

MONALISA CO.,LTD
Financial Statements
December 31, 2022 and 2021

MONALISA CO.,LTD
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December 31, 2022 and 2021

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

To the Board of Directors and Shareholders of
MONALISA CO.,LTD

Opinion

We have audited the accompanying financial statements of MONALISA CO.,LTD (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MONALISA CO.,LTD as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Sales deduction for sales promotion activities of goods

Reason why the matter was determined to be a Key Audit Matter

The Company conducts various sales promotion activities such as sales incentives to customers, financial supports for customers, and logistics agency fees paid to customers under explicit or implicit agreements when selling goods. As described in Notes 2 and 3 to the financial statements, the Company estimates expected expenditure on sales promotion activities and deducts it from revenue on the sales of goods.

Management's significant assumptions and judgments are involved in relation to the appropriateness of the sales deduction amount and the amount is considered significant in size..Accordingly, we identified the sales deduction from sales promotion activities of goods as a key audit matter.

How our audit addressed the Key Audit Matter

We have performed the following audit procedures to address the Key Audit Matter.

- Obtained an understanding of the Company's processes and internal controls related to sales deductions
- Evaluated an internal control for approval of policy for sales deduction
- Evaluated an internal control for approval of sales deduction estimate and settlement amount
- Reviewed supply contracts with major customers to identify variable consideration in the contract and a consideration payable to a customer and checked that the Company's policy for revenue recognition is appropriate.
- Verified the appropriateness of the amount of sales deduction by inspecting supporting documents for transactions such as sales incentives

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Jin-hyun Kim, Certified Public Accountant.

Seoul, Korea
March 20, 2023

This report is effective as of March 20, 2023, 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 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.

MONALISA CO.,LTD
Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes			2022			2021
Assets							
Current assets							
Cash and cash equivalents	4,5,29	₩		5,082,689,898	₩		9,741,944,415
Deposits with financial institutions	4,5,29			6,500,000,000			-
Trade receivables	4,5,6,26,29			11,685,482,007			10,235,384,597
Other receivables	4,5,6,26,29			530,217,594			341,637,279
Other financial assets	4,5,29			990,465,754			-
Inventories	7			12,193,066,532			10,392,426,313
Other assets	8			130,982,563			123,022,735
				<u>37,112,904,348</u>			<u>30,834,415,339</u>
Non-current assets							
Other receivables	4,5,6,26,29			4,857,429,444			5,086,268,860
Investments in associates	9			10,991,139,621			11,337,026,803
Property, plant and equipment	10			43,261,988,188			44,941,620,465
Right-of-use assets	11			1,158,323,951			1,300,004,959
Intangible assets	12			412,590,622			456,164,763
				<u>60,681,471,826</u>			<u>63,121,085,850</u>
Total assets		₩		<u>97,794,376,174</u>	₩		<u>93,955,501,189</u>
Liabilities							
Current liabilities							
Trade payables	4,5,29	₩		5,044,487,059	₩		4,006,500,920
Other payables	4,5,13,29			3,839,600,652			3,693,119,548
Borrowings	4,5,14,29			5,000,000,000			5,000,000,000
Current tax liabilities				424,715,623			122,370,376
Other liabilities	8			3,180,954,133			2,949,922,759
Lease liabilities	4,5,11,29			452,571,089			403,418,000
				<u>17,942,328,556</u>			<u>16,175,331,603</u>
Non-current liabilities							
Other payables	4,5,13			7,547,170			7,547,170
Lease liabilities	4,5,11,29			760,228,457			928,758,458
Deferred tax liabilities	22			1,469,054,611			1,612,017,197
				<u>2,236,830,238</u>			<u>2,548,322,825</u>
Total liabilities				<u>20,179,158,794</u>			<u>18,723,654,428</u>
Equity							
Share capital	16			18,885,627,500			18,885,627,500
Other paid-in capital	16			3,437,386,562			3,437,386,562
Retained earnings	16			51,748,970,857			49,413,689,524
Accumulated other comprehensive income	16			3,543,232,461			3,495,143,175
Total equity				<u>77,615,217,380</u>			<u>75,231,846,761</u>
Total liabilities and equity		₩		<u>97,794,376,174</u>	₩		<u>93,955,501,189</u>

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

MONALISA CO.,LTD
Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022		2021	
Sales	17, 27	₩	120,870,094,114	₩	106,399,396,050
Cost of sales	18		<u>(95,138,033,148)</u>		<u>(81,484,799,810)</u>
Gross profit			25,732,060,966		24,914,596,240
Selling and administrative expenses	18,19		<u>(22,836,681,228)</u>		<u>(21,481,091,898)</u>
Operating profit			2,895,379,738		3,433,504,342
Other non-operating income	20		82,708,809		59,923,707
Other non-operating expenses	20		(503,543,601)		(333,528,167)
Finance income	21		457,313,638		252,416,051
Finance costs	21		(196,345,546)		(194,662,038)
Share of changes in equity method investments	9		<u>156,410,553</u>		<u>630,409,734</u>
Profit before income tax			2,891,923,591		3,848,063,629
Income tax expense	22		<u>(556,642,258)</u>		<u>(580,278,777)</u>
Profit for the year		₩	<u>2,335,281,333</u>	₩	<u>3,267,784,852</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation surplus of land		₩	44,347,448	₩	3,459,100,944
<i>Items that may be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of associates			<u>3,741,838</u>		<u>36,042,231</u>
			<u>48,089,286</u>		<u>3,495,143,175</u>
Total comprehensive income for the year		₩	<u>2,383,370,619</u>	₩	<u>6,762,928,027</u>
Earnings per share					
Basic and diluted earnings per share	23	₩	64	₩	89

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

MONALISA CO.,LTD
Statements of Changes in Equity
Years Ended December 31, 2022 and 2021

(in Korean won)

	Notes	Share capital	Other paid-in capital	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at January 1, 2021		₩ 18,885,627,500	₩ 3,437,386,562	₩ -	₩ 48,887,962,797	₩ 71,210,976,859
Total comprehensive income						
Profit for the year		-	-	-	3,267,784,852	3,267,784,852
Revaluation surplus of land	10	-	-	3,459,100,944	-	3,459,100,944
Share of other comprehensive income of associates		-	-	36,042,231	-	36,042,231
Transactions with owners						
Annual dividends paid	16	-	-	-	(2,742,058,125)	(2,742,058,125)
Balance at December 31, 2021		<u>₩ 18,885,627,500</u>	<u>₩ 3,437,386,562</u>	<u>₩ 3,495,143,175</u>	<u>₩ 49,413,689,524</u>	<u>₩ 75,231,846,761</u>
Balance at January 1, 2022		₩ 18,885,627,500	₩ 3,437,386,562	₩ 3,495,143,175	₩ 49,413,689,524	₩ 75,231,846,761
Total comprehensive income						
Profit for the year		-	-	-	2,335,281,333	2,335,281,333
Revaluation surplus of land	10	-	-	44,347,448	-	44,347,448
Share of other comprehensive income of associates	16	-	-	3,741,838	-	3,741,838
Balance at December 31, 2022		<u>₩ 18,885,627,500</u>	<u>₩ 3,437,386,562</u>	<u>₩ 3,543,232,461</u>	<u>₩ 51,748,970,857</u>	<u>₩ 77,615,217,380</u>

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

MONALISA CO.,LTD
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Cash flows from operating activities			
Cash generated from operations	24	₩ 6,228,732,398	₩ 12,804,761,878
Interest received		379,958,521	243,964,246
Interest paid		(196,345,546)	(194,662,038)
Dividends received		506,334,800	-
Income taxes paid		(353,207,376)	(1,928,287,975)
Net cash inflow from operating activities		<u>6,565,472,797</u>	<u>10,925,776,111</u>
Cash flows from investing activities			
Decrease in deposits with financial institutions		1,000,000,000	-
Decrease in other receivables		4,000,000	65,000,000
Proceeds from disposal of property, plant and equipment		10,300,000	4,649,880
Increase in deposits with financial institutions		(7,500,000,000)	-
Increase in other financial assets		(990,465,754)	-
Increase in other receivables		(160,000,000)	(4,000,000)
Payments for property, plant and equipment		(3,134,618,826)	(9,482,174,857)
Payments for intangible assets		(76,176,029)	(70,057,840)
Payments for right-of-use assets		(608,000)	(909,000)
Net cash outflow from investing activities		<u>(10,847,568,609)</u>	<u>(9,487,491,817)</u>
Cash flows from financing activities			
Increase in borrowings		5,000,000,000	-
Decrease in borrowings		(5,000,000,000)	-
Payment of dividends		-	(2,742,058,125)
Repayments of principal elements of lease liabilities		(379,255,670)	(329,863,970)
Net cash outflow from financing activities		<u>(379,255,670)</u>	<u>(3,071,922,095)</u>
Net decrease in cash and cash equivalents		(4,661,351,482)	(1,633,637,801)
Cash and cash equivalents at the beginning of the financial year		9,741,944,415	11,373,947,726
Effects of exchange rate changes on cash and cash equivalents in foreign currency		2,096,965	1,634,490
Cash and cash equivalents at the end of the year		<u>₩ 5,082,689,898</u>	<u>₩ 9,741,944,415</u>

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

MONALISA CO.,LTD

Notes to the Financial Statements

December 31, 2022 and 2021

1. General Information

MONALISA CO.,LTD (the Company) engages in manufacturing and selling toilet paper and sanitary products. The Company listed its shares on the Korea Exchange on October 14, 1988.

As at December 31, 2022, the Company's major shareholders are as follows:

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
MSS Holdings Co., Ltd.	18,645,995	50.99
Treasury shares	10,480	0.03
Others	17,914,780	48.98
	<u>36,571,255</u>	<u>100.00</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these 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 Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangeul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying 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 Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

The financial statements of the Company 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 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 financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022.

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

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

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

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

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

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

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

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

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(e) Annual improvements to Korean IFRS 2018-2020

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

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

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company.

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

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

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the 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 should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

(e) New Standard: Korean IFRS 1117 Insurance Contract

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

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of Korean IFRS 1117. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of Korean IFRS 1117. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of Korean IFRS 1109. The classification can be applied on an instrument-by-instrument basis.

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

2.3 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The financial

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statements are presented in Korean won, which is the 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.

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 held at fair value through other comprehensive income are recognized in other comprehensive income.

2.4 Financial Assets

(a) Classification

The Company 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 Company'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 Company 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 Company 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 Company 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

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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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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.
- **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 non-operating income or expenses' and impairment losses are presented in 'other non-operating expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of comprehensive income within 'other non-operating income or expenses' in the year in which it arises.

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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.

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Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other non-operating income and expenses' in the statement of comprehensive income 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 Company 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 Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company 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 statement 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 Company or the counterparty.

2.5 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.

2.6 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

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loss allowance.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method, except for goods-in-transits. Acquisition cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.8 Associates

Associates are entities over which the Company 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 Company and its associates are eliminated to the extent of the Company's interest in the associates. If the Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company 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 Company 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 Company 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 Company when the associate's financial statements are used by the Company in applying the equity method.

2.9 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.

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 lives
Buildings	6 - 60 years
Structures	10 - 50
Machinery	5 - 40
Vehicles	4 - 5
Tools and equipment	2 - 20

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Others

2 - 5

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

Land is shown at fair value based on valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. When an item of property, plant and equipment is revalued, the gross carrying amount of the asset at the date of revaluation is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as other reserves in equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.10. 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 Company 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.

2.11 Intangible Assets

(a) Intangible assets acquired separately

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

(b) Intangible assets acquired in a business combination

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

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(c) Derecognition of intangible assets

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

2.12 Impairment of Non-financial Assets

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

2.13 Trade and Other Payables

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

2.14 Financial Liabilities

(a) Classification and measurement

The Company'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 Company 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 payables', 'other payables', and 'borrowings' in the statement of financial position.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a

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prepayment for liquidity services and amortized over the period of the facility to which it relates.

Preferred shares that require mandatory redemption on a specific date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of comprehensive income as 'finance costs', together with interest expenses recognized from other financial liabilities.

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

(b) Derecognition

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

2.15 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 and subsequently at the higher of:

- 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*

2.16 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company 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.

2.17 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.

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

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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 Company 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 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 Company recognizes a deferred tax liability all taxable temporary differences associated with investments in associates, except to the extent that the Company 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 Company 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 Company 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.

2.18 Employee Benefits

(a) Post-employment benefits

The Company operates defined contribution plan for all employees. Defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(b) Long-term employee benefits

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

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2.19 Revenue Recognition

(a) A performance obligation satisfied at a point in time

Revenue on sales of goods is recognized when the products have been delivered to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Variable consideration

The Company offers price discounting such as coupons to the customers, which may cause variable consideration. The Company estimates the variable consideration by using the expected value method, which the Company expects to have a better estimation of consideration that the Company will receive. The Company recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized through price discounting will not occur.

(c) Consideration payable to a customer

The Company directly pays customers considerations for the use of the customer's distribution center and for advertising services performed by the customer. Payment of consideration is accounted for as a reduction of the transaction price unless consideration payable to a customer resulted from distinct goods or services received from the customer.

2.20 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Company leases various offices, warehouses, retail stores, equipment and cars. Lease contracts are typically made for fixed periods of 3 to 8 years, but may have extension options as described in below.

Contracts may contain both lease and non-lease components. 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 Company 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

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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 Company 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 Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate 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 Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company 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.

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Extension option

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

2.21 Approval of Issuance of the Financial Statements

The financial statements 2022 were approved for issue by the Board of Directors on January 20, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company'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

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information of significant judgement and assumptions of certain items are included in relevant notes.

3.1 Income taxes

The Company'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.

If certain portion of the taxable income is not used for investments or increase in wages or dividends for a certain period, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects for such period. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

3.2 Fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company 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 (Notes 4 and 10).

3.3 Impairment of financial assets

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

3.4 Valuation of inventories

Inventories are assessed at the lower of acquisition cost and net realizable value. The net realizable value is determined based on estimates of expected selling prices and incidental expenses and others. In addition, obsolete inventories are assessed by estimating net realizable value. These estimates are based on market conditions, past experience and others.

3.5 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 Company 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.

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3.6 Revenue recognition

The Company recognizes the revenue from the sale of goods as a consideration under the contract, less certain sales promotion activities when the control is transferred. Based on past experience and contracts, the Company reasonably estimates sales deduction, and the Company's revenue is affected by the estimated sales deduction.

4. Fair Value

This Note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report. There are no significant changes in the business and economic environment affecting the fair value of the Company's financial assets and liabilities for the year ended December 31, 2022.

4.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 5,082,689,898	₩ 5,082,689,898	₩ 9,741,944,415	₩ 9,741,944,415
Deposits with financial institutions	6,500,000,000	6,500,000,000	-	-
Trade receivables	11,685,482,007	11,685,482,007	10,235,384,597	10,235,384,597
Other receivables	5,387,647,038	5,387,647,038	5,427,906,139	5,427,906,139
Other financial assets	990,465,754	990,465,754	-	-
Financial liabilities				
Trade payables	₩ 5,044,487,059	₩ 5,044,487,059	₩ 4,006,500,920	₩ 4,006,500,920
Other payables	3,847,147,822	3,847,147,822	3,700,666,718	3,700,666,718
Borrowings	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Lease liabilities ¹	1,212,799,546	-	1,332,176,458	-

¹ Lease liabilities are excluded from the fair value disclosures in accordance with Korean IFRS 1107 'Financial Instruments: Disclosure'.

Meanwhile, the land was measured fair value by applying the revaluation model thorough change in accounting policies for the year ended December 31, 2021 (Note 10).

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4.2 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 that an entity can access at the measurement date (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

The fair value measurement of the land to which the revaluation model is applied is classified as level 3 in the fair value hierarchy, and there were no transfers between the levels of the fair value hierarchy for the years ended December 31, 2022 and 2021.

4.3 Valuation Techniques and the Inputs

Valuation techniques used to measure fair value of the land and unobservable inputs that are significant to measure the fair value are as follows:

Officially Assessed Reference Land Price	Significant unobservable inputs	Relationship between unobservable inputs and fair value measurements
It is determined based on OARLP of similar parcels nearby the subject land, but the fair value is measured by correcting the time point from the base date of OARLP and reflating corrections between individual factors and other factors.	Fixed point of view (land price change rate)	When land price change rate rises (falls), fair value increases (decreases)
	Local factors	When the regional factor increases (decreases), fair value increases (decreases)
	Individual factors (ground condition and others)	When the correction value such as the ground condition increases (decreases), fair value increases (decreases)
	Other factors	The correction for land price level etc. increases (decrease), fair value increases (decreases)

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5. Financial Instruments by Category

5.1 Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities by category as at December 31, 2022 and 2021, are as follows:

(in Korean won)

	2022		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Current financial assets			
Cash and cash equivalents	₩ -	₩ 5,082,689,898	₩ 5,082,689,898
Deposits with financial institutions	-	6,500,000,000	6,500,000,000
Trade receivables	-	11,685,482,007	11,685,482,007
Other receivables	-	530,217,594	530,217,594
Other financial assets	-	990,465,754	990,465,754
	-	<u>24,788,855,253</u>	<u>24,788,855,253</u>
Non-current financial assets			
Other receivables	-	4,857,429,444	4,857,429,444
	-	<u>4,857,429,444</u>	<u>4,857,429,444</u>
	₩ -	₩ <u>29,646,284,697</u>	₩ <u>29,646,284,697</u>

(in Korean won)

	2021		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Current financial assets			
Cash and cash equivalents	₩ -	₩ 9,741,944,415	₩ 9,741,944,415
Trade receivables	-	10,235,384,597	10,235,384,597
Other receivables	-	341,637,279	341,637,279
	-	<u>20,318,966,291</u>	<u>20,318,966,291</u>
Non-current financial assets			
Other receivables	-	5,086,268,860	5,086,268,860
	-	<u>5,086,268,860</u>	<u>5,086,268,860</u>
	₩ -	₩ <u>25,405,235,151</u>	₩ <u>25,405,235,151</u>

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(in Korean won)

	2022		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current financial liabilities			
Trade payables	₩ 5,044,487,059	₩ -	₩ 5,044,487,059
Other payables	3,839,600,652	-	3,839,600,652
Borrowings	5,000,000,000	-	5,000,000,000
Lease liabilities	-	452,571,089	452,571,089
	<u>13,884,087,711</u>	<u>452,571,089</u>	<u>14,336,658,800</u>
Non-current financial assets			
Other payables	7,547,170	-	7,547,170
Lease liabilities	-	760,228,457	760,228,457
	<u>7,547,170</u>	<u>760,228,457</u>	<u>767,775,627</u>
	<u>₩ 13,891,634,881</u>	<u>₩ 1,212,799,546</u>	<u>₩ 15,104,434,427</u>

(in Korean won)

	2021		
	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Current financial liabilities			
Trade payables	₩ 4,006,500,920	₩ -	₩ 4,006,500,920
Other payables	3,693,119,548	-	3,693,119,548
Borrowings	5,000,000,000	-	5,000,000,000
Lease liabilities	-	403,418,000	403,418,000
	<u>12,699,620,468</u>	<u>403,418,000</u>	<u>13,103,038,468</u>
Non-current financial assets			
Other payables	7,547,170	-	7,547,170
Lease liabilities	-	928,758,458	928,758,458
	<u>7,547,170</u>	<u>928,758,458</u>	<u>936,305,628</u>
	<u>₩ 12,707,167,638</u>	<u>₩ 1,332,176,458</u>	<u>₩ 14,039,344,096</u>

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5.2 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, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022	2021
Financial assets at amortized cost		
Interest income	₩ 457,313,638	₩ 252,416,051
Foreign exchange gain	8,195,701	7,352,152
Reversal of provision for impairment (impairment losses)	48,468,775	(29,173,505)
Other impairment losses	(316,050,422)	(269,600,100)
Other financial assets		
Gain on disposal	-	25,232,077
Financial liabilities at amortized cost		
Interest expenses	(132,197,256)	(127,672,594)
Other financial liabilities (lease liabilities)		
Interest expenses	(64,148,290)	(66,989,444)

6. Trade and Other Receivables

Trade and other receivables as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Current		
Trade receivables	₩ 11,899,239,042	₩ 10,497,610,407
Provision for impairment	(213,757,035)	(262,225,810)
Non-trade receivables	9,769,546	290,053,423
Provision for impairment	-	(269,600,100)
Accrued income	70,448,048	1,183,956
Deposits	450,000,000	320,000,000
	<u>12,215,699,601</u>	<u>10,577,021,876</u>
Non-current		
Deposits	271,159,916	235,468,860
Loans	4,500,000,000	4,500,000,000
Long-term non-trade receivables	86,269,528	350,800,000
	<u>4,857,429,444</u>	<u>5,086,268,860</u>
	<u>₩ 17,073,129,045</u>	<u>₩ 15,663,290,736</u>

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The aging analysis of trade receivables as at December 31, 2022 and 2021, is as follows:

<i>(in Korean won)</i>	2022	2021
Receivables not past due	₩ 11,518,081,818	₩ 9,972,786,721
Receivables past due		
Up to 6 months	106,928,367	145,982,066
6 months to 1 year	1,656,840	82,127,926
Over 1 year	272,572,017	296,713,694
	<u>381,157,224</u>	<u>524,823,686</u>
	<u>₩ 11,899,239,042</u>	<u>₩ 10,497,610,407</u>

Movements in the provision for impairment for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	<u>Trade receivables</u>		<u>Non-trade receivables</u>	
	2022	2021	2022	2021
Beginning balance	₩ 262,225,810	₩ 231,902,305	₩ 269,600,100	₩ -
Increase (reversal)	(48,468,775)	29,173,505	316,050,422	269,600,100
Write-off and others	-	1,150,000	(585,650,522)	-
Ending balance	<u>₩ 213,757,035</u>	<u>₩ 262,225,810</u>	<u>₩ -</u>	<u>₩ 269,600,100</u>

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months, and therefore, are all classified as current. 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. The Company holds the trade receivables with the objective to collect the contractual cash flows and, therefore, measures them subsequently at amortized cost using the effective interest method.

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7. Inventories

Inventories as at December 31, 2022 and 2021, are as follows:

(in Korean won)

	2022		
	Amount before valuation	Valuation allowance	Carrying amount
Merchandise	₩ 1,704,751,019	₩ (40,252,469)	₩ 1,664,498,550
Finished goods	3,180,658,490	(243,776,555)	2,936,881,935
Semi-finished goods	4,084,593,303	-	4,084,593,303
Raw materials	2,383,553,005	-	2,383,553,005
Sub-materials	739,099,188	-	739,099,188
Stored goods	384,440,551	-	384,440,551
	<u>₩ 12,477,095,556</u>	<u>₩ (284,029,024)</u>	<u>₩ 12,193,066,532</u>

(in Korean won)

	2021		
	Amount before valuation	Valuation allowance	Carrying amount
Merchandise	₩ 1,103,869,317	₩ (113,917,589)	₩ 989,951,728
Finished goods	3,027,395,454	(67,638,773)	2,959,756,681
Semi-finished goods	2,884,882,551	-	2,884,882,551
Raw materials	2,480,614,978	-	2,480,614,978
Sub-materials	658,792,000	-	658,792,000
Stored goods	418,428,375	-	418,428,375
	<u>₩ 10,573,982,675</u>	<u>₩ (181,556,362)</u>	<u>₩ 10,392,426,313</u>

Inventories valuation amount recognized as an expense during the year ended December 31, 2022, amounted to a loss of ₩ 102,472,662 (2021: reversal of ₩ 183,292,979).

Inventories recognized as an expense during the year ended December 31, 2022, amounted to ₩ 95,138,033,148 (2021: ₩ 81,484,799,810). These were included in 'cost of sales'.

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8. Other Assets and Liabilities

Other assets as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Prepayments	₩ 3,682,187	₩ 15,792,079
Prepaid expenses	127,300,376	107,230,656
	<u>₩ 130,982,563</u>	<u>₩ 123,022,735</u>

Other liabilities as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Advances from customers	₩ 218,222,698	₩ 277,627,573
Withholdings	818,776,927	731,018,115
Accrued expenses ¹	2,143,954,508	1,941,277,071
	<u>₩ 3,180,954,133</u>	<u>₩ 2,949,922,759</u>

¹ Include unpaid benefit and others related to employees.

9. Investments in Associates

Set out below are an associate of the Company as at December 31, 2022.

Name of entity	Percentage of ownership (%)		Location
	2022	2021	
JOONGWON ¹	16.88	16.88	Korea

¹ Although the Company holds less than 20% of JOONGWON's equity shares, the Company has significant influence over JOONGWON as the Company concurrently holds an executive level position.

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Details of valuation of investments in associates that are accounted for using the equity method for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

	Beginning balance	Acquisition	Other increase ¹	Valuation of equity method		Ending balance
				Share of profit or loss of associates	Share of other comprehensive income of associates	
JOONGWON	₩ 11,337,026,803	₩ -	₩ (506,334,800)	₩ 156,410,553	₩ 4,037,065	₩ 10,991,139,621

(in Korean won)

	Beginning balance	Acquisition	Other increase	Valuation of equity method		Ending balance
				Share of profit or loss of associates	Share of other comprehensive income of associates	
JOONGWON	₩ 10,664,013,959	₩ -	₩ -	₩ 630,409,734	₩ 42,603,110	₩ 11,337,026,803

¹The amount is annual dividends for 2021 received from the associate.

Summarized financial information for an associate as at and for the years ended December 31, 2022 and 2021, is as follows:

(in Korean won)

Associate	2022			
	Assets	Liabilities	Sales	Profit for the year
JOONGWON	₩ 68,909,304,226	₩ 26,327,217,427	₩ 59,024,243,425	₩ 5,044,376,032

(in Korean won)

Associate	2021			
	Assets	Liabilities	Sales	Profit for the year
JOONGWON	₩ 69,974,738,553	₩ 29,461,051,489	₩ 61,187,998,527	₩ 8,179,346,303

The above summarized financial information includes financial information for the 12-month reporting period.

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The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the associate.

<i>(in Korean won)</i>	2022					
	Net assets at the end of the year	Group's share in %	Group's share in KRW	Goodwill ¹	Othes ¹	Carrying amount
JOONGWON	₩ 42,582,086,799	16.88	₩ 7,187,182,832	₩ 3,116,849,754	₩ 687,107,035	₩ 10,991,139,621

<i>(in Korean won)</i>	2021					
	Net assets at the end of the year	Group's share in %	Group's share in KRW	Goodwill ¹	Othes ¹	Carrying amount
JOONGWON	₩ 40,513,687,064	16.88	₩ 6,838,069,667	₩ 3,116,849,754	₩ 1,382,107,382	₩ 11,337,026,803

¹ The difference between the acquisition cost and the share of net assets was allocated as fair value adjustments of identifiable property, plant and equipment and intangible assets and goodwill through the purchase price allocation procedure.

10. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022			2021		
	Acquisition cost	Accumulated depreciation ¹	Ending balance	Acquisition cost	Accumulated depreciation ¹	Ending balance
Land ¹	₩ 13,444,660,000	₩ -	₩ 13,444,660,000	₩ 13,444,660,000	₩ -	₩ 13,444,660,000
Buildings	16,512,726,273	(9,232,088,736)	7,280,637,537	16,512,726,273	(8,974,820,280)	7,537,905,993
Structures	8,390,601,645	(5,222,282,051)	3,168,319,594	7,681,151,645	(5,041,754,947)	2,639,396,698
Machinery	59,176,714,508	(41,933,172,255)	17,243,542,253	57,397,796,464	(38,293,167,326)	19,104,629,138
Vehicles	350,044,159	(294,476,258)	55,567,901	326,162,839	(276,127,899)	50,034,940
Tools and equipment	3,625,553,712	(2,569,990,305)	1,055,563,407	3,404,840,131	(2,141,845,801)	1,262,994,330
Construction in progress	63,050,000	-	63,050,000	97,850,000	-	97,850,000
Others	1,193,207,238	(242,559,742)	950,647,496	866,247,228	(62,097,862)	804,149,366
	<u>₩ 102,756,557,535</u>	<u>₩ (59,494,569,347)</u>	<u>₩ 43,261,988,188</u>	<u>₩ 99,731,434,580</u>	<u>₩ (54,789,814,115)</u>	<u>₩ 44,941,620,465</u>

¹ The acquisition cost of the land includes ₩ 4,434,744,800, an increase in the carrying amount resulting from the revaluation.

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Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

		2022						
	Beginning balance	Acquisitions	Transfers	Revaluation	Disposals	Depreciation	Ending balance	
Land	₩ 13,444,660,000	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 13,444,660,000	
Buildings	7,537,905,993	-	-	-	-	(257,268,456)	7,280,637,537	
Structures	2,639,396,698	-	709,450,000	-	-	(180,527,104)	3,168,319,594	
Machinery	19,104,629,138	-	1,793,918,044	-	(14,125,057)	(3,640,879,872)	17,243,542,253	
Vehicles	50,034,940	1,000	26,000,000	-	(177,561)	(20,290,478)	55,567,901	
Tools and equipment	1,262,994,330	218,210,581	5,000,000	-	(3,000)	(430,638,504)	1,055,563,407	
Construction in progress	97,850,000	2,499,568,044	(2,534,368,044)	-	-	-	63,050,000	
Others	804,149,366	326,960,010	-	-	-	(180,461,880)	950,647,496	
	<u>₩ 44,941,620,465</u>	<u>₩ 3,044,739,635</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (14,305,618)</u>	<u>₩ (4,710,066,294)</u>	<u>₩ 43,261,988,188</u>	

(in Korean won)

		2021						
	Beginning balance	Acquisitions	Transfers	Revaluation	Disposals	Depreciation	Ending balance	
Land	₩ 9,009,915,200	₩ -	₩ -	₩ 4,434,744,800	₩ -	₩ -	₩ 13,444,660,000	
Buildings	7,795,174,449	-	-	-	-	(257,268,456)	7,537,905,993	
Structures	1,680,403,245	-	1,089,552,000	-	-	(130,558,547)	2,639,396,698	
Machinery	14,735,308,208	-	8,038,618,771	-	(64,004,004)	(3,605,293,837)	19,104,629,138	
Vehicles	58,994,356	-	11,300,000	-	-	(20,259,416)	50,034,940	
Tools and equipment	1,221,741,031	429,917,360	37,100,000	-	(3,294,342)	(422,469,719)	1,262,994,330	
Construction in progress	1,030,545,840	8,243,874,931	(9,176,570,771)	-	-	-	97,850,000	
Others	361,460,244	504,786,984	-	-	-	(62,097,862)	804,149,366	
	<u>₩ 35,893,542,573</u>	<u>₩ 9,178,579,275</u>	<u>₩ -</u>	<u>₩ 4,434,744,800</u>	<u>₩ (67,298,346)</u>	<u>₩ (4,497,947,837)</u>	<u>₩ 44,941,620,465</u>	

Line items including depreciation in the statements of comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

	2022	2021
Cost of sales	₩ 4,407,172,978	₩ 4,201,605,050
Selling and administrative expenses	302,893,316	296,342,787
	<u>₩ 4,710,066,294</u>	<u>₩ 4,497,947,837</u>

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Details of property, plant and equipment provided as collateral

As at December 31, 2022 and 2021, there are no secured amount related to property, plant and equipment.

The Company applied a revaluation model to the land during the year ended December 31, 2021 and the land is revalued by an independent agency who hold a certified professional qualification as at June 30, 2021, the base date.

Land is by an independent agency who hold a certified professional qualification at the end of the reporting period.

Based on the official land price of the target land, which is located in close proximity on the target land, with similar use value, the Company evaluated the land by comprehensively considering the rate of change in land value from the official announcement date to the base time, location, shape, environment, conditions of use, other valuation factors and others. In addition, the reasonableness of the appraisal amount was reviewed by comparing the actual transaction cases of the land in close proximity.

The book amount of land using revaluation model and historical cost model as at December 31, 2022, is as follows, and the difference between fair value and book amount of the land are not significant.

<i>(in Korean won)</i>	Revaluation model	Cost model
Land	₩ 13,444,660,000	₩ 9,009,915,200

Accumulated other comprehensive income recognized as at December 31, 2022, resulting from the revaluation of the land, is ₩ 3,503,448,392 (2021: ₩ 3,459,100,944).

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11. Right-of-use Assets and Leases Liabilities

The Company is a lessee and details of right-of-use assets and lease liabilities are as follows.

11.1 Amounts recognized in the statement of financial position

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

<i>(in Korean won)</i>	2022	2021
Right-of-use assets		
Properties	₩ 467,323,658	₩ 610,985,099
Vehicles	691,000,293	689,019,860
	<u>₩ 1,158,323,951</u>	<u>₩ 1,300,004,959</u>
 <i>(in Korean won)</i>	 2022	 2021
Lease liabilities		
Current	₩ 452,571,089	₩ 403,418,000
Non-current	760,228,457	928,758,458
	<u>₩ 1,212,799,546</u>	<u>₩ 1,332,176,458</u>

Additions to the right-of-use assets during the 2022 financial year were ₩ 258,966,301 (2021: ₩ 442,574,707).

11.2 Amounts recognized in the statement of comprehensive income

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

<i>(in Korean won)</i>	2022	2021
Depreciation of right-of-use assets		
Properties	₩ 184,731,113	₩ 179,112,850
Vehicles	221,910,372	178,739,266
	<u>₩ 406,641,485</u>	<u>₩ 357,852,116</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 64,148,290	₩ 66,989,444
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	2,333,154,257	1,969,832,260
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	9,500,273	9,965,836

The total cash outflow for leases in 2022 was ₩ 2,786,666,490 (2021: ₩ 2,377,560,510).

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12. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

	2022					
	Beginning balance	Acquisitions	Amortization	Ending balance	Acquisition cost	Accumulated amortization
Industrial property rights	₩ 271,715,136	₩ 1,684,921	₩ (90,258,882)	₩ 183,141,175	₩ 593,692,570	₩ (410,551,395)
Facility use rights (membership rights)	113,559,090	-	-	113,559,090	136,827,523	(23,268,433)
Software	70,890,537	69,727,273	(24,727,453)	115,890,357	183,829,273	(67,938,916)
	<u>₩ 456,164,763</u>	<u>₩ 71,412,194</u>	<u>₩ (114,986,335)</u>	<u>₩ 412,590,622</u>	<u>₩ 914,349,366</u>	<u>₩ (501,758,744)</u>

(in Korean won)

	2021					
	Beginning balance	Acquisitions	Amortization	Ending balance	Acquisition cost	Accumulated amortization
Industrial property rights	₩ 329,241,227	₩ 33,787,840	₩ (91,313,931)	₩ 271,715,136	₩ 592,007,649	₩ (320,292,513)
Facility use rights (membership rights)	113,559,090	-	-	113,559,090	136,827,523	(23,268,433)
Software	48,341,671	36,270,000	(13,721,134)	70,890,537	114,102,000	(43,211,463)
	<u>₩ 491,141,988</u>	<u>₩ 70,057,840</u>	<u>₩ (105,035,065)</u>	<u>₩ 456,164,763</u>	<u>₩ 842,937,172</u>	<u>₩ (386,772,409)</u>

All amortization is classified as selling and administrative expenses.

13. Other Payables

Details of other payables as at December 31, 2022 and 2021, are as follows:

(in Korean won)

	Current			Non-current	Total
	Non-trade payables	Accrued expenses	Total	Deposits	
2022	₩ 215,954,351	₩ 3,623,646,301	₩ 3,839,600,652	₩ 7,547,170	₩ 3,847,147,822
2021	517,710,054	3,175,409,494	3,693,119,548	7,547,170	3,700,666,718

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14. Borrowings

Details of borrowings as at December 31, 2022 and 2021, are as follows:

(in Korean won)

	Creditor	Latest maturity date	Interest rate (%) as at December 31, 2022	Amount		Redemption method
				2022	2021	
Loan for industrial operating capital	KDB	Feb 18, 2023	2.58	₩ 5,000,000,000	₩ -	Redemption on maturity date
Loan for working capital	Woori Bank	-	-	-	5,000,000,000	Redemption on maturity date

15. Post-employment Benefit Plan

The Company operates defined contribution plan for employees who have rendered service. Plan assets are operated in the form of funds independently from the Company's other assets under the control of the trustee. If an employee retired the Company before meeting the qualification to obtain vested rights of defined contribution plan, contributions payables to the employee are decreased as much as the amount that is lost.

The expense recognized in the statement of comprehensive income statement amounting ₩ 971,062,406 (2021: ₩ 845,453,678) represents the contributions the Company will pay to the defined contribution plan according to the ratio stipulated in the defined contribution plan. The expense of ₩ 676,130,715 (2021: ₩ 584,407,246) was charged to 'cost of sales' and ₩ 294,931,691 (2021: ₩ 261,046,432) to 'administrative expenses'.

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16. Share Capital

Share capital as at December 31, 2022 and 2021, consist of:

<i>(in Korean won and in number of shares)</i>	2022	2021
Number of authorized shares	200,000,000	200,000,000
Number of shares issued	37,771,255	37,771,255
Retirement of shares	1,200,000	1,200,000
Number of outstanding shares	36,571,255	36,571,255
Par value per share	₩ 500	₩ 500
Share capital ¹	₩ 18,885,627,500	₩ 18,885,627,500

¹ As 1,200,000 ordinary shares have been written off in profit, there is a difference of ₩ 600,000,000 between the total face value of share capital and the outstanding shares.

Other paid-in-capital as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Share premium	₩ 3,463,018,182	₩ 3,463,018,182
Treasury shares	(25,631,620)	(25,631,620)
	<u>₩ 3,437,386,562</u>	<u>₩ 3,437,386,562</u>

Accumulated other comprehensive income as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Revaluation surplus	₩ 3,503,448,392	₩ 3,459,100,944
Share of changes in equity method investments	39,784,069	36,042,231
	<u>₩ 3,543,232,461</u>	<u>₩ 3,495,143,175</u>

Retained earnings as at December 31, 2022 and 2021, consist of:

<i>(in Korean won)</i>	2022	2021
Legal reserves ¹	₩ 1,848,105,609	₩ 1,848,105,609
Retained earnings before appropriation	49,900,865,248	47,565,583,915
	<u>₩ 51,748,970,857</u>	<u>₩ 49,413,689,524</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment, but may be transferred to share capital or used to reduce accumulated deficit. When the

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accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

Changes in retained earnings for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022	2021
Beginning balance	₩ 49,413,689,524	₩ 48,887,962,797
Dividends paid	-	(2,742,058,125)
Profit for the year	<u>2,335,281,333</u>	<u>3,267,784,852</u>
Ending balance	<u>₩ 51,748,970,857</u>	<u>₩ 49,413,689,524</u>

The appropriation of retained earnings for the year ended December 31, 2022, is expected at the shareholders' meeting on March 28, 2023. The appropriation date for the year ended December 31, 2021, was March 29, 2022.

The appropriation of retained earnings for the years ended December 31, 2022 and 2021, is as follows:

<i>(in Korean won)</i>	2022	2021
Unappropriated retained earnings carried over from prior year	₩ 47,565,583,915	₩ 44,297,799,063
Profit for the year	<u>2,335,281,333</u>	<u>3,267,784,852</u>
Retained earnings available for appropriation	49,900,865,248	47,565,583,915
Appropriation of retained earnings		
Earned profit reserves	182,803,875	-
Dividends (Cash dividend (%):		
2022: ₩ 50 (10%),	1,828,038,750	-
2021: ₩ 0 (-%)		
Unappropriated retained earnings to be carried forward	<u>₩ 47,890,022,623</u>	<u>₩ 47,565,583,915</u>

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17. Sales

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

<i>(in Korean won)</i>	2022	2021
Revenue from contracts with customers		
Finished goods	₩ 89,003,799,038	₩ 80,017,929,426
Merchandises	14,400,254,696	15,514,190,869
Semi-finished goods	16,409,288,470	10,306,113,080
Sales-other	1,051,855,910	552,966,675
Revenue from other sources		
Rental income	4,896,000	8,196,000
	<u>₩ 120,870,094,114</u>	<u>₩ 106,399,396,050</u>

Disaggregation of Revenue from Contracts with Customers

<i>(in Korean won)</i>	2022	2021
Sales recognized at a point in time		
Finished goods	₩ 89,003,799,038	₩ 80,017,929,426
Merchandises	14,400,254,696	15,514,190,869
Semi-finished goods	16,409,288,470	10,306,113,080
Sales-other	1,051,855,910	552,966,675
	<u>₩ 120,865,198,114</u>	<u>₩ 106,391,200,050</u>

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18. Breakdown of Expenses by Nature

<i>(in Korean won)</i>	2022	2021
Changes in inventories	₩ (1,953,855,490)	₩ 1,097,897,594
Raw and sub-materials costs	53,419,501,792	41,291,741,310
Purchase of merchandise	8,125,220,942	6,652,628,972
Employee benefits expenses	14,216,952,205	12,702,047,203
Depreciation	4,710,066,294	4,497,947,837
Depreciation of right-of-use assets	406,641,485	357,852,116
Amortization	114,986,335	105,035,065
Rental expenses	2,534,735,314	2,165,436,591
Commission expenses	4,468,404,741	5,082,511,329
Distribution costs	11,362,664,966	9,807,259,214
Power expenses	7,169,625,996	6,236,896,346
Fuel cost	1,334,576,544	657,242,691
Other	12,065,193,252	12,311,395,440
	<u>₩ 117,974,714,376</u>	<u>₩ 102,965,891,708</u>

19. Selling and Administrative Expenses

<i>(in Korean won)</i>	2022	2021
Salaries	₩ 3,623,507,591	₩ 3,302,885,729
Post-employment benefits	294,931,691	261,046,432
Employee benefits	299,556,851	256,249,911
Taxes and dues	364,736,431	448,025,575
Rental expenses	1,056,120,684	764,638,361
Distribution costs	11,362,664,966	9,807,259,214
Promotional expense	107,947	-
Commission expenses	4,178,388,919	4,805,222,333
Advertising expense	428,005,063	619,531,350
Impairment losses (reversal)	(48,468,775)	29,173,505
Other	1,277,129,860	1,187,059,488
	<u>₩ 22,836,681,228</u>	<u>₩ 21,481,091,898</u>

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20. Other Non-operating Income and Expenses

Other non-operating income

<i>(in Korean won)</i>	2022	2021
Gain on foreign currency transaction	₩ 8,268,695	₩ 5,717,662
Gain on foreign currency translation	2,096,965	1,634,490
Gain on disposal of other financial assets	-	25,232,077
Gain on disposal of property, plant and equipment	7,122,439	4,583,876
Miscellaneous revenues	65,220,710	22,755,602
	<u>₩ 82,708,809</u>	<u>₩ 59,923,707</u>

Other non-operating expenses

<i>(in Korean won)</i>	2022	2021
Loss on foreign currency translation	₩ 2,169,959	₩ -
Donations	138,222,529	38,049,392
Loss on disposal of property, plant and equipment	11,128,057	3,232,342
Miscellaneous losses	35,972,634	22,646,333
Other bad debt expenses	316,050,422	269,600,100
	<u>₩ 503,543,601</u>	<u>₩ 333,528,167</u>

21. Finance Income and Costs

Finance income

<i>(in Korean won)</i>	2022	2021
Interest income	₩ 457,313,638	₩ 252,416,051

Finance costs

<i>(in Korean won)</i>	2022	2021
Interest expense	₩ 196,345,546	₩ 194,662,038

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22. Tax Expense

Income tax expense for the years ended December 31, 2022 and 2021, consists of:

<i>(in Korean won)</i>	2022	2021
Current income taxes	₩ 655,552,623	₩ 519,959,466
Effect of changes in temporary differences (deferred tax)	(153,791,954)	1,053,353,414
Variation of deferred tax due to tax credits carried forward	10,829,368	(10,829,368)
Income tax expense charged directly to equity	44,052,221	(982,204,735)
Income tax expense	<u>₩ 556,642,258</u>	<u>₩ 580,278,777</u>

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

<i>(in Korean won)</i>	2022	2021
Profit before income tax	₩ 2,891,923,591	₩ 3,848,063,629
Tax at tax rates applicable to profits	₩ 636,223,190	₩ 846,573,998
Tax effects of:		
Non-deductible expense (non-taxable income)	(4,827,820)	42,405,836
Tax credit carried forward	(75,630,339)	(331,551,049)
Others (tax rate differences and others)	877,227	22,849,992
Income tax expense	<u>₩ 556,642,258</u>	<u>₩ 580,278,777</u>
Effective tax rate	19.25%	15.08%

The analysis of deferred tax assets and liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in Korean won)</i>	2022	2021
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 1,147,353,141	₩ 1,169,118,009
Deferred tax asset to be recovered within 12 months	291,690,408	334,642,166
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(2,893,304,070)	(3,115,516,902)
Deferred tax liability to be recovered within 12 months	(14,794,090)	(260,470)
Deferred tax liabilities, net	<u>₩ (1,469,054,611)</u>	<u>₩ (1,612,017,197)</u>

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The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in Korean won)

	2022			
	Deferred tax assets (liabilities)			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Depreciation	₩ 803,246,305	₩ (60,641,712)	₩ -	₩ 742,604,593
Lease liabilities	293,078,821	(38,390,916)	-	254,687,905
Deposits provided (present value discounts)	6,070,293	(1,054,110)	-	5,016,183
Adjustments of deemed depreciation	66,722,590	(16,217,281)	-	50,505,309
Unsettled cost	190,601,558	21,562,695	-	212,164,253
Provision for impairment	93,268,840	21,150,371	-	114,419,211
Valuation allowance for inventories	39,942,400	19,703,695	-	59,646,095
Tax credit carried forward	10,829,368	(10,829,368)	-	-
Deferred tax assets	1,503,760,175	(64,716,626)	-	1,439,043,549
Accrued income	(260,470)	(14,533,620)	-	(14,794,090)
Revaluation of land	(2,494,055,329)	69,018,704	44,347,448	(2,380,689,177)
Right-of-use assets	(286,001,091)	42,753,061	-	(243,248,030)
Investments in associates	(335,460,482)	66,388,846	(295,227)	(269,366,863)
Deferred tax liabilities	(3,115,777,372)	163,626,991	44,052,221	(2,908,098,160)
	₩ (1,612,017,197)	₩ 98,910,365	₩ 44,052,221	₩ (1,469,054,611)

(in Korean won)

	2021			
	Deferred tax assets (liabilities)			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Depreciation	₩ 811,539,487	₩ (8,293,182)	₩ -	₩ 803,246,305
Lease liabilities	302,374,976	(9,296,155)	-	293,078,821
Deposits provided (present value discounts)	7,237,221	(1,166,928)	-	6,070,293
Adjustments of deemed depreciation	80,534,855	(13,812,265)	-	66,722,590
Unsettled cost	175,890,442	14,711,116	-	190,601,558
Provision for impairment	22,189,620	71,079,220	-	93,268,840
Valuation allowance for inventories	80,266,855	(40,324,455)	-	39,942,400
Tax credit carried forward	-	10,829,368	-	10,829,368
Deferred tax assets	1,480,033,456	23,726,719	-	1,503,760,175
Accrued income	(225,032)	(35,438)	-	(260,470)
Revaluation of land	(1,518,411,473)	-	(975,643,856)	(2,494,055,329)
Right-of-use assets	(299,073,598)	13,072,507	-	(286,001,091)
Investments in associates	(231,816,504)	(97,083,099)	(6,560,879)	(335,460,482)

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Deferred tax liabilities	(2,049,526,607)	(84,046,030)	(982,204,735)	(3,115,777,372)
	₩ (569,493,151)	₩ (60,319,311)	₩ (982,204,735)	₩ (1,612,017,197)

Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion.

There are no unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2022 and 2021.

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2022 and 2021, is as follows:

(in Korean won)

	2022		
	Changes before tax	Tax effects	Changes after tax
Other comprehensive income			
Revaluation of property, plant and equipment	₩ -	₩ 44,347,448	₩ 44,347,448
Share of other comprehensive income of associates	4,037,065	(295,227)	3,741,838
	<u>₩ 4,037,065</u>	<u>₩ 44,052,221</u>	<u>₩ 48,089,286</u>

(in Korean won)

	2021		
	Changes before tax	Tax effects	Changes after tax
Other comprehensive income			
Revaluation of property, plant and equipment	₩ 4,434,744,800	₩ (975,643,856)	₩ 3,459,100,944
Share of other comprehensive income of associates	42,603,110	(6,560,879)	36,042,231
	<u>₩ 4,477,347,910</u>	<u>₩ (982,204,735)</u>	<u>₩ 3,495,143,175</u>

23. Earnings per Share

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

(in Korean won and in number of shares)

	2022	2021
Profit attributable to the ordinary equity holders	₩ 2,335,281,333	₩ 3,267,784,852
Weighted average number of ordinary shares outstanding ¹	36,560,775 shares	36,560,775 shares
Basic earnings per share	₩ 64	₩ 89

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¹Weighted average number of ordinary shares for the years ended December 31, 2022 and 2021, is as follows:

<i>(in number of shares)</i>	2022	2021
Outstanding shares	36,571,255	36,571,255
Less: weighted average number of treasury shares	<u>(10,480)</u>	<u>(10,480)</u>
Weighted average number of ordinary shares outstanding	<u>36,560,775</u>	<u>36,560,775</u>

24. Cash Generated from Operations

Cash generated from operations

<i>(in Korean won)</i>	2022	2021
Profit before income tax	₩ 2,891,923,591	₩ 3,848,063,629
Adjustments for:		
Interest income	(457,313,638)	(252,416,051)
Interest expense	196,345,546	194,662,038
Gain on foreign currency translation	(2,096,965)	(1,634,490)
Gain on disposal of property, plant and equipment	(7,122,439)	(4,583,876)
Share of profit of associates	(156,410,553)	(630,409,734)
Depreciation	4,710,066,294	4,497,947,837
Depreciation of right-of-use assets	406,641,485	357,852,116
Amortization	114,986,335	105,035,065
Impairment losses (reversal)	(48,468,775)	29,173,505
Other impairment losses	316,050,422	269,600,100
Loss on disposal of property, plant and equipment	11,128,057	3,232,342
Loss on valuation of inventories (reversal)	102,472,662	(183,292,979)
Others	(46,839,236)	(32,159,484)
Changes in assets and liabilities due to operating activities:		
Decrease (increase) in trade receivables	(1,401,628,635)	2,232,948,255
Decrease (increase) in other receivables	4,693,148	(239,475,304)
Decrease (increase) in inventories	(1,903,112,881)	3,239,738,588
Increase in other assets	(7,959,828)	(28,707,728)
Increase (decrease) in trade payables	1,037,986,139	(429,150,272)
Increase (decrease) in other payables	236,360,295	(11,215,778)
Increase (decrease) in other liabilities	<u>231,031,374</u>	<u>(160,445,901)</u>
Cash generated from operations	<u>₩ 6,228,732,398</u>	<u>₩ 12,804,761,878</u>

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Non-cash transactions

<i>(in Korean won)</i>	2022	2021
Reclassification of construction in process to property, plant and equipment	₩ 2,534,368,044	₩ 9,176,570,771
Decrease in non-trade payables due to acquisition of property, plant and equipment	(89,879,191)	(367,595,582)
Revaluation of property, plant and equipment (land)	-	4,434,744,800
Reclassification of current portion of long-term borrowing	-	5,000,000,000

Changes in liabilities arising from financing activities

Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	Liabilities from financing activities				
	Dividends payable	Lease liabilities	Current portion of borrowings	Long-term borrowings	Total
At January 1, 2021	₩ -	₩ (1,374,431,708)	₩ -	₩ (5,000,000,000)	₩ (6,374,431,708)
Resolution on dividends	(2,742,058,125)	-	-	-	(2,742,058,125)
Dividends paid	2,742,058,125	-	-	-	2,742,058,125
Reclassification of current portion	-	-	(5,000,000,000)	5,000,000,000	-
Principal elements of lease and interest payments	-	396,853,414	-	-	396,853,414
Interest expense on lease liabilities	-	(66,989,444)	-	-	(66,989,444)
Acquisitions - leases	-	(438,679,204)	-	-	(438,679,204)
Termination - lease	-	151,070,484	-	-	151,070,484
At December 31, 2021	₩ -	₩ (1,332,176,458)	₩ (5,000,000,000)	₩ -	₩ (6,332,176,458)
At January 1, 2022	₩ -	₩ (1,332,176,458)	₩ (5,000,000,000)	₩ -	₩ (6,332,176,458)
Repayments of borrowings	-	-	5,000,000,000	-	5,000,000,000
Proceeds from borrowings	-	-	(5,000,000,000)	-	(5,000,000,000)
Principal elements of lease and interest payments	-	443,403,960	-	-	443,403,960
Interest expense on lease liabilities	-	(64,148,290)	-	-	(64,148,290)
Acquisitions - leases	-	(264,204,647)	-	-	(264,204,647)
Termination - lease	-	4,325,889	-	-	4,325,889
At December 31, 2022	₩ -	₩ (1,212,799,546)	₩ (5,000,000,000)	₩ -	₩ (6,212,799,546)

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25. Contingencies and Commitments

As at December 31, 2022, the Company's loan agreement with financial institutions are as follows:

<i>(in Korean won)</i>	2022	2021	
KDB	₩ 5,000,000,000	₩ 5,000,000,000	General loan

As at December 31, 2022, the Company is provided with performance guarantee and others amounting to ₩ 273,660,000 from Seoul Guarantee Insurance.

As at December 31, 2022, the Company has entered into general property insurance, fire insurance, environmental liability insurance for its property, plant and equipment and inventories by DB INSURANCE CO.,LTD and others.

As at December 31, 2022, the Company has entered into notes receivables factoring agreements with KEB Hana Bank for up to ₩ 50,000,000 in relation to the collection of trade receivables and others.

Acquisition of property, plant and equipment and capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

<i>(in Korean won)</i>	2022	2021
Purchase agreements for the property, plant and equipment	₩ 34,450,000	₩ 171,650,000

As at December 31, 2022, the details of major commitments that the Company has entered into in relation to the acquisition of shares of JOONGWON are as follows:

Type	Contents
Drag Along Right	A corporate shareholders ¹ has a right to transfer all of the shares to a third party; or a right to claim the sale of all or part of the shares owned by the existing shareholder to an affiliate of the corporate shareholder designated by the corporate shareholder, upon the choice of the corporate shareholder when there is the largest shareholder change transaction.
Tag Along Right	If all of the shares held by corporate shareholders are sold to a third party or when there is the largest shareholder change transaction, existing shareholders have a right to claim to sell all of their shares in common. In the case of the largest shareholder change transaction, if the existing shareholder exercises the Tag Along Right, the shares are sold to the prospective purchaser or to the corporate shareholder upon the choice of the corporate shareholder.

¹ The corporate shareholders are the Company, SsangYong C&B Inc. and MSSGLOBAL, and if the existing shareholders exercise the purchase right, they will purchase the shares in proportion to each

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company's shares according to the agreement between the corporate shareholders.

Litigation during the normal course of business of the Company are under way at the end of the reporting period. The ultimate outcome and impacts of this lawsuit and other cannot be reasonably estimated. Management does not expect the outcome of the litigations will have a material effect on the Company's financial position.

26. Related Party Transactions

Details of the Company's ultimate parent company, Parent Company and other related parties as at December 31, 2022 and 2021, are as follows:

Type	2022	2021	Relationship
Ultimate parent company	NHPEA Tissue Holdings AB	NHPEA Tissue Holdings AB	The Parent Company of MSS Holdings Co., Ltd.
Parent Company	MSS Holdings Co., Ltd.	MSS Holdings Co., Ltd.	The Parent Company of the Company
Associate	JOONGWON	JOONGWON	1
Other related parties	SsangYong C&B Inc.	SsangYong C&B Inc.	A subsidiary of MSS Holdings Co., Ltd.
	MSSGLOBAL	MSSGLOBAL	A subsidiary of MSS Holdings Co., Ltd.
	MSS Pulp Co., Ltd.	MSS Pulp Co., Ltd.	A subsidiary of MSS Holdings Co., Ltd.
	MSS Logistics Co.,Ltd.	MSS Logistics Co.,Ltd.	A subsidiary of MSS Holdings Co., Ltd.
	MSS HRM CO.,LTD.	MSS HRM CO.,LTD.	A subsidiary of MSS Holdings Co., Ltd.
	NOLBOO CO.LTD and its subsidiaries	NOLBOO CO.LTD and its subsidiaries	2

¹ The Company has significant influence as the members of the Company's the Board of Directors participate in the Board of Directors of the investee.

² NOLBOO CO.LTD and its subsidiaries were classified as other related parties in consideration of mutual interaction of management and others, but as at December 31, 2022, mutual interaction of management have ceased and, NOLBOO CO.LTD and its subsidiaries are excluded from other related parties.

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Sales and purchases with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

		2022			
Type	Name of entity	Sales of goods	Other income	Purchase of goods	Other expense
Other related parties	SsangYong C&B Inc.	₩ 3,622,580,244	₩ 417,762,620	₩ -	₩ 9,647,500
	MSSGLOBAL	1,069,636	410,005,503	3,821,692,604	2,319,200,000
	MSS Pulp Co., Ltd.	282,545	-	38,284,731,665	459,058,000
	MSS Logistics Co.,Ltd.	2,381,455	-	-	9,423,740,705
	MSS HRM CO.,LTD.	3,647,635	4,896,000	-	806,702,284
	NOLBOO CO.LTD	-	-	-	71,161,136
	and its subsidiaries	-	-	-	71,161,136
		<u>₩ 3,629,961,515</u>	<u>₩ 832,664,123</u>	<u>₩ 42,106,424,269</u>	<u>₩ 13,089,509,625</u>

(in Korean won)

		2021			
Type	Name of entity	Sales of goods	Other income	Purchase of goods	Other expense
Other related parties	SsangYong C&B Inc.	₩ 5,546,004,952	₩ 277,425,436	₩ 706,110,550	₩ 8,381,100
	MSSGLOBAL	1,041,545	389,636,590	613,907,614	2,611,340,630
	MSS Pulp Co., Ltd.	266,182	-	27,006,932,879	485,544,000
	MSS Logistics Co.,Ltd.	2,140,091	-	-	8,303,813,952
	MSS HRM CO.,LTD.	3,638,274	4,896,000	-	829,310,243
	NOLBOO CO.LTD	-	-	-	492,367,889
	and its subsidiaries	-	-	-	492,367,889
		<u>₩ 5,553,091,044</u>	<u>₩ 671,958,026</u>	<u>₩ 28,326,951,043</u>	<u>₩ 12,730,757,814</u>

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2022 and 2021, are as follows:

(in Korean won)

		2022			
		Receivables		Payables	
Type	Name of entity	Trade receivables	Other receivables¹	Trade payables	Other payables
Other related parties	SsangYong C&B Inc.	₩ 188,109,328	₩ -	₩ -	₩ 804,870
	MSSGLOBAL	24,488,090	4,952,654,542	178,271,325	321,969,703
	MSS Pulp Co., Ltd.	-	300,000	3,181,215,522	41,942,340
	MSS Logistics Co.,Ltd.	-	-	-	915,674,296
	MSS HRM CO.,LTD.	448,800	-	-	63,652,638
			<u>₩ 213,046,218</u>	<u>₩ 4,952,954,542</u>	<u>₩ 3,359,486,847</u>

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Type	Name of entity	2021			
		Receivables		Payables	
		Trade receivables	Other receivables ¹	Trade payables	Other payables
Other related parties	SsangYong C&B Inc.	₩ 456,955,590	₩ -	₩ -	₩ 728,310
	MSSGLOBAL	14,157,440	4,823,739,426	11,736,000	296,112,807
	MSS Pulp Co., Ltd.	-	300,000	2,692,370,497	41,976,440
	MSS Logistics Co.,Ltd.	-	-	-	860,177,208
	MSS HRM CO.,LTD.	648,800	-	-	66,486,592
			<u>₩ 471,761,830</u>	<u>₩ 4,824,039,426</u>	<u>₩ 2,704,106,497</u>

¹ Loans of ₩ 4,500,000,000 (2021: ₩ 4,500,000,000) to MSSGLOBAL are included as at December 31, 2022.

Fund transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in Korean won)

Type	Name of entity	Transaction	2022			
			Beginning balance	Loans	Collections	Ending balance
Other related party	MSSGLOBAL	Loan transactions	₩ 4,500,000,000	₩ -	₩ -	₩ 4,500,000,000

(in Korean won)

Type	Name of entity	Transaction	2021			
			Beginning balance	Loans	Collections	Ending balance
Other related party	MSSGLOBAL	Loan transactions	₩ 4,500,000,000	₩ -	₩ -	₩ 4,500,000,000

There are no dividends paid in 2022 (2021: ₩ 1,398,449,625) to MSS Holdings Co., Ltd., the Parent Company. The Company received dividends of ₩ 506,334,800 (2021: nil) from JOONGWON, an associate of the Company.

The compensation by category and total compensation for registered executives who have significant authority and responsibilities on planning, operation and control of the Company for the years ended December 31, 2022 and 2021, are summarized as follows:

(in Korean won)

	2022	2021
Short-term employee benefits	₩ 398,564,963	₩ 380,570,857
Post-employment benefits	27,944,238	29,745,337
	<u>₩ 426,509,201</u>	<u>₩ 410,316,194</u>

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27. Segment Information

The Company separates operating segments at the level provided for the CEO's decision-making based on characteristics of goods and services generating revenue and characteristics of assets for rendering services. As a result, the Company classifies its own whole entity as a single reporting segment.

Sales by geographic areas for the years ended December 31, 2022 and 2021, are as follows. All of the Company's main production facilities are located in Korea.

<i>(in Korean won)</i>	2022	2021
Domestic	₩ 120,253,771,562	₩ 105,854,612,954
Overseas	616,322,552	544,783,096
	<u>₩ 120,870,094,114</u>	<u>₩ 106,399,396,050</u>

28. Greenhouse Gas Emission Permits and Obligations

The quantities of emission permits which are allocated free of charge for the 1st, 2nd and 3rd planning period are as follows.

<i>(in Korean Allowance Unit)</i>	Years	Quantity
1st plan	2015	61,510
	2016	53,957
	2017	59,819
2nd plan	2018	38,765
	2019	38,765
	2020	38,765
3rd plan	2021	41,849
	2022	41,849
	2023	41,849
	2024	41,457
	2025	41,457

Changes in emission permits quantities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in Korean Allowance Unit)</i>	2022	2021
At January 1	3,249	1,406
Emission permits with nil consideration	41,849	41,849
Disposal	(1,083)	-
Estimated quantity of emission obligation	(41,007)	-
Performance of emission obligation	-	(40,006)
At December 31	<u>3,008</u>	<u>3,249</u>

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As at December 31, 2022, emission obligations are estimated at 41,007 KAU. There is no amount recognized as liabilities by the Company in relation to greenhouse gas emissions.

29. Financial Risk Management

29.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Company.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written 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.

29.1.1 Market Risk

(a) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company does not enter into foreign currency transactions for speculative purposes and manages foreign currency risks by putting foreign currency risk management policies in place. The Company's management policy of foreign currency risk is defined by foreign currency risk, management authority and management procedures. Management policy of foreign currency risk is as follows:

- Manage proactively to minimize foreign currency positions during all operating activities;
- Foreign currency transactions must be conducted within the scope of actual transactions, and speculative transactions are prohibited; and
- Hedges for the purpose of avoiding currency exchange rate risks shall comply with the prescribed internal procedures.

The Company's exposure to foreign currency risk at the end of the reporting period was as follows:

<i>(in Korean won)</i>	Assets		Liabilities	
	2022	2021	2022	2021
USD	₩ 139,592,321	₩ 127,238,691	₩ -	₩ -

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At the end of the reporting period, if the Korean won had weakened/strengthened by 5% against the US dollar, which is the major foreign currency, with all other variables held constant. The effects on profit before income tax as at December 31, 2022 and 2021, would have been as follows:

<i>(in Korean won)</i>	2022		2021	
	Increase 5%	Decrease 5%	Increase 5%	Decrease 5%
USD	₩ 6,979,616	₩ (6,979,616)	₩ 6,361,935	₩ (6,361,935)

(b) Interest rate risk

As at December 31, 2022, the Company does not have borrowings exposed to interest rate risk.

(c) Price risk

As at December 31, 2022, the Company does not have financial instruments which are significantly exposed to price risk.

29.1.2 Credit Risk

Credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contracts. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only deals with the customers rated higher than investment grade by the independent credit rating agencies. If those grades are not available, the Company uses other financial information and transaction performance that it determines and makes available for the purpose of determining the credit rating of its principal customers. The Company continuously reviews its exposure to credit risk and the counterparty's credit rating, and the total amount of approved transactions is evenly distributed.

The trade receivables consist of many customers and distributors in various industry sectors and regions. The credit evaluation about the trade receivables has been carried out consistently, and where appropriate, credit guarantee insurance cover is purchased. The Company is not exposed to a significant credit risk arising from an individual counterparty or a group with similar characteristics. When counterparties are related to each other, the Company defines them as counterparties with similar characteristics.

Book amount of financial assets held by the Company is recognized, less any impairment as at December 31, 2022. The carrying amount represents the Company's maximum exposure to credit risk for which the value of acquired collaterals is not considered.

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The maximum exposures to credit risk as at December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	2022	2021
Cash and cash equivalents	₩ 5,082,689,898	₩ 9,741,944,415
Deposits with financial institutions	6,500,000,000	-
Trade receivables	11,685,482,007	10,235,384,597
Other receivables	5,387,647,038	5,427,906,139
Other financial assets	990,465,754	-

29.1.3 Liquidity Risk

The Company establishes short-term and long-term liquidity management plans to manage the liquidity risks. The Company continuously analyzes and reviews actual cash outflows with its budget to correspond the maturity of financial liabilities to that of financial assets. Management believes that the Company will be affordable to repay all of the financial liabilities with cash inflows from operating activities and financial assets.

The analysis of the maturities of the financial liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in Korean won)</i>	2022			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables	₩ 5,044,487,059	₩ -	₩ -	₩ 5,044,487,059
Other payables	3,839,600,652	7,547,170	-	3,847,147,822
Borrowings ¹	5,017,317,808	-	-	5,017,317,808
Lease liabilities ²	463,546,613	842,449,020	-	1,305,995,633
	<u>₩ 14,364,952,132</u>	<u>₩ 849,996,190</u>	<u>₩ -</u>	<u>₩ 15,214,948,322</u>

<i>(in Korean won)</i>	2021			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables	₩ 4,006,500,920	₩ -	₩ -	₩ 4,006,500,920
Other payables	3,693,119,548	7,547,170	-	3,700,666,718
Borrowings ¹	5,022,652,055	-	-	5,022,652,055
Lease liabilities ²	413,943,060	1,047,965,333	6,595,000	1,468,503,393
	<u>₩ 13,136,215,583</u>	<u>₩ 1,055,512,503</u>	<u>₩ 6,595,000</u>	<u>₩ 14,198,323,086</u>

¹ The amount includes the interest on interest-bearing financial liabilities that will be generated in the future.

² This amount includes lease principal and interest expenses.

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29.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can maximize returns for shareholders through the optimization of its debt and equity balance. The capital structure of the Company consists of equity and net debt, excluding cash and cash equivalents and deposits with financial institutions from borrowings. Items managed as capital by the Company as at December 31, 2022 and 2021, are as follows:

<i>(in Korean won)</i>	Total borrowings	Less: cash and cash equivalents and deposits with financial institutions	Net debt	Equity	Net debt-to- equity rate ¹
December 31, 2022	₩ 5,000,000,000	₩ 11,582,689,898	₩ (6,582,689,898)	₩ 77,615,217,380	-
December 31, 2021	5,000,000,000	9,741,944,415	(4,741,944,415)	75,231,846,761	-

¹ Net debt is in negative amount; thus, no net debt-to-equity rate is calculated.

Report on Independent Auditor's Review of Internal Control over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Chief Executive Officer of
MONALISA CO.,LTD

We have reviewed the accompanying management's report on the effectiveness of Internal Control over Financial Reporting ("ICFR") of MONALISA CO.,LTD (the "Company") as at December 31, 2022. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of ICFR and issue a report based on our review. The management's report on the effectiveness of ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as at December 31, 2022, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline"

Our review was conducted in accordance with ICFR review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the effectiveness of ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's ICFR is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. Because of its inherent limitations, ICFR may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the effectiveness of ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline.

Our review is based on the Company's ICFR as at December 31, 2022, and we did not review management's assessment of its ICFR subsequent to December 31, 2022. This report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 20, 2023

This report is effective as at March 20, 2023, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Management's Report on the Effectiveness of
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of
MONALISA CO.,LTD

We, as the Chief Executive Officer (CEO) and the Internal Control over Financial Reporting Officer of MONALISA CO.,LTD (the Company), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting (ICFR) for the year ended December 31, 2022.

The Company's management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We conducted an evaluation of ICFR based on *Best Practice Guidance* established by the ICFR Committee.

Based on the assessment results, we believe that the Company's ICFR, as at December 31, 2022, is designed and operating effectively, in all material respects, in accordance with *Best Practice Guidance* .

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

<Attachment>

January 20, 2023

Joo Kwangok,
Chief Executive Officer

Ryu Youngchan,
Internal Control over Financial Reporting Officer