	-	(851,950)	(881,775)
GMC	11,146,995	1,493,600	9,653,395	195,685	(278,832)	(306,653)
YNL	386,940,383	39,656,234	347,284,149	393,152,398	62,671,348	57,999,798
YBL	32,912,279	5,459,402	27,452,877	57,914,055	7,636,789	7,225,480
YHL	44,965,883	4,776,379	40,189,504	59,765,504	6,078,808	5,579,068
YLS	47,585,253	2,071,057	45,514,196	48,181,972	4,835,576	5,474,508
ESL	15,041,539	6,389,177	8,652,362	52,607,172	(4,567,773)	(4,321,149)
DTL	3,801,192	562,578	3,238,614	4,027,296	(363,068)	(321,439)
YTL	408,611	-	408,611	-	-	7,003

Youngone Holdings Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

2023						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
AAI	106,294,435	28,167,606	78,126,829	6,131,747	(4,291,043)	(2,826,696)
MSH ¹	151,730,953	66,644,999	85,085,954	156,536,958	3,492,896	4,087,077
SQA	10,169,891	4,352,375	5,817,516	244,414	(627,729)	(1,209,480)
SCOTT ¹	1,608,799,546	1,008,032,520	600,767,026	1,242,422,301	35,514,938	77,747,488
BPL	1,648,985	713,784	935,201	3,159,146	118,954	132,927
ESP	3,609,631	1,172,925	2,436,706	3,214,728	(411,414)	(502,137)
APD	20,757,439	21,106,533	(349,094)	-	(335,806)	(325,600)
CPD	107,188	587	106,601	-	(8,426)	(13,472)
DPD	5,243,253	4,985,883	257,370	1,838,670	58,381	46,438
EPD	5,922,040	8,973,890	(3,051,850)	1,184,792	(1,122,787)	(1,002,051)
GPD	13,668,318	14,279,587	(611,269)	15,861	(478,739)	(458,969)
KPP	121,312,036	142,177,686	(20,865,650)	29,462,121	(2,638,844)	(1,723,364)
BKS	5,917,845	11,999	5,905,846	-	-	(590,585)
DTI	6,493,942	588,189	5,905,753	4,577,683	419,894	509,685
BSL	102,725,282	9,185,463	93,539,819	145,304,131	35,533,229	33,940,838
TWL	110,614	587	110,027	-	(4,100)	(9,228)
TVL	7,526,117	9,521,777	(1,995,660)	-	(1,547,590)	(1,482,778)
ICL	109,951	588	109,363	-	(4,743)	(9,851)
SAL	47,030,847	58,067,843	(11,036,996)	592,417	(3,574,168)	(3,129,070)
BHL	114,351	6,069	108,282	-	(5,629)	(10,704)
KPL	13,175,846	12,124,976	1,050,870	3,029,656	62,496	15,287
YIA	19,299,781	2,744,057	16,555,724	8,719,827	1,595,827	1,612,593
ETL	10,792,914	124,407	10,668,507	-	(113,841)	(155,466)
YES	2,782,925	23,877	2,759,048	-	(93,193)	56,648
YMS	2,457,112	195,138	2,261,974	-	120,871	209,209
ASI	331	-	331	-	-	-

¹ Consolidated financial information

(in thousands of Korean won)

2022						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
Youngone Corporation	W1,895,028,518	W 309,482,206	W1,585,546,312	W 2,130,649,097	W 204,214,530	W 265,075,663
Youngone Outdoor	765,080,744	166,440,171	598,640,573	763,958,402	145,390,846	143,333,877
Qweto GmbH	4,509,113	2,779,941	1,729,172	75,839	1,422	96,333
PBI ¹	5,257,094	6,844,281	(1,587,187)	10,006,057	(573,169)	(577,225)
KEPZ	40,409,068	36,565,163	3,843,905	9,474,971	3,145,129	2,628,568
Scott North Asia Co.,Ltd. ¹	12,442,368	6,736,783	5,705,584	17,138,320	1,753,855	1,798,879
YOH, LLC	7,185,176	5,039	7,180,137	-	(383,079)	111,939

Youngone Holdings Co., Ltd and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

2022						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
YOH CVC PTE.						
LTD.	1,652,264	106,995	1,545,269	455,646	283,376	332,569
YOH CVC Fund 1						
Limited Partnership	82,683,735	67,715	82,616,020	-	227,442	(2,383,980)
YCL	321,417,509	35,687,367	285,730,142	359,604,601	73,460,711	85,254,755
TSL	226,038,692	25,794,016	200,244,676	210,014,122	42,876,902	55,039,929
KSL	132,715,260	29,787,653	102,927,607	143,456,328	22,761,048	26,529,920
YHT	262,081,015	52,026,958	210,054,057	190,901,069	49,973,215	53,579,958
SSL	29,581,289	251,115	29,330,174	-	(169,289)	2,067,312
YPL	26,118,323	1,158,579	24,959,744	9,132,534	4,067,799	6,177,753
YGA	26,969,883	843,184	26,126,699	8,560,782	4,810,414	6,567,723
SEL	13,578,093	532,549	13,045,544	8,305,497	3,397,668	3,891,124
SDF	29,277,561	5,982,046	23,295,515	50,931,437	10,505,390	10,843,243
YSF	23,464,302	1,820,264	21,644,038	13,323,015	2,804,726	4,056,640
STL	12,668,292	1,174,441	11,493,851	10,259,446	2,945,674	3,436,310
YSS	55,544,349	8,010,569	47,533,780	56,340,125	7,318,235	11,284,887
AAL	2,052,127	292,638	1,759,489	442,674	(474,657)	148,616
KSI	347,452,910	248,970,097	98,482,813	409,022,508	66,232,238	68,612,123
SWL	1,380,646	127,055	1,253,591	525,145	178,215	176,921
SLS	99,827	12,243	87,584	-	(4,461)	381
YSP	23,654,381	9,908,302	13,746,079	-	(820,361)	(1,819,621)
GMC	11,570,817	1,610,769	9,960,048	5,198,796	(470,234)	(950,915)
YNL	383,462,471	29,458,120	354,004,351	414,764,607	69,047,163	71,064,694
YBL	24,808,309	4,580,911	20,227,398	50,795,261	6,642,360	6,358,095
YHL	39,760,458	5,150,022	34,610,436	65,695,306	10,528,732	9,647,672
YLS	41,937,171	1,897,483	40,039,688	46,933,962	2,361,198	327,900
ESL	19,028,332	6,054,820	12,973,512	69,642,562	(1,124,373)	(1,678,379)
DTL	13,500,636	641,903	12,858,733	9,356,406	936,660	796,162
YTL	401,607	-	401,607	-	-	511
AAI	81,496,030	542,505	80,953,525	8,226,861	6,956,739	2,536,929
MSH ¹	128,425,421	73,534,745	54,890,676	136,654,007	(3,983,663)	(112,419)
SQA	10,469,537	3,442,540	7,026,997	897,353	(877,661)	3,827,921
SCOTT ¹	1,217,163,203	694,143,665	523,019,538	1,397,535,666	140,192,712	167,438,802
BPL	1,261,813	459,539	802,274	1,993,018	156,791	78,142
ESP	4,285,269	977,768	3,307,501	3,985,969	1,109,157	2,754,342
APD	11,631,665	11,655,160	(23,495)	-	(143,817)	(128,558)
CPD	122,627	2,554	120,073	-	(402)	14,372
DPD	5,393,893	5,182,961	210,932	1,317,384	290,968	310,802
EPD	6,680,324	8,730,123	(2,049,799)	337,262	(2,042,315)	(2,016,843)
GPD	9,186,793	9,339,094	(152,301)	-	(125,198)	(105,562)
KPP	120,283,340	139,425,627	(19,142,287)	25,517,306	344,908	981,828
BKS	6,509,629	13,199	6,496,430	-	-	435,685
DTI	5,857,790	461,722	5,396,068	5,207,814	1,448,332	1,120,886

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2022						
Subsidiaries	Assets	Liabilities	Equity	Sales	Profit (loss)	Total comprehensive income (loss)
BSL	81,861,863	22,262,882	59,598,981	109,344,098	25,543,973	22,983,328
TWL	122,656	3,402	119,254	-	(2,979)	(3,349)
TVL	8,498,327	9,011,209	(512,882)	-	(710,500)	(710,767)
ICL	122,657	3,442	119,215	-	(3,026)	(3,396)
SAL	49,354,704	57,262,630	(7,907,926)	-	(4,013,394)	(3,879,392)
BHL	122,657	3,671	118,986	-	(3,284)	(3,654)
KPL	12,607,946	11,572,363	1,035,583	-	(79,353)	(82,953)
YIA	10,859,481	6,208,450	4,651,031	20,734,513	(1,649,428)	(1,989,708)
ETL	4,643,054	119,081	4,523,973	-	(262,590)	(489,303)
YES	2,702,400	-	2,702,400	-	-	(226,713)

¹ Consolidated financial information.

1.4 Changes in scope of consolidation

(a) Subsidiaries newly included in the consolidation for the year ended December 31, 2023.

Subsidiary	Reason
YOK MIRAGAIA, S.A. ¹	Incorporation as a subsidiary due to new establishment of a subsidiary
BSSH Pty Ltd	Incorporation as a subsidiary by acquiring shares of the subsidiary
AMATITLAN SUNGNAM INDUSTRIES, S. A.	Incorporation as a subsidiary due to new establishment of a subsidiary

¹ The entity name changed from YOK REAL ESTATE EUROPE, S.A. after the establishment.

(b) A subsidiary excluded from the consolidation for the year ended December 31, 2023.

Subsidiary	Reason
SAVAR SPORTSWEAR CO., LTD.	Merged as subsidiary

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2. Material Accounting Policies

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

2.1 Basis of Preparation

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

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

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

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

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.

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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, 2023.

(a) 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 policy information. The amendments do not have a significant impact on the consolidated financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of gain or loss on valuation of financial liabilities subject to adjustment of exercise price

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments do not have a significant impact on the consolidated financial statements.

(c) 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 do not have a significant impact on the consolidated financial statements.

(d) 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 do not have a significant impact on the consolidated financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contracts

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. The standard does not have a significant impact on the consolidated financial statements.

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(f) Korean IFRS 1012 Income Taxes – International Tax Reform – Pillar Two Model Rules

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. Since the Pillar Two legislation is scheduled to be effective from January 1, 2024, the Group has no current tax expense related to Pillar Two. The impact of the Pillar Two income taxes is described in Note 36.

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, 2023 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants

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. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(b) Amendments to Korean IFRS 1007 Statement of Cash Flows, Korean IFRS 1107 Financial Instruments: Disclosures – Supplier finance arrangements

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

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(c) Amendments to Korean IFRS 1116 Leases – Lease Liability in a Sale and Leaseback

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements – Disclosure of Cryptographic Assets

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

(e) Amendments to Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates and 1101 First-time Adoption of International Financial Reporting Standards – Lack of Exchangeability

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The amendments do not have a significant impact on the consolidated 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 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.

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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.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(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.

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(d) Business combination of entities under common control

The Group applies the book amount method to account for business combinations of entities under a common control. Identifiable assets acquired and liabilities assumed in a business combination are measured at their book amounts on the consolidated financial statements of the Ultimate Parent Company. However, if the consolidated financial statements are not available, the Group applies the carrying amount of assets and liabilities accounted on acquiree's financial statements. In addition, the difference between the sum of consolidated book amounts of the assets and liabilities transferred and accumulated other comprehensive income; and the consideration paid is recognized as reserves.

2.4 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 (Note 6). 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.

2.5 Foreign Currency Translation

(a) Functional and presentation currency

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

(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. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement within 'other income or other expenses'.

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

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financial assets are recognized in other comprehensive income.

2.6 Financial Assets

(a) Classification

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

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

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

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

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. 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. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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- 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 or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign 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 income statement 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, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the income statement 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 and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables (Note 4.1.2 provides more detail of how the Group determines there has been a significant increase in credit risk).

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(d) Recognition and Derecognition

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

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

(e) Offsetting of financial instruments

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

2.7 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 non-operating income (expenses)' based on the nature of transactions.

2.8 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 11 for further information about the Group's accounting for trade receivables and Note 4.1.2 for a description of the Group's accounting policy for impairment.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method.

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.

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

	Useful life
Buildings	20 - 40 years
Structures	30 years
Facilities	30 years
Machinery	4 - 10 years
Vehicles	4 - 15 years
Tools and equipment	3 - 7 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. If necessary, it will be accounted for as a change in estimates.

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 measured as described in Note 2.3(a), and 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

Software 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. Customer contracts acquired in a business combination are recognized at fair value at the acquisition date. Membership rights and brand value 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

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useful life using the straight-line method over the following periods:

	Useful lives
Software, development costs and industrial property rights	5 years
Customer relationships	15 – 20 years
Brand value ¹	10 – 15 years

¹ Particular brand value that have a definite useful life.

2.14 Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 25~40 years.

2.15 Impairment of Non-financial Assets

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 Financial Liabilities

(a) Classification and measurement

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

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

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.

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(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.

2.17 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 90 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.

2.18 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 payables'.

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

2.19 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. 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.

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

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

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

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

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

2.21 Net defined benefit liabilities

The Group operates both defined contribution and defined benefit pension plans.

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, 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

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denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

2.22 Revenue Recognition

The Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Sales of goods – Export

The export transactions represent selling outdoor and sports clothing to global brand companies such as THE NORTH FACE through Original Equipment Manufacturing (OEM). All of export transactions consist of FOB and others under INCOTERMS 2000, and the revenue is recognized when the goods are delivered to the specified location, and the risks and controls of the goods are transferred to the customer. Since the transaction is based on the price stated in the order and the related payment is redeemed within one year, there are no other significant factors that affect the transaction price, such as a price discount or significant financing component.

(b) Sales of goods - Domestic

Revenue are recognized when control of the products has transferred, being when the products are delivered to the customers.

(c) Interest income

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

(d) Dividend income

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

(e) Customer loyalty program

The Group operates a customer loyalty program in which customers are granted rewards to receive discounts on future purchases when purchasing products. The fair value of consideration to give or given for the initial sale is allocated to the reward points and remaining of initial sale, and the consideration allocated to the reward points is measured based on the fair value of reward in exchange of reward points, which is the fair value of reward points considered the proportion of reward points that are not expected to be redeemed. Revenue from the award credits is recognized when the points are redeemed.

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2.23 Leases

(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. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(b) Lessee

The Group leases various offices. Lease contracts are typically made for fixed periods of 2 to 6 years, but may have extension options as described in below.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

- The lease period is reflected in the interest rate of the public bond considering the Group's credit rating.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment.

(c) Extension options

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

2.24 Approval of Issuance of the Financial Statements

The consolidated financial statements 2023 were approved for issue by the Board of Directors on March 13, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

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3. Critical Accounting Estimates and Assumptions

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

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

3.1 Impairment loss on goodwill and intangible assets with indefinite useful lives

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations.

3.2 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 26).

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

3.3 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.

3.4 Impairment of financial assets

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

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3.5 Net defined benefit liability (Asset)

The present value of net defined benefit liability (asset) depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 25).

3.6 Leases

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).

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

3.7 Net realizable value of inventories

The net realizable value of inventory is determined by the estimated selling price in the market where the Group's inventory is mainly sold.

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4. Financial Risk Management

4.1 Financial Risk Factors

Following explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in functional currency	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investment in equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letter of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 the US dollar. Also, subsidiaries regularly valuates, manages and reports on the foreign exchange risks for the receivables and payables in foreign currencies.

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The Group's financial instruments denominated in major foreign currencies except for functional currency as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
Cash and cash equivalents				
USD	₩	419,648,557	₩	398,658,805
CNY		-		6,480
EUR		10,400,514		13,621,226
HKD		4,193		11,107
JPY		71,044,241		67,512,980
CHF		33,805		32,542
GBP		4,958		4,911
SGD		125,390		4,073
	₩	<u>501,261,658</u>	₩	<u>479,852,124</u>
Short-term financial instruments				
USD	₩	<u>452,966,220</u>	₩	<u>358,702,572</u>
	₩	<u>452,966,220</u>	₩	<u>358,702,572</u>
Trade and other receivables				
USD	₩	214,817,924	₩	455,350,081
EUR		118,671,288		90,852,569
	₩	<u>333,489,212</u>	₩	<u>546,202,650</u>
Trade and other payables				
USD	₩	223,181,079	₩	339,476,062
EUR		161,512,501		81,324,592
JPY		11,308		-
SGD		19,614		39,925
	₩	<u>384,724,502</u>	₩	<u>420,840,579</u>
Borrowings				
USD	₩	4,182,943	₩	3,673,805
EUR		238,903,472		138,727
CHF		641,914		686,097
	₩	<u>243,728,329</u>	₩	<u>4,498,629</u>

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As at December 31, 2023 and 2022, if the foreign exchange rate fluctuated by 5% with all other variables held constant, the effects on profit before income tax would be as follows:

(in thousands of Korean won)	2023		2022	
	Increase	Decrease	Increase	Decrease
USD	₩ 43,003,434	₩ (43,003,434)	₩ 43,478,080	₩ (43,478,080)
CNY	-	-	324	(324)
EUR	(13,567,209)	13,567,209	1,150,524	(1,150,524)
HKD	210	(210)	555	(555)
JPY	3,551,647	(3,551,647)	3,375,649	(3,375,649)
CHF	(30,405)	30,405	(32,678)	32,678
GBP	248	(248)	246	(246)
SGD	5,289	(5,289)	(1,793)	1,793
	<u>₩ 32,963,214</u>	<u>₩ (32,963,214)</u>	<u>₩ 47,970,907</u>	<u>₩ (47,970,907)</u>

(b) Price risk

The Group acquires equity securities (including both listed and unlisted) to manage a liquidity risk and for trading. The Group invests in more than one investment vehicle either directly or indirectly, and the fair value of equity securities (excluding investments in subsidiaries and associates and unlisted securities) as at December 31, 2023 is ₩ 546,163,320 thousand (2022: ₩ 521,781,250 thousand) (Note 10).

As at December 31, 2023 and 2022, if the price of equity securities fluctuated by 20%, the effects on post-tax other comprehensive income would be as follows:

(in thousands of Korean won)	2023		2022	
	Increase	Decrease	Increase	Decrease
Effects on post-tax other comprehensive income				
Financial assets at fair value through other comprehensive income	₩ 86,403,037	₩ (86,403,037)	₩ 79,102,038	₩ (79,102,038)

(c) Cash flow and fair value interest rate risk

The Group is exposed to changes in value risk on statement of financial position (financial assets, liabilities) through changes in price and interest rate risk through changes in interest income (expense) generated from investments and borrowings. The risk mainly arises from investments of floating rate receivables and borrowings of floating rate payables.

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As at December 31, 2023 and 2022, if the interest rate fluctuated by 0.1% with all other variables held constant, the effects on profit before income tax would be as follows:

(in thousands of Korean won)	2023		2022	
	Increase	Decrease	Increase	Decrease
Borrowings	₩ (216,878)	₩ 216,878	₩ (176,091)	₩ 176,091

4.1.2 Credit Risk

Credit risk is the risk of possible loss to portfolio due to counterparty's default, breach of covenant and loss of credibility. The Group controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to industry and borrowers.

(a) Trade receivables and other receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses include forward-looking information.

Details of the loss allowance on trade receivables as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023				
	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Trade receivables	₩ 435,670,078	₩ 77,405,308	₩ 14,282,250	₩ 11,658,793	₩ 539,016,429
Allowance for credit losses	852,803	2,172,665	54,625	9,775,996	12,856,089

(in thousands of Korean won)	2022				
	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Trade receivables	₩ 473,241,851	₩ 110,291,496	₩ 4,989,406	₩ 2,474,352	₩ 590,997,105
Allowance for credit losses	1,023,067	930,850	212,795	2,460,288	4,627,000

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Movements in the loss allowance for trade receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	4,627,000	₩	4,644,772
Allowance for trade receivables during the year ¹		7,954,905		878,949
Reversal ¹		-		(197)
Write-off		(31,644)		(1,344,949)
Exchange differences		305,828		448,425
Ending balance	₩	<u>12,856,089</u>	₩	<u>4,627,000</u>

¹ Loss allowance and unused amounts reversed have been included in the income statement within 'selling and administrative expenses' (Note 31).

Movements in the loss allowance for other receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		
	Loans	Non-trade receivables	Total
Beginning balance	₩ 11,783,124	₩ 1,069,703	₩ 12,852,827
(Reversal of) Allowance for other receivables during the year ¹	223,931	24,963	248,894
Exchange differences	1,321,313	(5,227)	1,316,086
Ending balance	<u>₩ 13,328,368</u>	<u>₩ 1,089,439</u>	<u>₩ 14,417,807</u>

¹ Loss allowance and unused amounts reversed for other receivables have been included in the income statement within 'other expenses' (Note 32).

<i>(in thousands of Korean won)</i>	2022		
	Loans	Non-trade receivables	Total
Beginning balance	₩ 10,940,362	₩ 530,036	₩ 11,470,398
(Reversal of) Allowance for other receivables during the year ¹	209,568	553,736	763,304
Exchange differences	633,194	(14,069)	619,125
Ending balance	<u>₩ 11,783,124</u>	<u>₩ 1,069,703</u>	<u>₩ 12,852,827</u>

¹ Loss allowance and unused amounts reversed for other receivables have been included in the income statement within 'other expenses' (Note 32).

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(b) Other financial assets at amortized cost

Credit risk can arise from transaction with financial institution such as cash and cash equivalents, deposits with banks, derivative financial instruments. The Group has transactions with counterparties that are above certain credit rating in order to mitigate risks of default.

There is no loss allowance arising from other financial assets measured at amortized cost as at December 31, 2023.

(c) Maximum exposures to credit risk

The Group's maximum exposures of financial instruments to credit risk without consideration of collaterals' values as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		
		Book amount without deduction	Allowance for trade receivables	Book amount (Maximum exposure)
Cash and cash equivalents ¹	₩	1,143,141,121	₩ -	₩ 1,143,141,121
Short-term financial instruments		833,982,021	-	833,982,021
Financial assets at fair value through profit or loss		30,154,756	-	30,154,756
Derivative assets		8,039,635	-	8,039,635
Long-term financial instruments		611,607	-	611,607
Trade receivables		539,016,429	(12,856,089)	526,160,340
Other receivables ²		77,590,523	(14,417,807)	63,172,716
	₩	<u>2,632,536,092</u>	<u>₩ (27,273,896)</u>	<u>₩ 2,605,262,196</u>

<i>(in thousands of Korean won)</i>		2022		
		Book amount without deduction	Allowance for trade receivables	Book amount (Maximum exposure)
Cash and cash equivalents ¹	₩	976,796,247	₩ -	₩ 976,796,247
Short-term financial instruments		643,585,312	-	643,585,312
Financial assets at fair value through profit or loss		13,204,399	-	13,204,399
Derivative assets		31,098,251	-	31,098,251
Long-term financial instruments		613,571	-	613,571
Trade receivables		590,997,105	(4,627,000)	586,370,105
Other receivables ²		63,723,441	(12,852,827)	50,870,614
	₩	<u>2,320,018,326</u>	<u>₩ (17,479,827)</u>	<u>₩ 2,302,538,499</u>

¹ Cash on hand is not included in cash and cash equivalents.

² Current and non-current amounts are included.

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4.1.3 Liquidity Risk

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

The Group forecasts its cash flow and liquidity status, and sets action plans on a regular basis to manage liquidity risk proactively.

Details of the Group's liquidity risk analysis as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years		
Borrowings ¹	₩ 45,153,265	₩ 430,685,621	₩ 74,278,994	₩ 7,295,532	₩	557,413,412
Trade payables	308,565,588	126,166,521	-	-		434,732,109
Other payables	96,131,943	37,393,263	532,090	1,003,820		135,061,116
Financial lease liabilities	7,627,212	13,937,406	24,078,205	55,459,433		101,102,256
Derivative financial instruments held for trading						
Outflow	₩ 107,545,781	₩ 25,349,000	₩ -	₩ -	₩	132,894,781
(Inflow)	(109,998,035)	(25,480,206)	-	-		(135,478,241)
	₩ (2,452,254)	₩ (131,206)	₩ -	₩ -	₩	(2,583,460)
Derivatives held for hedging						
Outflow	₩ 115,313,081	₩ 43,277,713	₩ -	₩ -	₩	158,590,794
(Inflow)	(120,008,052)	(43,028,841)	-	-		(163,036,893)
	(4,694,971)	248,872	-	-		(4,446,099)
	₩ 450,330,783	₩ 608,300,477	₩ 98,889,289	₩ 63,758,785	₩	1,221,279,334

¹ Short-term and long-term borrowings, current portion of borrowings and debentures are included.

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(in thousands of Korean won)	2022					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Over 2 years		
Borrowings ¹	₩ 8,383,164	₩ 245,997,039	₩ 129,753,777	₩ 6,636,687	₩	390,770,667
Debentures ¹	52,075	10,052,075	-	-		10,104,150
Trade payables	296,514,084	18,873,929	28,253,572	328,492		343,970,077
Other payables	98,889,949	13,387,777	1,195,028	224,674		113,697,428
Financial lease liabilities	8,921,557	6,285,470	8,580,432	51,606,452		75,393,911
Derivative financial instruments held for trading						
Outflow	₩ 165,087,125	₩ 32,704,500	₩ -	₩ -	₩	197,791,625
(Inflow)	(179,742,043)	(31,398,578)	-	-		(211,140,621)
	₩ (14,654,918)	₩ 1,305,922	₩ -	₩ -	₩	(13,348,996)
Derivatives held for hedging						
Outflow	₩ 166,685,638	₩ 62,033,131	₩ -	₩ -	₩	228,718,769
(Inflow)	(179,896,766)	(63,127,308)	-	-		(243,024,075)
	(13,211,128)	(1,094,177)	-	-		(14,305,305)
	₩ 384,894,783	₩ 294,808,035	₩ 167,782,809	₩ 58,796,305	₩	906,281,932

¹ Current portion of borrowings and debentures are included.

4.2 Capital Risk Management

The Group's capital risk management purpose is to maximize shareholders' value through maintaining a sound capital structure. The Group uses debt-to-equity ratio as indicator of capital management. This ratio is calculated from total liabilities divided by total equity which are posted in the financial statements.

Debt-to-equity ratios as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023	2022
Total liabilities	₩ 1,799,444,220	₩ 1,503,556,313
Total equity	4,579,898,927	3,986,663,398
Debt-to-equity ratio	39.29%	37.71%

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5. Fair Value Estimation

5.1 Fair Value Hierarchy

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date, which reflects market assumptions about changes in the economic environment such as rising interest rates, inflation, and ESG-related risks (Level 1).
- Inputs other than quoted prices of Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Unobservable inputs to assets or liabilities, such as unlisted equity securities and financial instruments that reflect significant unobservable adjustments due to ESG-related risks (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income	₩ 546,163,320	₩ 719,010	₩ 24,827	₩ 546,907,157
Financial assets at fair value through profit or loss	-	-	30,154,756	30,154,756
Derivative assets	-	8,039,635	-	8,039,635
Financial liabilities				
Derivative liabilities	-	1,010,075	-	1,010,075

(in thousands of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income	₩ 521,781,250	₩ 456,613	₩ 24,827	₩ 522,262,690
Financial assets at fair value through profit or loss	-	-	13,204,399	13,204,399
Derivative assets	-	31,098,251	-	31,098,251
Financial liabilities				
Derivative liabilities	-	3,443,950	-	3,443,950

As at December 31, 2023, there is no significant difference between the fair values and book

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amounts of financial instruments held by the Group.

5.2 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Group's policy is to recognize transfers between levels of the fair value at the end of the reporting period.

Details of transfers between levels of each fair value hierarchy of financial instruments are as follows:

There were no transfers between levels 1 and 2 for recurring fair value measurements for the years ended December 31, 2023 and 2022.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023	
	Financial assets	
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss
Beginning balance	₩ 24,827	₩ 13,204,399
Amount recognized in profit or loss	-	4,630,052
Purchases	-	12,141,632
Sales	-	(241,162)
Exchange differences	-	419,835
Ending balance	₩ 24,827	₩ 30,154,756
Unrealized gains or losses	-	-

(in thousands of Korean won)

	2022	
	Financial assets	
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss
Beginning balance	₩ 235,145	₩ 3,924,244
Amount recognized in profit or loss	-	654,820
Amount recognized in other comprehensive income	(210,318)	-
Purchases	-	8,840,209
Sales	-	(240,257)
Exchange differences	-	25,383
Ending balance	₩ 24,827	₩ 13,204,399
Unrealized gains or losses	-	-

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5.3 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2023, are as follows:

(in thousands of Korean won)			2023			
	Fair value	Level	Valuation techniques	Inputs	Range of inputs	
Financial assets at fair value through other comprehensive income						
Equity	₩ 719,010	2	Market value method	Discount rate reflecting credit risk	NA	
Equity	24,827	3	Present value technique	Annual risk-free interest rate	1.66%	
				Risk premium	10.00%	
Derivative instruments						
Derivative assets	8,039,635	2	Market approach	Foreign currency forwards exchange rate, discount rate and others	NA	
Derivative liabilities	1,010,075	2	Market approach	Foreign currency forwards exchange rate, discount rate and others	NA	
Financial assets at fair value through profit or loss						
Funds and others	13,182,846	3	Asset approach	Net asset fair value	NA	
			Market approach	Implied volatility	50%~60%	
Equity	16,971,909	3	(Option pricing model) and others	PE multiples	1.50x	

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6. Operating Segment Information

(a) The Group's reportable segments are organized into OEM, SCOTT, and domestic retail segment and others.

(b) Profit or loss by each segment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023					
	OEM	SCOTT	Domestic retail	Others ²	Consolidation adjustment	Total
Sales	₩ 4,016,704,307	₩ 1,242,422,301	₩ 973,912,101	₩ 316,400,481	₩ (2,193,960,928)	₩ 4,355,478,262
Operating income ¹	559,785,677	58,726,737	243,089,614	117,941,543	(106,961,437)	872,582,134
Depreciation and amortization ²	45,595,507	18,584,852	4,034,185	14,345,951	571,688	83,132,183
Depreciation of right-of- use asset ²	4,997,685	13,293,382	13,804,606	3,452,678	(14,732,130)	20,816,221

¹ Management of the Group evaluates the performance of business segments based on operating income of each segment.

² Certain depreciation and amortization expenses, depreciation of right-of-use asset, that are not distributed to the reporting business are included in 'others.'

(in thousands of Korean won)	2022					
	OEM	SCOTT	Domestic retail	Others ²	Consolidation adjustment	Total
Sales	₩ 4,411,123,933	₩ 1,397,535,666	₩ 781,096,722	₩ 198,133,322	₩ (2,254,010,437)	₩ 4,533,879,206
Operating income ¹	635,915,338	176,533,112	184,826,866	12,266,691	(7,343,300)	1,002,198,707
Depreciation and amortization ²	45,737,610	17,843,004	4,326,479	14,965,729	583,457	83,456,279
Depreciation of right-of- use asset ²	4,710,664	8,492,226	13,633,061	3,567,236	(14,750,707)	15,652,481

¹ Management of the Group evaluates the performance of business segments based on operating income of each segment.

² Certain depreciation and amortization expenses, depreciation of right-of-use asset, that are not distributed to the reporting business are included in 'others.'

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(c) Assets and liabilities by business segment as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023						
	OEM	SCOTT	Domestic retail	Others ²	Adjustment ^{3,4}	Consolidation adjustment	Total
Assets ¹	₩ 3,822,197,888	₩ 1,608,799,546	₩ 949,818,075	₩ 1,192,104,635	₩ 1,106,450,649	₩ (2,300,027,647)	₩ 6,379,343,146
Investment in associates and joint ventures	-	3,603,295	-	45,000,000	-	(47,542,155)	1,061,140
Increase of non-current assets ²	152,654,599	20,517,351	7,111,839	107,198,344	-	(1,148,372)	286,333,761
Liabilities ¹	1,188,347,752	1,008,032,520	264,534,835	228,128,678	143,051,120	(1,032,650,685)	1,799,444,220

¹ The segment's assets and liabilities reported to the Board of directors are calculated with the same method used for the assets and liabilities on the financial statements and distributed based on the segment sales.

² The financial instruments are excluded from the acquisition cost of non-current assets.

³ Assets that are not distributed to the reporting segment such as available-for-sale financial assets.

⁴ Liabilities that are not distributed to the reporting segment such as deferred income tax, income tax expense, short-term and long-term borrowings.

(in thousands of Korean won)	2022						
	OEM	SCOTT	Domestic retail	Others ²	Adjustment ^{3,4}	Consolidation adjustment	Total
Assets ¹	₩ 3,231,863,536	₩ 1,217,163,203	₩ 777,523,112	₩ 1,056,223,379	₩ 1,008,820,548	₩ (1,801,374,067)	₩ 5,490,219,711
Investment in associates and joint ventures	-	3,002,467	-	45,000,000	-	(47,075,780)	926,687
Increase of non-current assets ²	144,105,944	21,484,075	2,968,409	3,494,127	13,032,201	(13,130,589)	171,954,167
Liabilities ¹	877,280,426	694,143,665	173,176,955	173,661,681	191,239,737	(605,946,150)	1,503,556,313

¹ The segment's assets and liabilities reported to the Board of directors are calculated with the same method used for the assets and liabilities on the financial statements and distributed based on the segment sales.

² The financial instruments are excluded from the acquisition cost of non-current assets.

³ Assets that are not distributed to the reporting segment such as available-for-sale financial assets.

⁴ Liabilities that are not distributed to the reporting segment such as deferred income tax, income tax expense, short-term and long-term borrowings.

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(d) Sales and non-current assets as at and for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Sales		Non-current assets¹	
	2023	2022	2023	2022
Korea	₩ 3,022,158,992	₩ 2,922,919,694	₩ 483,259,203	₩ 363,035,443
Bangladesh	1,329,123,261	1,507,466,206	431,801,853	420,269,108
Vietnam	656,136,087	640,599,273	97,254,375	93,914,150
China	195,685	5,198,796	17,365,099	17,818,506
Switzerland	1,242,422,301	1,397,535,666	311,370,510	265,198,671
Others	299,402,863	314,170,007	169,461,950	90,506,303
Consolidation adjustment	<u>(2,193,960,927)</u>	<u>(2,254,010,436)</u>	<u>15,960,535</u>	<u>48,494,971</u>
	<u>₩ 4,355,478,262</u>	<u>₩ 4,533,879,206</u>	<u>₩ 1,526,473,525</u>	<u>₩ 1,299,237,152</u>

¹ Financial instrument was excluded from non-current asset.

(e) Details of external customers, who contribute more than 10% of the Group revenue (OEM segment), for the years ended December 31, 2023 and 2022, are as follows:

<i>(in billions of Korean won)</i>	2023	2022	Segments
Customer 1	₩ 452.3	₩ 445.6	OEM
Customer 2	328.0	387.5	OEM
Customer 3	252.9	329.8	OEM
Customer 4	189.3	95.7	OEM

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7. Financial Instruments by Category

7.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023					
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Financial assets						
Cash and cash equivalents	₩ 1,183,867,829	₩ -	₩ -	₩ -	₩ -	₩ 1,183,867,829
Long-term and short-term financial instruments	834,593,628	-	-	-	-	834,593,628
Derivative assets	-	-	8,039,635	-	-	8,039,635
Financial assets at fair value through other comprehensive income	-	546,907,157	-	-	-	546,907,157
Financial assets at fair value through profit or loss	-	-	30,154,756	-	-	30,154,756
Trade receivables	526,160,340	-	-	-	-	526,160,340
Other receivables	63,172,716	-	-	-	-	63,172,716
	<u>₩ 2,607,794,513</u>	<u>₩ 546,907,157</u>	<u>₩ 38,194,391</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 3,192,896,061</u>
Financial liabilities						
Trade payables	₩ -	₩ -	₩ -	₩ 434,732,109	₩ -	₩ 434,732,109
Short-term borrowings	-	-	-	400,421,228	-	400,421,228
Derivative liabilities	-	-	-	-	1,010,075	1,010,075
Other payables	-	-	-	135,061,118	-	135,061,118
Borrowings ¹	-	-	-	151,484,859	-	151,484,859
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,121,699,314</u>	<u>₩ 1,010,075</u>	<u>₩ 1,122,709,389</u>

¹ Long-term and short-term borrowings, current portion of debentures and current portion of long-term borrowings are included.

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(in thousands of Korean
won)

2022

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Financial assets						
Cash and cash equivalents	₩ 1,000,869,587	₩ -	₩ -	₩ -	₩ -	₩ 1,000,869,587
Long-term and short-term financial instruments	644,198,883	-	-	-	-	644,198,883
Derivative assets	-	-	31,098,251	-	-	31,098,251
Financial assets at fair value through other comprehensive income	-	522,262,690	-	-	-	522,262,690
Financial assets at fair value through profit or loss	-	-	13,204,399	-	-	13,204,399
Trade receivables	586,370,105	-	-	-	-	586,370,105
Other receivables	50,870,614	-	-	-	-	50,870,614
	<u>₩ 2,282,309,189</u>	<u>₩ 522,262,690</u>	<u>₩ 44,302,650</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 2,848,874,529</u>
Financial liabilities						
Trade payables	₩ -	₩ -	₩ -	₩ 343,970,076	₩ -	₩ 343,970,076
Short-term borrowings	-	-	-	225,446,775	-	225,446,775
Derivative liabilities	-	-	-	-	3,443,950	3,443,950
Other payables	-	-	-	113,697,428	-	113,697,428
Debentures ¹	-	-	-	9,995,754	-	9,995,754
Borrowings ¹	-	-	-	165,319,981	-	165,319,981
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 858,430,014</u>	<u>₩ 3,443,950</u>	<u>₩ 861,873,964</u>

¹ Long-term and short-term borrowings, current portion of debentures and current portion of long-term borrowings are included.

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7.2 Net Gains or Losses by Category of Financial Instruments

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

<i>(in thousands of Korean won)</i>		2023	2022
Financial assets at fair value through profit or loss			
Gain on valuation	₩	4,630,052	₩ 654,820
Gain (loss) on transaction		(13,842)	972
Financial assets at fair value through other comprehensive income			
Gain on valuation (other comprehensive income)		24,644,467	106,827,918
Dividend income		6,478,286	5,109,062
Derivative assets and liabilities			
Gain (loss) on valuation		77,948	(2,073,826)
Gain (loss) on valuation (other comprehensive income)		(11,462,670)	6,008,510
Gain on transaction		1,873,326	2,571,965
Financial asset at amortized cost			
Interest income		54,437,867	17,800,770
Foreign exchange gain		16,555,810	40,250,872
Bad debt expenses (reversal)		(8,203,798)	-
Financial liabilities at amortized cost			
Interest expense		(19,626,607)	(10,438,466)
Foreign exchange gain		19,377,088	19,500,670
Gain on redemption of debentures		-	308,261

8. Cash and Cash Equivalents and Short-term financial instruments

(a) Cash and cash equivalents as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Cash and cash equivalent	Cash on hand	₩ 40,726,708	₩ 24,073,339
	Short-term financial institution deposits	1,143,141,121	976,796,248
		<u>1,183,867,829</u>	<u>1,000,869,587</u>
Short-term financial instruments	Time deposits	833,982,021	643,585,312
		<u>₩ 2,017,849,850</u>	<u>₩ 1,644,454,899</u>

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(b) Restricted financial instruments as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	Financial institution	2023	2022	Reason of restriction
Long-term financial instruments and others	Shinhan Bank and others	₩ 138,440	₩ 11,500	Guarantee deposit
		600,000	600,000	Pledged
		2,748	2,748	Pledged
		1,029,077	1,186,160	Lease contracts
		<u>₩ 1,770,265</u>	<u>₩ 1,800,408</u>	

9. Financial Assets at Fair Value through Profit or Loss

(a) Financial assets at fair value through profit or loss as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Unlisted securities and others	₩ 30,154,756	₩ 13,204,399

(b) The changes in financial assets at fair value through profit or loss for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ 13,204,399	₩ 3,924,244
Acquisitions	12,141,632	8,840,209
Valuation	4,630,052	654,820
Disposals	(241,162)	(240,257)
Changes in exchange rate	419,835	25,383
Ending balance	<u>₩ 30,154,756</u>	<u>₩ 13,204,399</u>

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10. Financial Assets at Fair Value through Other Comprehensive Income

(a) Financial assets at fair value through other comprehensive income as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Listed securities	₩	546,163,320	₩	521,781,250
Unlisted securities		743,837		481,440
	₩	<u>546,907,157</u>	₩	<u>522,262,690</u>

Upon disposal of these equity securities, 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.

(b) Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	522,262,690	₩	382,653,931
Acquisitions		-		32,780,841
Gain on valuation		24,644,467		106,827,918
Ending balance	₩	<u>546,907,157</u>	₩	<u>522,262,690</u>

(c) The details of listed securities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023					2022
	Number of Shares	Percentage of ownership (%)	Acquisition cost	Market Value	Book amount	Book amount
GOLDWIN INC. ¹	5,486,500	11.56%	₩ 29,925,366	₩ 507,490,776	₩ 507,490,776	₩ 499,428,908
HUVIS CORPORATION	485,708	1.41%	5,267,403	2,001,117	2,001,117	2,372,683
ILSHIN SPINNING CO., LTD. ²	194,530	0.81%	2,017,250	1,727,427	1,727,427	2,003,659
HANJINKAL	480,000	0.72%	30,015,000	34,944,000	34,944,000	17,976,000
			<u>₩ 67,225,019</u>	<u>₩ 546,163,320</u>	<u>₩ 546,163,320</u>	<u>₩ 521,781,250</u>

¹ GOLDWIN INC.'s shares are listed in Tokyo Stock Exchange in Japan.

² The number of shares held by ILSHIN SPINNING CO., LTD. increased due to the share split.

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11. Trade Receivables

(a) Trade receivables and its loss allowance as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Trade receivables	₩	539,016,429	₩	590,997,105
Less: Loss allowance		(12,856,089)		(4,627,000)
Trade receivables, net	₩	<u>526,160,340</u>	₩	<u>586,370,105</u>

(b) See Note 4.1.2 for the impairment of trade receivables and the Group's exposure to credit risk.

12. Other Receivables

(a) Other receivables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Current				
Short-term loans	₩	100,000	₩	100,000
Provision for impairment		(100,000)		(100,000)
Accrued income		16,892,098		9,374,373
Non-trade receivables		36,974,800		31,446,626
Provision for impairment		(1,089,439)		(1,069,703)
Deposits received for margin accounts		3,306,483		1,119,064
		56,083,942		40,870,360
Non-current				
Long-term loans		14,434,556		11,978,291
Provision for impairment		(13,228,368)		(11,683,124)
Rent deposits		1,146,815		3,968,970
Other deposits		4,735,771		5,736,117
		7,088,774		10,000,254
	₩	63,172,716	₩	50,870,614

(b) See Note 4.1.2 for the impairment of other receivables and the Group's exposure to credit risk.

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13. Other Assets

Other assets as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Current		
Advances	₩ 53,446,365	₩ 129,199,390
Provision for impairment	(500,000)	(500,000)
Prepaid expenses	4,647,351	3,978,153
Prepaid VAT	13,975,018	19,427,651
Contract assets	763,186	204,091
Others	3,773,200	5,249,134
	<u>76,105,120</u>	<u>157,558,419</u>
Non-current		
Prepaid expenses	3,948,748	4,361,523
Others	648,987	5,023,729
	<u>4,597,735</u>	<u>9,385,252</u>
	<u>₩ 80,702,855</u>	<u>₩ 166,943,671</u>

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14. Inventories

(a) Inventories as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		
	Before valuation	Valuation allowance	Book amount
Merchandise and Finished goods	₩ 1,238,289,441	₩ (70,552,738)	₩ 1,167,736,703
Raw materials	190,719,186	(24,018,493)	166,700,693
Work in progress	84,278,372	-	84,278,372
Supplies	30,659,082	-	30,659,082
Goods in transit	53,797,368	-	53,797,368
	<u>₩ 1,597,743,449</u>	<u>₩ (94,571,231)</u>	<u>₩ 1,503,172,218</u>

(in thousands of Korean won)

	2022		
	Before valuation	Valuation allowance	Book amount
Merchandise and Finished goods	₩ 812,233,027	₩ (54,129,155)	₩ 758,103,872
Raw materials	228,814,008	(20,194,989)	208,619,019
Work in progress	73,220,788	-	73,220,788
Supplies	24,283,349	-	24,283,349
Goods in transit	56,226,174	-	56,226,174
	<u>₩ 1,194,777,346</u>	<u>₩ (74,324,144)</u>	<u>₩ 1,120,453,202</u>

As at December 31, 2023 and 2022, the Group's inventories are pledged as collateral in relation to borrowings (Note 24).

(b) The cost of inventories recognized as 'cost of sales' amounted to ₩ 1,956,007,642 thousand (2022: ₩ 2,098,357,453 thousand) (Note 33).

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15. Property, Plant and Equipment

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

<i>(in thousands of Korean won)</i>									
2023									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Opening net book amount	₩ 208,118,440	₩ 429,441,460	₩ 1,032,574	₩ 165,009,613	₩ 27,178,882	₩ 28,720,379	₩ 14,448,761	₩ 114,814,507	₩ 988,764,616
Acquisitions	8,414,356	13,848,292	-	31,564,871	78,660,329	12,759,943	1,992,850	43,191,667	190,432,308
Disposals	-	(1,533,712)	-	(1,033,716)	(144,531)	(53,851)	(8,955)	(729,507)	(3,504,272)
Depreciation	-	(16,161,204)	(66,320)	(41,822,648)	(3,515,018)	(9,089,288)	(2,526,804)	-	(73,181,282)
Transfer	(5,134,939)	9,928,821	-	8,977,483	386,796	843,797	4,120,340	(29,861,399)	(10,739,101)
Changes in scope of consolidation	-	-	-	725,596	-	-	-	-	725,596
Exchange differences	(13,510)	3,271,931	-	(3,023,433)	(521,763)	(73,016)	(364,502)	(5,094,781)	(5,819,074)
Closing net book amount	211,384,347	438,795,588	966,254	160,397,766	102,044,695	33,107,964	17,661,690	122,320,487	1,086,678,791
Acquisition cost	211,384,347	603,955,975	1,999,618	541,560,438	146,253,037	118,491,659	43,006,428	122,320,487	1,788,971,989
Accumulated depreciation	-	(165,160,387)	(1,033,364)	(381,162,672)	(44,208,342)	(85,383,695)	(25,344,738)	-	(702,293,198)
Ending net book amount	₩ 211,384,347	₩ 438,795,588	₩ 966,254	₩ 160,397,766	₩ 102,044,695	₩ 33,107,964	₩ 17,661,690	₩ 122,320,487	₩ 1,086,678,791
<i>(in thousands of Korean won)</i>									
2022									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Facilities	Construction in progress	Total
Opening net book amount	₩ 209,233,937	₩ 434,356,350	₩ 1,100,281	₩ 157,779,408	₩ 46,130,898	₩ 32,228,092	₩ 15,488,422	₩ 80,717,893	₩ 977,035,281
Acquisitions	128,213	3,736,507	-	51,111,929	2,597,992	8,427,615	231,934	83,659,854	149,894,044
Disposals	-	(923,471)	-	(1,131,384)	(20,997,461)	(189,959)	(28,544)	(5,446,874)	(28,717,693)
Depreciation	-	(15,942,166)	(67,707)	(41,876,938)	(4,015,969)	(9,300,099)	(2,320,472)	-	(73,523,351)
Impairment loss	-	-	-	-	-	(52,364)	-	-	(52,364)
Transfer	641,688	19,687,794	-	10,296,236	371,990	(1,314,152)	1,463,034	(31,146,590)	-
Exchange differences	(1,885,398)	(11,473,554)	-	(11,169,638)	3,091,432	(1,078,754)	(385,613)	(12,969,776)	(35,871,301)
Closing net book amount	208,118,440	429,441,460	1,032,574	165,009,613	27,178,882	28,720,379	14,448,761	114,814,507	988,764,616
Acquisition cost	208,118,439	577,272,410	1,999,618	518,252,857	69,475,881	110,593,245	36,553,008	114,814,508	1,637,079,966
Accumulated depreciation	-	(147,830,950)	(967,044)	(353,243,243)	(42,296,999)	(81,872,867)	(22,104,247)	-	(648,315,350)
Ending net book amount	₩ 208,118,439	₩ 429,441,460	₩ 1,032,574	₩ 165,009,614	₩ 27,178,882	₩ 28,720,378	₩ 14,448,761	₩ 114,814,508	₩ 988,764,616

Depreciation of ₩ 24,477,079 thousand (2022: ₩ 25,656,498 thousand) was charged to 'selling and administrative expenses' and ₩ 48,704,202 thousand (2022: ₩ 47,867,853 thousand) was charged to 'cost of sales'.

(b) As at December 31, 2023 and 2022, the details of construction-in-progress assets are construction of headquarters building, expansion of overseas manufacturing plant of subsidiaries and others.

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16. 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>	2023	2022
Right-of-use assets		
Land	₩ 43,317,816	₩ 42,263,566
Buildings	35,767,100	17,480,778
Machinery	140,928	459,148
Vehicles	2,807,822	2,134,813
Tools and equipment	2,007,768	1,948,102
Facilities	941,833	1,024,736
	<u>₩ 84,983,267</u>	<u>₩ 65,311,143</u>

<i>(in thousands of Korean won)</i>	2023	2022
Lease liabilities		
Current	₩ 20,567,114	₩ 14,682,729
Non-current	68,944,813	54,569,988
	<u>₩ 89,511,927</u>	<u>₩ 69,252,717</u>

Additions to the right-of-use assets during the 2023 financial year were ₩ 36,532,514 thousand (2022: ₩ 15,437,289 thousand).

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(b) Amounts recognized in the consolidated income statements

The consolidated income statements show the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2023	2022
Depreciation of right-of-use assets		
Land	₩ 2,350,610	₩ 2,207,379
Buildings ¹	14,661,662	10,560,163
Machinery	350,810	326,220
Vehicles	1,582,061	1,416,948
Tools and equipment	1,329,047	811,230
Facilities	542,031	330,541
	<u>₩ 20,816,221</u>	<u>₩ 15,652,481</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 4,835,804	₩ 3,615,909
Expense relating to short-term leases (included in cost of goods sold and selling and administrative expenses)	2,441,847	2,362,257
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	301,407	497,363
Expense relating to variable lease payments not included in lease liabilities (included in sales commissions)	149,675,624	113,375,186

¹ Depreciation for right-of-use assets of ₩ 1,866,275 thousand (2022: ₩ 1,857,946 thousand) was charged to 'sales commissions'.

The total cash outflow for leases in 2023 was ₩ 177,484,815 thousand (2022: ₩ 133,083,165 thousand).

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17. Intangible Assets

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

(in thousands of Korean won)

	2023									
	Industrial property	Software	Development costs	Membership rights	Brand value	Customer Relationships	Goodwill	Others and construction in progress	Total	
Opening net book amount	₩ 1,640,330	₩ 5,641,570	₩ 1,558,723	₩ 393,684	₩ 110,566,465	₩ 29,413,841	₩ 23,691,194	₩ 10,157,077	₩ 183,062,884	
Acquisitions	-	1,843,608	416,200	-	-	-	-	20,366,527	22,626,335	
Amortization	(994,397)	(2,482,269)	(930,454)	-	(759,040)	(2,644,995)	-	(628)	(7,811,783)	
Impairment loss	-	-	-	-	-	-	(4,997,742)	-	(4,997,742)	
Disposals/Transfer	-	(4,996)	-	-	-	-	-	(13,021)	(18,017)	
Exchange differences	133,127	170,077	-	-	11,451,942	3,074,490	1,573,498	1,307,707	17,710,841	
Closing net book amount	₩ 779,060	₩ 5,167,990	₩ 1,044,469	₩ 393,684	₩ 121,259,367	₩ 29,843,336	₩ 20,266,950	₩ 31,817,662	₩ 210,572,518	
Acquisition cost	8,793,551	33,445,861	8,508,629	393,684	127,026,166	54,439,451	20,266,950	31,818,959	284,693,251	
Accumulated amortization	(8,014,491)	(28,277,871)	(7,464,160)	-	(5,766,799)	(24,596,115)	-	(1,297)	(74,120,733)	
Ending net book amount	₩ 779,060	₩ 5,167,990	₩ 1,044,469	₩ 393,684	₩ 121,259,367	₩ 29,843,336	₩ 20,266,950	₩ 31,817,662	₩ 210,572,518	

(in thousands of Korean won)

	2023									
	Industrial property	Software	Development costs	Membership rights	Brand value	Customer Relationships	Goodwill	Others and construction in progress	Total	
Opening net book amount	₩ 2,440,910	₩ 7,361,636	₩ 2,360,138	₩ 913,684	₩ 105,133,405	₩ 30,150,868	₩ 22,827,995	₩ -	₩ 171,188,636	
Acquisitions	7,068	1,161,599	167,296	-	-	-	-	10,043,819	11,379,782	
Amortization	(934,002)	(3,201,326)	(968,711)	-	(762,556)	(2,470,074)	-	(679)	(8,337,348)	
Disposals/Transfer	-	(28,950)	-	(520,000)	-	-	-	-	(548,950)	
Exchange differences	126,354	348,612	-	-	6,195,616	1,733,047	863,199	113,937	9,380,764	
Closing net book amount	₩ 1,640,330	₩ 5,641,571	₩ 1,558,723	₩ 393,684	₩ 110,566,465	₩ 29,413,841	₩ 23,691,194	₩ 10,157,077	₩ 183,062,884	
Acquisition cost	7,940,668	30,554,535	8,092,429	393,684	115,035,157	49,172,052	23,691,194	10,157,742	245,037,461	
Accumulated amortization	(6,300,338)	(24,912,965)	(6,533,706)	-	(4,468,692)	(19,758,211)	-	(665)	(61,974,577)	
Ending net book amount	₩ 1,640,330	₩ 5,641,570	₩ 1,558,723	₩ 393,684	₩ 110,566,465	₩ 29,413,841	₩ 23,691,194	₩ 10,157,077	₩ 183,062,884	

Amortization of ₩ 7,661,758 thousand (2022: ₩ 8,076,524 thousand) is included in 'selling and administrative expenses' and ₩ 150,025 thousand (2022: ₩ 260,826 thousand) is included in the 'cost of sales' in the income statements.

Intangible assets with indefinite useful lives of ₩ 118,069,841 thousand (2022: ₩ 106,981,902 thousand) are included in brand value.

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(b) The details of impairment tests for goodwill and intangible assets with indefinite useful lives are as follows:

Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment (cash-generating unit):

<i>(in thousands of Korean won)</i>		2023		2022
SCOTT ¹	₩	17,187,413	₩	15,442,042
SHEPPARD AUSTRALIA		-		5,222,397
MSH		3,079,537		3,026,755
	₩	<u>20,266,950</u>	₩	<u>23,691,194</u>

¹ Cash-generating unit including subsidiaries of BERGAMONT and DOLOMITE

Details of intangible assets with indefinite useful lives as at December 31, 2023 and 2022, consist of as follows:

<i>(in thousands of Korean won)</i>		2023		2022
SCOTT brand held by the Parent Company	₩	62,491,216	₩	56,190,196
DOLOMITE brands and others held by SCOTT		45,815,288		41,195,710
Outdoor Research brand held by MSH		9,763,337		9,595,996
	₩	<u>118,069,841</u>	₩	<u>106,981,902</u>

The Group annually performs impairment test on the intangible assets with indefinite useful lives such as goodwill and others. As a result of the impairment test, the entire goodwill of SHEPPARD AUSTRALIA was recognized as impairment loss and the amount is recognized in other expenses in the consolidated income statement.

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 budgets approved by management covering a five-year period. The assumption of certain growth rate was made (only when, not exceeding long-term average inflation rate) to calculate perpetual cash flows for the periods, exceeding the five-year period.

The Group's revenue included in the value-in-use estimation is estimated considering economic uncertainties such as inflation. Especially, the expected cash flows of the CGU of SCOTT and SHEPPARD AUSTRALIA are estimated based on various scenarios.

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The key assumptions on CGU(s) which significant goodwill was allocated to, perpetual growth rate and discount rate used in assessment of value-in-use, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Perpetual growth rate¹	Discount rate before tax²	Perpetual growth rate¹	Discount rate before tax²
SCOTT	1.80%	10.31%	1.50%	9.70%
SHEPPARD AUSTRALIA	2.60%	12.75%	2.50%	12.56%
MSH	3.00%	18.81%	2.00%	17.22%

¹ The projected growth rate beyond five years

² Discount rate applied to the pre-tax cash flow projections

Sales growth rate was determined on the basis of past performance and expectations of market. The growth rate is consistent with estimates included in the industry report. The discount rate reflects pre-tax rate and the special risk related to the division.

18. Investment Properties

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

<i>(in thousands of Korean won)</i>	2023	2022
Opening net book amount	₩ 62,098,508	₩ 49,116,775
Acquisition	73,275,118	12,852,379
Depreciation ¹	(2,139,117)	(1,595,580)
Transfer	10,431,688	-
Changes in exchange rate	572,752	1,724,934
Ending net book amount	<u>144,238,949</u>	<u>62,098,508</u>
Acquisition cost	158,264,913	73,531,557
Accumulated depreciation	<u>(14,025,964)</u>	<u>(11,433,049)</u>
Ending net book amount	<u>₩ 144,238,949</u>	<u>₩ 62,098,508</u>

¹ Depreciation for investment properties was fully included in 'selling and administrative expenses'.

Fair value of investment properties as at December 31, 2023, is ₩ 177,369,106 thousand (2022: ₩ 94,484,841 thousand).

Rent income from investment property during the year ended December 31, 2023, is ₩ 3,033,236 thousand (2022: ₩ 1,349,264 thousand).

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19. Collateralized Assets

(a) There are no collateralized assets related to the Group's borrowings as at December 31, 2023.

(b) Collateralized assets related to the Group's borrowings as at December 31, 2022, are as follows:

(in thousands of Korean won, USD)

Collateralized assets	Location	Financial institution	Collateralized amount	
Geumgwang-dong Company building (Land and buildings)	293 Gwangmyung-ro, Jungwon-gu, Sunghnam	Shinhan Bank	KRW	5,750,000
Wolgok-dong Company building (Land and buildings)	37 Opaesan-ro, Seongbuk-gu, Seoul	Woori Bank	USD	2,400,000
			KRW	8,460,000

(c) As at December 31, 2023, trade receivables, inventories, property, plant and equipment and others are pledged as collateral in relation to borrowings and others of SCOTT CORPORATION SA, a consolidated subsidiary.

20. Investments in Associates and Joint Ventures

(a) The Group's investments in associates and joint ventures as at December 31, 2023 and 2022, are as follows:

Investee	Percentage of ownership		Location	Date of financial statements
	2023	2022		
INTERNATIONAL RETAIL CORPORATION SA	30.0%	30.0%	Switzerland	September 30
SCOTT Network Solutions India PVT LTD	49.0%	49.0%	India	September 30
BIKE SPORT TRAVEL AG	45.0%	45.0%	Switzerland	September 30

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(b) Changes in investments in associates and joint ventures for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of
Korean won)

	2023					
	Beginning balance	Acquisition	Share of profit of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Exchange differences	Ending balance
INTERNATIONAL RETAIL CORPORATION SA ¹	₩ -	₩ -	₩ -	₩ -	₩ -	-
SCOTT Network Solutions India PVT LTD ¹	-	-	-	-	-	-
BIKE SPORT TRAVEL AG	926,687	949,527	(920,445)	-	105,371	1,061,140
	₩ 926,687	₩ 949,527	₩ (920,445)	₩ -	₩ 105,371	₩ 1,061,140

¹ Equity method accounting was discontinued.

(in thousands of
Korean won)

	2022					
	Beginning balance	Acquisition	Share of profit of associates and joint ventures	Share of other comprehensive income of associates and joint ventures	Exchange differences	Ending balance
INTERNATIONAL RETAIL CORPORATION SA ¹	₩ -	₩ -	₩ -	₩ -	₩ -	-
SCOTT Network Solutions India PVT LTD ¹	-	-	-	-	-	-
BIKE SPORT TRAVEL AG	-	912,634	-	-	14,053	926,687
	₩ -	₩ 912,634	₩ -	₩ -	₩ 14,053	₩ 926,687

¹ Equity method accounting was discontinued.

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(c) The summary of financial information on principal of investments in associates and joint ventures as at and for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023				
	Assets	Liabilities	Revenues	Profit (loss)	Other comprehensive income (loss)
INTERNATIONAL RETAIL CORPORATION SA	₩ 135,598,411	₩ 164,185,062	₩ 166,144,012	₩ (5,659,357)	₩ (3,037,153)
SCOTT Network Solutions India PVT LTD.	70,234	109,931	-	-	(4,003)
BIKE SPORT TRAVEL AG	2,818,930	2,675,830	9,364	164	-
<i>(in thousands of Korean won)</i>	2022				
	Assets	Liabilities	Revenues	Profit (loss)	Other comprehensive income (loss)
INTERNATIONAL RETAIL CORPORATION SA	₩ 105,620,381	₩ 125,510,521	₩ 140,073,732	₩ 5,931,443	₩ (1,333,135)
SCOTT Network Solutions India PVT LTD.	63,152	98,847	-	-	(1,960)
BIKE SPORT TRAVEL AG	2,534,696	2,406,025	8,707	153	-

(d) The Group has discontinued to use the equity method. Accumulated share of losses of associate and jointly controlled entities unrecognized due to the discontinuance of equity method are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Unrecognized share of loss	Unrecognized accumulated share of losses	Unrecognized share of loss	Unrecognized accumulated share of losses
INTERNATIONAL RETAIL CORPORATION SA	₩ (2,608,953)	₩ (8,575,995)	₩ 1,379,493	₩ (5,967,042)
SCOTT Network Solutions India PVT LTD.	(1,962)	(19,452)	(960)	(17,490)
	<u>₩ (2,610,915)</u>	<u>₩ (8,595,447)</u>	<u>₩ 1,378,533</u>	<u>₩ (5,984,532)</u>

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21. Trade and Other Payables

Trade payables and other payables as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Current		
Trade payables	₩ 434,732,109	₩ 343,970,076
	<u>434,732,109</u>	<u>343,970,076</u>
Other payables		
Non-trade payables	35,210,092	27,089,465
Accrued expense	92,403,588	82,571,055
Rent deposits	5,599,188	4,019,332
Financial guarantee liabilities	837,608	-
	<u>134,050,476</u>	<u>113,679,852</u>
Non-current		
Long-term accrued expense	6,560	17,575
Rent deposits	1,004,082	-
	<u>1,010,642</u>	<u>17,575</u>
	<u>₩ 569,793,227</u>	<u>₩ 457,667,503</u>

22. Other Liabilities

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

<i>(in thousands of Korean won)</i>	2023	2022
Current		
Customer advances	₩ 961,704	₩ 2,352,453
Withholdings	7,295,512	4,907,126
Value added tax withheld	14,285,628	11,878,866
Others	415,038	9,346,297
	<u>22,957,882</u>	<u>28,484,742</u>
Non-current		
Unearned revenue	2,579	2,535
Others	3,102,448	2,460,514
	<u>3,105,027</u>	<u>2,463,049</u>
	<u>₩ 26,062,909</u>	<u>₩ 30,947,791</u>

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23. Contract Assets and Liabilities

(a) The Group has recognized the following contract assets and liabilities:

<i>(in thousands of Korean won)</i>		2023		2022
Contract liabilities – unsatisfied performance obligations ¹	₩	746,631	₩	2,084,029
Contract liabilities – customer loyalty program ¹		1,992,900		1,603,235

¹ The Group does not have contract assets, and the contract liabilities are included in other current liabilities (Note 22) and other provisions (Note 42).

(b) Revenue recognized in relation to contract liabilities

Details of amounts recognized as revenue in relation to contract liabilities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Revenue recognized that was included in the contract liability balance at the beginning of the year				
Unsatisfied performance obligations	₩	2,132,340	₩	3,197,076
Customer loyalty program		1,603,235		1,371,364

24. Borrowings

(a) Details of borrowings as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Current				
Bank overdrafts	₩	67,297	₩	1,127,409
Bank borrowings		400,204,427		224,184,936
Current portion of long-term borrowings		70,620,137		28,929,518
Current portion of debentures		-		9,995,754
Other borrowings		149,504		134,429
		<u>471,041,365</u>		<u>264,372,047</u>
Non-current				
Bank borrowings		80,864,722		136,390,464
		<u>80,864,722</u>		<u>136,390,464</u>
	₩	<u>551,906,087</u>	₩	<u>400,762,511</u>

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(b) Details of bank borrowings as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	Creditor	Annual interest rate (%)		December 31, 2023		2023		2022	
Current									
Overdrafts	Standard Chartered Bank and others	Libor + 1.35%	₩	67,297	₩	1,127,409			
Borrowings from financial institutions ^{1,2,3,4}	Credit Suisse and others	5.5%~8.65%, Euribor 3M + 0.20%, Euribor 1M + 0.1%~0.17%, SOFR + 2.3%, SOFR + 2.1%, SARON + 1.25%		400,204,427		224,184,936			
Current portion of long- term borrowings ^{1,2,3,4}	Wells Fargo Bank and others	SARON+1.35%		70,620,137		28,929,518			
Other borrowings	Borrowings from shareholders and others	-		149,504		134,429			
				471,041,365		254,376,293			
Non-current									
Borrowings from financial institutions ¹	Credit Lyonnais and others	1.00%~2.75%, SARON + 0.5%		80,864,722		136,390,464			
				80,864,722		136,390,464			
			₩	551,906,087	₩	390,766,757			

¹ Borrowings are collateralized with tangible assets and investment properties. (Note 15 and 18)

² Borrowings are collateralized with inventories (Note 14).

³ Borrowings are collateralized with trade receivables (Note 11).

⁴ Borrowings are collateralized with trademarks (Note 17).

(c) Details of debentures as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	Annual interest rate				
	Issue date	Maturity date	(%)		
			December 31, 2023	2023	2022
3rd non-guaranteed debenture	2020-04-28	2023-04-28	-	₩	- ₩ 10,000,000
Less: Discount on debenture					- (4,246)
				₩	- ₩ 9,995,754

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25. Net Defined Benefit Liabilities

(a) Details of **net** defined benefit liabilities (assets) recognized in the statements of financial position as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Present value of net defined benefit liabilities	₩	191,970,766	₩	134,692,012
Fair value of plan assets		(117,587,403)		(95,491,760)
Net defined benefit liabilities		<u>74,454,284</u>		<u>43,531,541</u>
Net defined benefit assets ¹	₩	<u>(70,921)</u>	₩	<u>(4,331,289)</u>

¹ ₩ 70,921 thousand (2022: ₩ 4,331,289 thousand) of plan assets in excess of the defined benefit obligations is included in other non-current assets.

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

<i>(in thousands of Korean won)</i>	2023		2022	
Beginning balance	₩	134,692,012	₩	138,958,982
Current service cost		40,873,912		16,157,703
Interest expense		6,050,084		1,294,273
Remeasurements:				
Actuarial losses from change in demographic assumptions		40,715		2,246,253
Actuarial loss (gain) from change in financial assumptions		10,030,012		(20,799,541)
Actuarial loss from experience adjustments		5,984,349		11,435,503
Contributions:				
Employees		2,086,634		1,706,287
Payments from plans:				
Benefit payments		(7,214,052)		(9,178,527)
Exchange differences		<u>(572,900)</u>		<u>(7,128,921)</u>
Ending balance	₩	<u>191,970,766</u>	₩	<u>134,692,012</u>

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(c) Movements in the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Beginning balance	₩	95,491,760	₩	83,257,431
Interest income		3,461,750		1,202,628
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		1,726,334		279,700
Contributions:				
Employers		11,635,900		12,094,747
Employees		2,086,634		1,706,287
Payments from plans:				
Benefit payments		(2,048,237)		(5,115,972)
Exchange differences		5,233,262		2,066,939
Ending balance	₩	117,587,403	₩	95,491,760

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

<i>(in thousands of Korean won)</i>	Local		Foreign	
	2023	2022	2023	2022
Discount rate	4.93%~5.16%	5.72%~5.86%	2.00%~7.00%	2.40%~7.50%
Salary growth rate	4.58%~8.70%	4.08%~6.34%	2.50%~6.00%	2.50%~6.50%

(e) Plan assets as at December 31, 2023 and 2022, consist of the following:

<i>(in thousands of Korean won)</i>		2023		2022
Property	₩	24,707,001	₩	20,189,426
Current assets		58,907,130		5,407,810
Securities		12,971,863		41,733,945
Loan assets		19,147,850		13,801,472
Others		1,853,559		14,359,107
	₩	117,587,403	₩	95,491,760

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(f) The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

*(in thousands of
Korean won)*

	Effect on defined benefit obligation			
	Changes in assumption		Increase in assumption	Decrease in assumption
Discount rate	1%p	₩	(22,966,985)	₩ 27,125,996
Salary growth rate	1%p	₩	21,542,496	₩ (19,002,943)

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. However, the Group is exposed to the most significant risk through increase of the defined benefit pension plan.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, however, several assumptions are related to each other and fluctuate. 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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(g) The Effects of Future Cash Flows on Defined Benefit Plans

The Group reviews the funding level on an annual basis and has a policy to eliminate deficit in the fund.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	Less than 1 year		Between 1-2 years		Between 2-5 years		Between 5-10 year	
Pension benefits	₩	11,196,623	₩	16,343,067	₩	24,054,267	₩	47,419,320

(h) The expenses recognized in the current period in relation to defined contribution plan and others were ₩ 3,979,264 thousand (2022: ₩ 3,429,472 thousand).

(i) Expected contributions to post-employment benefit plans for the year ending December 31, 2024, are ₩ 9,596 million.

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26. Deferred Tax

(a) Deferred tax assets and deferred tax liabilities as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 71,689,115	₩ 9,218,468
Deferred tax asset to be recovered after more than 12 months	47,384,281	56,873,642
	<u>119,073,396</u>	<u>66,092,110</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	(21,344,465)	(7,509,531)
Deferred tax liability to be recovered after more than 12 months	(385,718,522)	(342,080,576)
	<u>(407,062,987)</u>	<u>(349,590,107)</u>
Deferred tax assets, net	<u>62,410,017</u>	<u>45,126,819</u>
Deferred tax liabilities, net	<u>₩ (350,399,608)</u>	<u>₩ (328,624,814)</u>

(b) The gross movement on the deferred tax for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Beginning balance	₩ (283,497,995)	₩ (286,777,152)
Exchange differences	(2,648,475)	(1,117,414)
Tax credited to income statement (Note 36)	(1,646,865)	25,946,448
Tax credited directly to equity	(196,256)	(21,549,876)
Ending balance	<u>₩ (287,989,591)</u>	<u>₩ (283,497,995)</u>

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

(in thousands of Korean won)

	January 1, 2023	Income statements	Other comprehensive income (loss)	Foreign currency translation	December 31, 2023
Deferred tax assets					
Provision for sales promotion	₩ 76,675	₩ (78,983)	₩ -	₩ 2,308	₩ -
Department store and agent sales	40,583,806	8,805,883	-	-	49,389,689
Loss on valuation of inventories	5,369,808	14,620,285	-	76,321	20,066,414
Service fees	26,591	(26,591)	-	-	-
Bad debt expenses (reversal)	(889,272)	2,110,831	-	(17,004)	1,204,555
Interest related to loan for construction	153,140	338,942	-	(1,829)	490,253
Post-employment benefit obligation	12,573,343	5,103,212	3,053,619	(680,032)	20,050,142
Provision for sales returns	162,780	513,667	-	-	676,447
Unearned revenue	371,950	88,409	-	-	460,359
Depreciation	5,401	84,686	-	-	90,087
Loss on disposal of property, plant and equipment	12,406	-	-	-	12,406
Accrued expenses	855,933	239,452	-	821	1,096,206
Loss (gain) on valuation of financial assets at fair value through other comprehensive income	3,021,310	(2,117,673)	149,642	-	1,053,279
Lease liabilities	3,427,266	15,503,316	-	(401,085)	18,529,497
Others	984,651	5,077,948	-	(108,537)	5,954,062
	<u>₩ 66,735,788</u>	<u>₩ 50,263,384</u>	<u>₩ 3,203,261</u>	<u>₩ (1,129,037)</u>	<u>₩ 119,073,396</u>
Deferred tax liabilities					
Accrued income	₩ (1,688,522)	₩ (1,530,131)	₩ -	₩ -	₩ (3,218,653)
Department store and agent cost of goods sold	(14,936,954)	(2,689,726)	-	-	(17,626,680)
Land advanced depreciation provision	(4,766,085)	(81,756)	-	(17,315)	(4,865,156)
Investments in subsidiaries	(189,337,121)	(10,577,108)	-	-	(199,914,229)
Retirement pension plan assets	(7,716,802)	(3,105,984)	32,167	1,200	(10,789,419)
In-kind contribution assets	(64,259)	306	-	-	(63,953)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(105,233,994)	2,095,313	(5,672,452)	-	(108,811,133)
Provision for returns (cost of goods sold)	(39,516)	(137,732)	-	-	(177,248)
Depreciation	(12,377,753)	6,573,489	-	(51,712)	(5,855,976)
Intangible assets	(3,870,121)	(2,898,021)	-	(578,916)	(7,347,058)
Right-of-use asset	(1,580,008)	(15,123,208)	-	351,040	(16,352,176)

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Gain (loss) on valuation of financial assets at fair value through profit or loss	-	(26,102)	-	-	(26,102)
Payment of guaranteed fees	(251,890)	(160,177)	-	-	(412,067)
Short-term employee benefits	(321,884)	-	-	-	(321,884)
Others	(8,048,874)	(24,249,411)	2,240,768	(1,223,736)	(31,281,253)
	<u>₩ (350,233,783)</u>	<u>₩ (51,910,248)</u>	<u>₩ (3,399,517)</u>	<u>₩ (1,519,439)</u>	<u>₩ (407,062,987)</u>

(in thousands of Korean won)

	January 1, 2022	Income statements	Other comprehensive income (loss)	Foreign currency translation	December 31, 2022
Deferred tax assets					
Provision for sales promotion	₩ 126,656	₩ (59,863)	₩ -	₩ 9,882	₩ 76,675
Short-term employee benefits	139,392	(461,276)	-	-	(321,884)
Department store and agent sales	22,902,576	17,681,230	-	-	40,583,806
Loss (gain) on valuation of inventories	7,164,763	(1,667,366)	-	(127,589)	5,369,808
Service fees	27,857	(1,266)	-	-	26,591
Bad debt expenses (reversal)	(422,787)	(430,788)	-	(35,697)	(889,272)
Impairment loss on financial assets at fair value through other comprehensive income	211,322	(1,292)	18,232	-	228,262
Payment of guaranteed fees	(94,276)	(157,614)	-	-	(251,890)
Interest related to loan for construction	146,329	(1,853)	-	8,664	153,140
Post-employment benefit obligation	13,463,397	(394,547)	60,897	(556,404)	12,573,343
Provision for sales returns	259,416	(96,636)	-	-	162,780
Unearned revenue	331,866	40,084	-	-	371,950
Depreciation	3,750	1,651	-	-	5,401
Loss on disposal of property, plant and equipment	12,406	-	-	-	12,406
Accrued expenses	822,694	22,315	-	10,924	855,933
Loss (gain) on valuation of financial assets at fair value through other comprehensive income	-	-	2,793,048	-	2,793,048
Lease liabilities	8,549,977	(4,661,041)	-	(461,670)	3,427,266
Others	750,325	1,170,430	(936,969)	865	984,651
	<u>₩ 54,395,663</u>	<u>₩ 10,982,168</u>	<u>₩ 1,935,208</u>	<u>₩ (1,151,025)</u>	<u>₩ 66,162,014</u>

Deferred tax liabilities

Accrued income	₩ (261,441)	₩ (1,427,081)	₩ -	₩ -	₩ (1,688,522)
Department store and agent cost of goods sold	(8,004,857)	(6,932,097)	-	-	(14,936,954)
Land advanced depreciation provision	(4,765,438)	58,635	-	(59,282)	(4,766,085)
Investments in subsidiaries	(204,597,390)	15,260,269	-	-	(189,337,121)

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Retirement pension plan assets	(6,891,197)	(881,217)	51,963	3,649	(7,716,802)
In-kind contribution assets	(67,319)	3,060	-	-	(64,259)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(81,686,273)	(10,674)	(23,537,047)	-	(105,233,994)
Provision for returns (cost of goods sold)	(94,539)	55,023	-	-	(39,516)
Depreciation	(9,737,585)	(2,720,160)	-	79,992	(12,377,753)
Intangible assets	(3,653,676)	(4,056)	-	(212,389)	(3,870,121)
Right-of-use asset	(6,662,048)	4,717,433	-	364,607	(1,580,008)
Others	(14,751,053)	6,845,145	-	(142,966)	(8,048,874)
	<u>₩ (341,172,816)</u>	<u>₩ 14,964,280</u>	<u>₩ (23,485,084)</u>	<u>₩ 33,611</u>	<u>₩ (349,660,009)</u>

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

<i>(in thousands of Korean won)</i>	2023	2022	Reason
Tax loss carry forwards ¹	₩ 28,459,857	₩ 18,793,217	Uncertainty of future taxable profit
Tax credit carry forwards ²	3,333,878	-	Uncertainty of future taxable profit
Service fees, bad debt expenses and others	6,060,950	-	No tax effect

¹ The maturity of tax loss carryforwards is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
2026	₩ 4,840,371	₩ 3,985,442
2027	3,505,148	2,803,401
2028	10,165,568	9,140,568
2029	5,886,122	2,863,806
Over 2030	4,062,648	-
	<u>₩ 28,459,857</u>	<u>₩ 18,793,217</u>

² The maturity of tax credit carry forwards is as follows:

<i>(in thousands of Korean won)</i>	2023
2028	₩ 136,577
2030	3,196,042
2031	650
2032	609
	<u>₩ 3,333,878</u>

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27. Issued Capital and Share Premium

(a) Changes in issued capital and share premium for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		No. of shares (unit: shares)	Ordinary shares	Share premium	Total
January 1, 2022	Beginning balance	13,635,592	₩ 6,817,796	₩ 113,893,779	₩ 120,711,575
December 31, 2022	Ending balance	13,635,592	6,817,796	113,893,779	120,711,575
January 1, 2023	Beginning balance	13,635,592	6,817,796	113,893,779	120,711,575
December 31, 2023	Ending balance	13,635,592	₩ 6,817,796	₩ 113,893,779	₩ 120,711,575

(b) The details of issued capital and share premium as at December 31, 2023 and 2022, are as follows:

<i>(in Korean won, except for number of shares)</i>	2023	2022
Number of shares authorized to issue	100,000,000	100,000,000
Par value per share	₩ 500	₩ 500
Number of shares outstanding	13,635,592	13,635,592
Issued capital	₩ 6,817,796,000	₩ 6,817,796,000
Share premium	₩ 113,893,779,001	₩ 113,893,779,001

¹ As at December 31, 2023, number of shares issued by the Group, whose voting power is limited under the Commercial Law, is 2,030,694 shares (2022: 2,030,694 shares).

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28. Other Components of Equity

(a) The details of other components of equity as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Reserve in equity				
Revaluation reserve	₩	20,674,485	₩	20,674,485
Gains on sales of treasury shares		6,332,674		6,332,674
Others		9,766,539		9,766,539
Accumulated other comprehensive income				
Gains on valuation of financial assets at fair value through other comprehensive income		235,283,198		224,580,735
Losses on foreign currency translation		(77,328,989)		(65,809,516)
Remeasurements of net defined benefit liabilities		(16,701,868)		(9,699,932)
Losses on valuation of derivatives		(2,543,165)		(200,334)
Capital adjustments				
Treasury shares ¹		(5,031,552)		(5,031,552)
	₩	<u>170,451,322</u>	₩	<u>180,613,100</u>

¹ Details of treasury shares whose voting power is limited by regulations as at December 31, 2023 and 2022, are as follows:

Owner	Number of shares	Ownership	Reason for restriction
Treasury shares	2,030,694	14.89%	Commercial Law Article 369, Part II

(b) Changes in accumulated other comprehensive income for the year ended December 31, 2023, is as follows:

<i>(in thousands of Korean won)</i>	Beginning balance		Increase (Decrease)		Ending balance	
Gain on valuation of financial assets at fair value through other comprehensive income	₩	224,580,735	₩	10,702,463	₩	235,283,198
Loss on foreign currency translation		(65,809,516)		(11,519,473)		(77,328,989)
Remeasurements of net defined benefit liabilities		(9,699,932)		(7,001,936)		(16,701,868)
Loss on valuation of derivatives		(200,334)		(2,342,831)		(2,543,165)
	₩	<u>148,870,953</u>	₩	<u>(10,161,777)</u>	₩	<u>138,709,176</u>

Changes in accumulated other comprehensive income represent net of tax effect amounts.

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29. Retained Earnings

Retained earnings as at December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	2023	2022
Legal reserves ¹	₩ 19,844,200	₩ 19,844,200
Discretionary reserves ²	1,086,483,613	932,483,613
Unappropriated retained earnings	957,966,038	794,199,221
	<u>₩ 2,064,293,851</u>	<u>₩ 1,746,527,034</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, 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 the payment of cash dividends, but may be transferred to share capital or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

² Discretionary reserves are the retained earnings that are allowed to be distributed on dividend with the approval of the shareholders.

30. Dividends

Dividends paid amount to ₩ 53,962,776 thousand (₩ 4,650 per share) and ₩ 23,209,796 thousand (₩ 2,000 per share) in 2023 and 2022, respectively. Dividends per share and total dividends in respect of the year ended December 31, 2023, are ₩ 2,370 and ₩ 27,503,608 thousand, respectively, and are expected to be proposed to shareholders at the annual general meeting on March 29, 2024. These consolidated financial statements do not reflect this dividend payable.

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31. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022
Salaries	₩	243,961,328	₩	219,820,912
Post-employment benefits		13,535,360		12,289,863
Employee benefits		18,289,180		20,356,876
Travel expense		2,694,428		2,134,883
Communications		4,626,985		4,614,647
Utilities		21,686,772		19,251,932
Tax and duties		7,640,690		4,173,045
Rent expenses		5,958,803		3,399,216
Depreciation		26,616,196		27,251,078
Depreciation of right-of-use asset		16,344,467		11,532,348
Repair and maintenance		16,644,610		25,381,434
Vehicle maintenance		5,577,972		5,442,066
Entertainment		2,306,690		1,654,880
Supplies		2,748,709		2,373,514
Insurance		5,733,460		5,580,242
Publications		755,124		741,269
Training		796,579		500,016
Service fees		168,279,592		143,692,992
Sales commissions		243,888,784		197,191,533
Samples		10,201,740		11,043,717
Advertising costs		72,739,010		56,478,628
Transportation		12,557,015		11,638,544
Exports		27,572,973		34,478,396
Shipping		2,532,191		9,244,451
Amortization		7,661,758		8,076,523
Research expenses		5,572,911		2,658,518
Overseas marketing		4,056,479		4,126,207
Packaging		5,220,986		4,673,568
Overseas trips		11,416,490		8,477,728
Meeting fee		-		567
Sales promotion		1,553,570		1,210,569
Miscellaneous expenses		9,155,443		11,275,990
Bad debt expense		7,954,904		878,753
	₩	<u>986,281,199</u>	₩	<u>871,644,905</u>

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32. Other Income and Expenses

(a) Details of other income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Gain on valuation of derivatives	₩ 245,219	₩ -
Gains on derivative transactions	2,717,326	2,601,965
Gain on disposal of financial asset at fair value through profit or loss	-	972
Gains on valuation of financial asset at fair value through profit or loss	1,210,646	654,820
Gains on disposal of property, plant and equipment	344,035	6,425,159
Gain on disposal of investment properties	-	59,490
Gains on foreign currency translation	90,812,274	96,876,851
Gains on foreign currency transaction	113,017,181	173,283,793
Import commission	5,108	244,491
Rental income	1,538,734	1,459,298
Claim income	1,010,326	847,871
Miscellaneous income	13,285,496	14,376,011
	<u>₩ 224,186,345</u>	<u>₩ 296,830,721</u>

(b) Details of other expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Losses on valuation of derivatives	₩ 167,270	₩ 2,073,826
Losses on derivative transactions	844,000	30,000
Loss on disposal of financial asset at fair value through profit or loss	13,842	-
Loss on valuation of financial asset at fair value through profit or loss	887,001	-
Losses on disposal of property, plant and equipment	738,877	660,819
Impairment loss on property, plant and equipment	-	52,364
Loss on disposal of intangible assets	-	28,950
Losses on foreign currency translation	81,575,256	101,616,604
Impairment loss on intangible assets	4,997,742	-
Other bad debt expenses	248,894	763,304
Losses on foreign currency transaction	86,341,688	108,792,498
Donations	10,968,248	8,217,771
Claim expenses	563,801	610,035
Miscellaneous expenses	6,689,391	1,944,874
	<u>₩ 194,036,010</u>	<u>₩ 224,791,045</u>

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33. Breakdown of Expenses by Nature

Expenses by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Changes in inventories of inventories	₩ (382,719,017)	₩ (403,792,332)
Raw materials and Merchandise purchased	2,338,726,659	2,502,149,785
Employee benefits expense	621,921,464	595,398,044
Welfare benefit expenses	32,427,915	31,020,010
Depreciation, amortization, and depreciation of right-of-use assets	103,948,403	97,250,814
Service fees	197,860,584	185,187,414
Sales commissions	242,022,509	197,191,533
Advertising costs	72,739,010	56,478,628
Freight charge	24,885,135	47,980,114
Other expenses	231,083,467	222,816,488
	<u>₩ 3,482,896,129</u>	<u>₩ 3,531,680,498</u>

34. Employee Benefits

Employee benefits for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Short-term employee benefits	₩ 559,922,757	₩ 561,389,708
Post-employment benefits and retirement bonus	61,998,707	34,008,336
	<u>₩ 621,921,464</u>	<u>₩ 595,398,044</u>

35. Finance Income and Costs

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

<i>(in thousands of Korean won)</i>	2023	2022
Interest income from bank deposits	₩ 54,437,867	₩ 17,800,770
Dividend income	5,043,500	5,109,062
Others	-	308,261
	<u>₩ 59,481,367</u>	<u>₩ 23,218,093</u>

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(b) Finance costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Interest expense on borrowings	₩ 19,626,607	₩ 10,305,097
Interest expense on lease liabilities	4,835,804	3,615,909
Others	-	133,368
	<u>₩ 24,462,411</u>	<u>₩ 14,054,374</u>

36. Tax Expense

(a) Income tax expense for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Current tax:		
Current tax on profit	₩ 185,321,252	₩ 209,981,669
Adjustments in respect of prior years	31,126,236	1,222,322
Deferred tax:		
Changes in deferred tax due to temporary differences	1,646,864	(25,946,448)
Income tax expense	<u>₩ 218,094,353</u>	<u>₩ 185,257,543</u>

(b) Reconciliation between the profit before income tax and income tax expense for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Profit before income tax expense	₩ 936,830,980	₩ 1,083,402,104
Tax at domestic tax rates applicable to profits in the respective countries	237,470,791	261,721,309
Tax effects of:		
Income not subject to tax	(37,453,848)	(11,202,613)
Expenses not deductible for tax purposes	2,267,067	1,055,261
Adjustments in respect of prior years	31,126,236	1,222,322
Tax credit and tax exemption	(617,175)	(2,879,155)
Tax effect of investments in subsidiaries	12,024,049	(25,423,750)
Temporary difference for which no deferred tax is recognized	1,493,765	71,659
Others	(28,216,532)	(39,307,490)
Income tax expense	<u>₩ 218,094,353</u>	<u>₩ 185,257,543</u>
Effective tax rate	23.3%	17.1%

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(c) Income tax (charged)/credited directly to equity as at December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 24,644,467	₩ (5,522,810)	₩ 19,121,657	₩ 106,827,917	₩ (20,725,766)	₩ 86,102,151
Remeasurements of net defined benefit liabilities	(14,328,741)	3,085,786	(11,242,955)	7,397,486	112,861	7,510,347
Derivatives	(11,462,670)	2,240,768	(9,221,902)	6,008,510	(936,970)	5,071,540
	<u>₩ (1,146,944)</u>	<u>₩ (196,256)</u>	<u>₩ (1,343,200)</u>	<u>₩ 120,233,913</u>	<u>₩ (21,549,875)</u>	<u>₩ 98,684,038</u>

(d) Impact of Pillar Two income taxes

Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate which is applicable from 2024. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation, the impact of the legislation is not yet reasonably estimable. The Group is currently engaged with tax specialists to assist them with applying the legislation. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

37. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares. The Group did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Basic earnings per share for the years ended December 31, 2023 and 2022, is as follows:

(in Korean won)	2023	2022
Profit attributable to equity holders of the Parent Company	₩ 371,729,592,797	₩ 440,843,105,607
Weighted average number of ordinary shares outstanding ¹ (in shares) ¹	11,604,898	11,604,898
Basic earnings per share	<u>₩ 32,032</u>	<u>₩ 37,988</u>

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¹ Weighted average number of ordinary shares outstanding

<i>(in number of shares)</i>	2023		2022	
Number of ordinary shares outstanding	₩	13,635,592	₩	13,635,592
Weighted average number of treasury shares		(2,030,694)		(2,030,694)
Weighted average number of ordinary shares outstanding	₩	11,604,898	₩	11,604,898

38. Cash Flow Information

(a) Cash generated from operations for the years ended December 31, 2023 and 2022, is as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
Profit	₩	718,736,627	₩	898,144,561
Adjustments for				
Tax expense	₩	218,094,353	₩	185,257,543
Interest income		(54,437,867)		(17,800,770)
Dividend income		(6,478,286)		(5,109,062)
Interest expense		24,462,411		13,921,006
Depreciation		75,320,400		75,118,931
Amortization		7,811,783		8,337,348
Depreciation of right-of-use asset		20,816,221		15,652,481
Post-employment benefits		43,482,818		16,249,347
Gains on disposal of property, plant and equipment		(344,035)		(6,425,159)
Impairment loss on property, plant and equipment		-		52,364
Losses on disposal of property, plant and equipment		738,877		660,819
Impairment loss on intangible assets		4,997,742		-
Loss on disposal of intangible assets		-		28,950
Bad debt expense		7,954,904		878,753
Other bad debt expenses		248,894		763,304
Gain on disposal of investment properties		-		(59,490)
Gains on foreign currency translation		(90,812,274)		(96,876,851)
Losses on foreign currency translation		81,575,256		101,616,604
Gain on valuation of derivatives		(245,219)		-
Losses on valuation of derivatives		167,270		2,073,826
Loss on transaction of derivatives		844,000		-
Gain on transaction of derivatives		(2,717,326)		-
Gain on disposal of financial assets at fair value through profit or loss		-		(972)
Gains on valuation of financial assets at fair value		(5,517,053)		(654,820)

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through profit or loss				
Loss on disposal of financial assets at fair value through profit or loss		13,842		-
Loss on valuation of financial assets at fair value through profit or loss		887,001		-
Share of loss of associates and joint ventures		920,445		-
	₩	327,784,157	₩	293,684,152
Changes in operating assets and liabilities				
Decrease (increase) in trade receivables	₩	67,731,365	₩	(158,645,075)
Increase in inventories		(331,005,821)		(423,521,643)
Decrease (increase) in other receivables		3,729,434		(36,576,587)
Decrease (increase) in other current assets		81,590,818		(29,136,074)
Increase in other non-current assets		(8,865,689)		(951,849)
Increase in trade payables		56,261,863		108,262,032
Increase in provisions for other liabilities and charges		1,523,021		2,406,119
Increase in other current liabilities		3,177,853		3,012,341
Increase in other current payables		16,230,100		33,150,172
Increase in other non-current payables		339,306		2,293,544
Decrease in net defined benefit obligations		(9,977,084)		(9,680,453)
Increase in other non-current liabilities		-		409,423
		(119,264,834)		(508,978,050)
Net cash flows from operations	₩	927,255,950	₩	682,850,663

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

<i>(in thousands of Korean won)</i>		2023		2022
Gain on valuation of financial assets at fair value through other comprehensive income	₩	24,644,467	₩	106,827,918
Reclassification from construction-in-progress to plant		29,861,399		31,849,173
Reclassification of current portion of long-term borrowings		67,457,750		65,593,824
Changes in non-trade payables related to intangible assets		501,067		2,347,100
Newly acquired lease contracts and others		35,439,141		12,683,122

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

<i>(in thousands of Korean won)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Debentures	Lease liabilities	Other deposits	Total
At January 1, 2023	₩ 225,446,775	₩ 28,929,517	₩ 136,390,464	₩ 9,995,754	₩ 69,252,717	₩ 4,019,332	₩ 474,034,559
Cash flows	146,179,383	(30,839,796)	-	(10,000,000)	(20,230,133)	2,577,790	87,687,244
Exchange differences	25,167,901	5,072,666	11,932,008	-	2,352,872	(232,107)	44,293,340
Other non-financial changes	1,245,330	67,457,750	(67,457,750)	4,246	35,058,404	238,254	36,546,234
Changes in scope of consolidation	2,381,839	-	-	-	3,078,068	-	5,459,907
At December 31, 2023	₩ 400,421,228	₩ 70,620,137	₩ 80,864,722	₩ -	₩ 89,511,928	₩ 6,603,269	₩ 648,021,284

39. Contingencies and Commitment

a) The Group's major agreements with domestic financial institutions as at December 31, 2023, are as follows:

(in thousands of Korean won, US dollars and JPY)

	Financial institution	Credit line	Outstanding Balance
Overdrafts		KRW 5,500,000	KRW -
Limit loan		KRW 10,000,000	KRW -
Borrowings from foreign currency	Woori Bank and others	USD 10,000,000	USD -
L/C		USD 26,000,000	USD 3,802,275
D/A,O/A		USD 15,000,000	USD -

b) The Group's major agreements with foreign financial institutions as at December 31, 2023, are as follows:

(in US dollars, CHF and JPY)

	Financial institution	Credit line	Outstanding Balance
Borrowings		USD 88,000,000	USD 28,000,000
Borrowings		CHF 2,292,166	CHF 2,292,166
L/C		CHF 680,000	CHF 680,000
Comprehensive limit ¹	Standard Chartered Bank	USD 101,000,000	USD 52,192
Comprehensive limit	and others	CHF 338,424,000	CHF 334,673,000
FX		CHF 5,657,000	CHF 5,657,000
Borrowings		JPY 120,000,000	JPY 120,000,000

¹ USD 85,000,000 out of USD 101,000,000 is only available for short-term borrowing and bank

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overdraft and USD 54,000,000 is available for L/C.

c) As at December 31, 2023, the Group has entered into performance guarantee insurance and others according to product supply contract, amounting to ₩ 433 million(d).

d) As at December 31, 2023, the Group is involved in five lawsuits as a plaintiff with litigation amount of ₩ 13,021 million and one lawsuit as a defendant with litigation amount of ₩ 183 million in relation to its business. The outcome of the pending litigations cannot be reasonably estimated; however, the Group expects that this case would not have any material impact on its consolidated financial statements.

e) Capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

<i>(in thousands of Korean won)</i>	Amount
Property, plant and equipment	₩ 87,146,044
Investment properties	30,000

f) In relation to borrowings from financial institutions of SCOTT CORPORATION SA, the credit agreements provide for certain restrictive covenants, such as maintenance of debt-to-equity ratio, minimum equity and liquidity ratio.

(g) As at December 31, 2023, the details of the technology license agreement that the Group has entered into, related to the use of trademark rights and others, are as follows.

Technology or trademark provider	Expiration date	Remark
GOLDWIN Inc.	The date of expiration of the joint venture agreement or termination of the License Agreement	Royalty of Goldwin Brand
	December 31, 2029	Royalty of The North Face Brand

The Group has extended its contract with GOLDWIN INC. for The North Face Brand until the end of 2029, on December 26, 2022. According to this contract, GOLDWIN Inc. is obligated to provide not only trademark rights but also technical tasks for product production, sales, and advertising to the Group. In return, the Group pays a certain percentage of its sales to GOLDWIN Inc. as royalty fees (2023: ₩ 33,703 million, 2022: ₩ 26,966 million).

Meanwhile, the contract includes an annual minimum royalty agreement, and the annual minimum royalty amount to be paid after the end of December 31, 2023 is as follows: The expiration of the Goldwin Brand royalty contract is assumed to be at the end of 2029.

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(in thousands of Japanese yen,
and in thousands of Korean won)

Provider of technology or trademark	Brand	Up to 1 year		1 to 5 years		Over 5 years		Total
GOLDWIN Inc.	Goldwin	¥	8,000	¥	32,000	¥	8,000	¥ 48,000
	The North Face	₩	13,343,155	₩	71,876,910	₩	28,444,647	₩ 113,664,712

¹ The Group's annual minimum royalty amount may changes according to agreement with GOLDWIN INC.

(h) Limitation on disposal of investments in subsidiaries

Youngone Holdings Co., Ltd. may sell equity shares of Youngone Outdoor Corporation after obtaining approval from Board of Directors of Youngone Outdoor Corporation. The equity share can be sold only to the existing shareholders, and if there is no the existing shareholders who purchase, it can be sold to a third party through the approval of the Board of Directors.

(i) As at December 31, 2023, Youngone Corporation, a subsidiary, requested arbitration for the second-largest shareholder of SCOTT Corporation SA, a subsidiary of Youngone Corporation, to International Chamber of Commerce. The request is for confirmation of fact that the second-largest shareholder has seriously violated the shareholder's agreement with the Group and confirmation of the right of call option for the shares of SCOTT Corp held by the second-largest shareholder and others. Meanwhile, the second largest shareholder of SCOTT Corporation SA filed an opposition to arbitration on the grounds that the Company had seriously violated the agreement between shareholders by voluntarily disclosing the fact that it had applied for arbitration with the International Chamber of Commerce in 2022, even though it was not required to do so.

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40. Non-controlling Interests

(a) The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2023 and 2022, is as follows:

(in thousands of Korean won)

		2023				
	Non-controlling interests percentage	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Other components of equity to non-controlling interests	Accumulated non-controlling interests at the end of the year
Youngone Corporation ¹	48.97%	₩ 1,671,209,837	₩ 267,535,384	₩ (32,864,004)	₩ 15,885,889	₩ 1,921,767,106
Youngone Outdoor	40.70%	243,645,243	77,927,179	(43,797,201)	(1,037,433)	276,737,788
Scott North Asia Co., Ltd. ¹	29.89%	1,699,767	(100,749)	-	(11,280)	1,587,738
Qweto	48.57%	839,861	-	-	94,178	934,039
YOH CVC Fund 1 Limited Partnership	25.92%	21,416,981	1,645,220	-	353,306	23,415,507
		₩ 1,938,811,689	₩ 347,007,034	₩ (76,661,205)	₩ 15,284,660	₩ 2,224,442,178

¹ Consolidated financial information.

(in thousands of Korean won)

		2022				
	Non-controlling interests percentage	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Other components of equity to non-controlling interests	Accumulated non-controlling interests at the end of the year
Youngone Corporation	48.97%	₩ 1,317,799,988	₩ 397,548,626	₩ (21,479,741)	₩ (22,659,036)	₩ 1,671,209,837
Youngone Outdoor	40.70%	207,070,137	59,170,682	(21,758,438)	(837,138)	243,645,243
Scott North Asia Co., Ltd. ¹	29.89%	1,163,858	522,496	-	13,413	1,699,767
Qweto	48.57%	793,072	691	-	46,098	839,861
YOH CVC Fund 1 Limited Partnership	25.92%	-	58,961	-	21,358,020	21,416,981
		₩ 1,526,827,055	₩ 457,301,456	₩ (43,238,179)	₩ (2,078,643)	₩ 1,938,811,689

¹ Consolidated financial information.

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(b) The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before inter-company eliminations is as follows:

Summarized statements of financial position as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Youngone Corporation	Youngone Outdoor	Youngone Corporation	Youngone Outdoor
Current assets	₩ 3,346,930,109	₩ 804,641,508	₩ 2,821,445,719	₩ 687,847,909
Non-current assets	1,950,193,532	122,517,577	1,692,178,062	77,232,835
Current liabilities	1,123,291,101	208,768,959	822,686,885	157,918,395
Non-current liabilities	585,862,019	38,436,425	576,632,756	8,521,776
Equity	₩ 3,587,970,521	₩ 679,953,701	₩ 3,114,304,140	₩ 598,640,573

Summarized statements of comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Youngone Corporation	Youngone Outdoor	Youngone Corporation	Youngone Outdoor
Sales	₩ 3,604,377,025	₩ 961,386,096	₩ 3,910,960,904	₩ 763,958,402
Profit	533,070,681	191,478,247	743,155,039	145,390,846
Other comprehensive income (loss)	7,710,772	(2,549,119)	(19,196,797)	(2,056,970)
Total comprehensive income	₩ 540,781,453	₩ 188,929,128	₩ 723,958,242	₩ 143,333,877

Summarized cash flows for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023		2022	
	Youngone Corporation	Youngone Outdoor	Youngone Corporation	Youngone Outdoor
Cash flows from operating activities	₩ 525,111,273	₩ 192,938,246	₩ 458,800,227	₩ 75,978,802
Cash flows from (used in) investing activities	(437,489,586)	1,437,884	(389,517,541)	(14,455,134)
Cash flows from (used in) financing activities	21,233,872	(120,570,253)	90,538,627	(66,899,191)
Effects of exchange rate changes on cash and cash equivalents	51,593,755	(27,865)	(65,653,738)	16,818,113
Increase in cash and cash equivalents	160,449,314	73,778,012	94,167,575	11,442,589
Cash and cash equivalents at the beginning of the year	735,944,764	146,766,599	641,777,189	135,324,010
Cash and cash equivalents at the end of the year	₩ 896,394,078	₩ 220,544,611	₩ 735,944,764	₩ 146,766,599

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41. Related Party Transactions

(a) Related parties of the Group as at December 31, 2023 and 2022, are as follows:

Categories	Name
Entity with significant influence over the Group	YMSA
Associate and joint ventures	INTERNATIONAL RETAIL CORPORATION SA, TRANSA Backpacking SA, Ski-service SA, Trophy Schweiz SA, Ski+Velo-Center SVC AG, SCOTT NETWORK SOLUTIONS INDIA PVT LTD., BIKE SPORT TRAVEL AG
Others	GOLDWIN INC., RAY&CO., YMSA USA LLC, YSC ¹ , EL MEROSI ²

¹ YOUNGONE SOURCING COMPANY(BANGLADESH) LTD.

² EL MEROSI SAMARKAND LLC.

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

(in thousands of Korean won)	Sales		Purchases		Other income		Other expenses		Acquisition of investment property	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Entity with significant influence over the Group										
YMSA ¹	₩ 777,843	₩ 1,197,998	₩ 40,847,258	₩ 58,959,688	₩ -	₩ -	₩ 19,930,820	₩ 9,125,166	₩ 58,749,000	₩ -
Others										
GOLDWIN INC	115,258	267,158	1,945,703	739,837	5,716,327	4,633,196	77,986,432	49,308,159	-	-
RAY&CO.	206,874	-	-	-	-	-	136,309	127,754	-	-

¹ Consolidated financial information.

(c) The balances of significant transactions as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	Receivables		Payables	
	2023	2022	2023	2022
Entity with significant influence over the Group				
YMSA ¹	₩ 562,174	₩ 908,000	₩ 8,582,839	₩ 9,694,621
Others				
Others ²	328,266	295,167	-	-
GOLDWIN INC	-	-	21,272,146	17,660,613
RAY&CO.	-	-	474,674	185,000
	₩ 890,440	₩ 1,203,167	₩ 30,329,659	₩ 27,540,234

¹ Consolidated financial information.

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² Includes borrowings from shareholders of SCOTT.

(d) Loans for related parties as at December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022	
Associate and joint ventures	IRC ¹	₩	-	₩	-
Others	Others ²		328,266		295,167
		₩	328,266	₩	295,167

¹ In 2023, allowance for trade receivables was recognized for the loans to IRC, amounting ₩13,228,368 thousand.

² Loans to executives and employees of subsidiaries

(e) There are no borrowings from related parties as at December 31, 2023 and 2022.

(f) The fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023				
		Loan transactions		Borrowing transactions		Contributions in cash
		Loans	Recovery	Borrowings	Repayments	
Entity with significant influence over the Group	YMSA ¹	₩	- ₩	- ₩	- ₩	985,526 ₩
Associate and joint ventures	IRC	223,931	-	-	-	-

¹ Consolidated financial information of YMSA. There are no right-of-use assets in respect to building lease agreements which the Group has entered with YMSA. The repayment of lease liabilities during the year is ₩ 985,526 thousand and interest expenses amount to ₩ 184,654 thousand.

<i>(in thousands of Korean won)</i>		2022				
		Loan transactions		Borrowing transactions		Contributions in cash
		Loans	Recovery	Borrowings	Repayments	
Entity with significant influence over the Group	YMSA ¹	₩	- ₩	- ₩	- ₩	1,081,361 ₩
Associate and joint ventures	IRC	209,568	-	-	-	-
Other related parties	Others	-	-	-	30,183,164	-

¹ Consolidated financial information of YMSA. There are no right-of-use assets in respect to building lease agreements which the Group has entered with YMSA. The repayment of lease liabilities during the year is ₩ 1,081,361 thousand and interest expenses amount to ₩ 305,177 thousand.

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(g) Key management compensation for the years ended December 31, 2023 and 2022, consists of:

<i>(in thousands of Korean won)</i>	2023	2022
Salaries	₩ 18,103,403	₩ 11,328,392
Post-employment benefits	<u>4,703,621</u>	<u>6,758,879</u>
	<u>₩ 22,807,024</u>	<u>₩ 18,087,271</u>

(h) As at December 31, 2023, there are no pledges and guarantees for related parties provided by the Group.

(i) With acquisition of management of Scott Corporation SA in 2015, the Group has entered into an agreement between a founder of merged company and shareholders for maximizing the shareholders' value and mutual cooperation of shareholders. The agreement includes the following details; organization and operation of Board of Directors, restriction of share transaction (for 10 years after transaction), Right of First Refusal after restriction period, Tag along, Call option under limited circumstances as bankruptcy and others.

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42. Provisions

Details and changes in provisions for other liabilities and charges for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023				
	Provision for sales returns	Provision for product warranties	Bonuses	Others	Total
Beginning balance	₩ 533,218	₩ 8,657,974	₩ 15,458,204	₩ 1,424,548	₩ 26,073,944
Increase (decrease)	3,109,352	(1,360,067)	(181,218)	2,001,861	3,569,928
Changes in exchange rate	6,589	842,481	1,657,040	(4,955)	2,501,155
Ending balance	<u>₩ 3,649,159</u>	<u>₩ 8,140,388</u>	<u>₩ 16,934,026</u>	<u>₩ 3,421,454</u>	<u>₩ 32,145,027</u>
Current	₩ 3,649,159	₩ 8,140,388	₩ 16,934,026	₩ 3,421,454	₩ 32,145,027
Non-current	-	-	-	-	-

(in thousands of Korean won)

	2022				
	Provision for sales returns	Provision for product warranties	Bonuses	Others	Total
Beginning balance	₩ 395,545	₩ 6,994,467	₩ 13,461,251	₩ 1,477,344	₩ 22,328,607
Increase (decrease)	112,102	1,209,699	1,202,091	(15,136)	2,508,756
Changes in exchange rate	25,571	453,808	794,862	(37,660)	1,236,581
Ending balance	<u>₩ 533,218</u>	<u>₩ 8,657,974</u>	<u>₩ 15,458,204</u>	<u>₩ 1,424,548</u>	<u>₩ 26,073,944</u>
Current	₩ 491,383	₩ 8,657,974	₩ 15,458,204	₩ 1,424,548	₩ 26,032,109
Non-current	41,835	-	-	-	41,835

Provisions for bonus include vacation pay, bonus and others.