

MONALISA CO., LTD

Financial Statements

December 31, 2023

(With Independent Auditors' Report Thereon)

Table of Contents

	Page(s)
Independent Auditors' Report	1 ~ 4
Financial Statements	
Statements of Financial Position	5
Statements of Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 ~ 56
Report on Independent Auditors' Review of Internal Control over Financial Reporting.....	57~ 58
CEO's Report on the Operating Status of Internal Control over Financial Reporting	59

Independent Auditors' Report

Based on a report originally issued in Korean

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

Opinion

We have audited the financial statements of MONALISA CO., LTD ("the Company"), which comprise the statement of financial position as of December 31, 2023, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements as of and for the year ended December 31, 2023. This matter was 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 this matter.

Appropriateness of the cut-off of the finished goods, merchandise, and semi-finished goods sales

The Company's sales of finished goods and merchandise are generated by selling toilet paper, sanitary paper, etc. Sales of semi-finished goods are generated by selling fabric. As the Company is a KOSPI-listed company with multiple stakeholders, revenue is a key indicator of interest. Thus there is a high inherent risk that revenue will be recognized before the conditions for revenue recognition are met.

We identified the appropriateness of the cut-off of the finished goods, merchandise and semi-finished goods sales as a key audit matter, considering the inherent risk of revenue, the significance of these sales, and the risk of misstatement of revenue that may occur according to various contract terms.



Our audit procedures to address key audit matters included followings:

- Assessing the appropriateness of control transfer timing according to revenue recognition criteria
- Understanding the Company's policies, processes and internal controls related to finished goods, merchandise and semi-finished goods sales
- Testing certain internal controls for the cut-off of the finished goods, merchandise, and semi-finished goods sales
- Inspecting the accounting records and source documents for specific sales that occurred close to and after year-end or have high-risk factors

Other Matter

The financial statements of the Company for the year ended as of December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2023.

The procedures and practices utilized 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 K-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, or has no realistic alternative but to do so.

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



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

As part of an audit in accordance with KSAs, 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 internal controls.
- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements 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 auditors' 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 auditors' 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 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 auditors' 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 auditors' report is Sang Ho Roh.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 15, 2024

This report is effective as of March 15, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

MONALISA CO., LTD
Statements of Financial Position
December 31, 2023 and 2022

<i>(In Korean won)</i>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Assets			
Current Assets			
Cash and cash equivalents	4,5,6,30	₩ 19,711,773,102	₩ 5,082,689,898
Short-term financial instruments	5,6,30	2,000,000,000	6,500,000,000
Trade receivables	5,6,7,27,30	13,024,937,258	11,685,482,007
Other receivables	5,6,7,27,30	543,304,375	530,217,594
Other financial assets	5,6,30	-	990,465,754
Inventories	8	12,137,114,169	12,193,066,532
Other assets	9	142,119,266	130,982,563
		<u>47,559,248,170</u>	<u>37,112,904,348</u>
Non-current assets			
Other receivables	5,6,7,27,30	4,785,759,852	4,857,429,444
Investments in associate	10	2,221,123,435	10,991,139,621
Property, plant and equipment	11	41,255,108,451	43,261,988,188
Right-of-use assets	12	929,730,313	1,158,323,951
Intangible assets	13	294,415,259	412,590,622
		<u>49,486,137,310</u>	<u>60,681,471,826</u>
Total assets		<u>₩ 97,045,385,480</u>	<u>₩ 97,794,376,174</u>
Liabilities			
Current liabilities			
Trade payables	5,6,27,30	₩ 2,010,061,009	₩ 5,044,487,059
Other payables	5,6,14,30	3,774,103,230	3,839,600,652
Current derivative liabilities	5,6,26,30	1,631,226,460	-
Short-term borrowings	5,6,15,30	-	5,000,000,000
Current tax liabilities		2,527,242,976	424,715,623
Other liabilities	9	3,783,508,268	3,180,954,133
Lease liabilities	5,6,12,30	492,259,989	452,571,089
		<u>14,218,401,932</u>	<u>17,942,328,556</u>
Non-current liabilities			
Other payables	5,6,14	7,547,170	7,547,170
Lease liabilities	5,6,12	503,587,330	760,228,457
Deferred tax liabilities	23	1,031,267,950	1,469,054,611
		<u>1,542,402,450</u>	<u>2,236,830,238</u>
Total liabilities		<u>15,760,804,382</u>	<u>20,179,158,794</u>
Equity			
Share capital	17	18,885,627,500	18,885,627,500
Other paid-in capital	17	3,437,386,562	3,437,386,562
Retained earnings	17	55,440,755,057	51,748,970,857
Accumulated other comprehensive income	17	3,520,811,979	3,543,232,461
Total equity		<u>81,284,581,098</u>	<u>77,615,217,380</u>
Total liabilities and equity		<u>₩ 97,045,385,480</u>	<u>₩ 97,794,376,174</u>

See accompanying notes to financial statements.

MONALISA CO., LTD
Statements of Comprehensive Income
Years ended December 31, 2023 and 2022

<i>(In Korean won)</i>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Revenue	18,27,28	₩ 129,760,048,314	₩ 120,870,094,114
Cost of sales	19	<u>(98,337,167,205)</u>	<u>(95,138,033,148)</u>
Gross profit		31,422,881,109	25,732,060,966
Selling and administrative expenses	19,20	<u>(24,937,055,424)</u>	<u>(22,836,681,228)</u>
Operating profit		6,485,825,685	2,895,379,738
Other non-operating income	21	4,951,745,690	82,708,809
Other non-operating expenses	21	(580,700,276)	(503,543,601)
Finance income	22	797,492,820	457,313,638
Finance costs	22	(120,558,981)	(196,345,546)
Share of changes in equity method investment		103,360,985	156,410,553
Profit before income taxes		11,637,165,923	2,891,923,591
Income tax expenses	23	<u>(2,493,090,698)</u>	<u>(556,642,258)</u>
Profit for the year		₩ <u>9,144,075,225</u>	₩ <u>2,335,281,333</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation surplus of land		4,434,745	44,347,448
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive income of associate		<u>4,969,998</u>	<u>3,741,838</u>
		<u>9,404,743</u>	<u>48,089,286</u>
Total comprehensive income for the year		₩ <u>9,153,479,968</u>	₩ <u>2,383,370,619</u>
Earnings per share			
Basic and diluted earnings per share	24	₩ 250	₩ 64

See accompanying notes to financial statements.

MONALISA CO., LTD
Statements of Changes in Equity
Years ended December 31, 2023 and 2022

(In Korean won)

	Notes	Share capital	Other paid-in capital	Accumulated other comprehensive income	Retained Earnings	Total
Balance as 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		-	-	44,347,448	-	44,347,448
Share of other comprehensive income of associate	17	-	-	3,741,838	-	3,741,838
Balance as 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>
Balance as January 1, 2023		₩ 18,885,627,500	3,437,386,562	3,543,232,461	51,748,970,857	77,615,217,380
Total comprehensive income:						
Profit for the year		-	-	-	9,144,075,225	9,144,075,225
Revaluation surplus of land		-	-	4,434,745	-	4,434,745
Share of other comprehensive income of associate		-	-	(26,855,227)	31,825,225	4,969,998
Annual dividends paid		-	-	-	(1,828,038,750)	(1,828,038,750)
Interim dividends paid		-	-	-	(3,656,077,500)	(3,656,077,500)
Balance as December 31, 2023		<u>₩ 18,885,627,500</u>	<u>3,437,386,562</u>	<u>3,520,811,979</u>	<u>55,440,755,057</u>	<u>81,284,581,098</u>

See accompanying notes to financial statements.

MONALISA CO., LTD
Statements of Cash Flows
December 31, 2023 and 2022

<i>(In Korean won)</i>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Cash generated from operations	25 ₩	7,257,914,612	₩ 6,228,732,398
Interest received		776,516,013	379,958,521
Interest paid		(124,800,077)	(196,345,546)
Dividends received		-	506,334,800
Income taxes paid		(819,026,108)	(353,207,376)
Net cash provided by operating activities		<u>7,090,604,440</u>	<u>6,565,472,797</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		6,500,000,000	1,000,000,000
Decrease in other financial assets		990,465,754	-
Decrease in other receivables		-	4,000,000
Proceeds from disposal of property, plant and equipment		10,398,330	10,300,000
Proceeds from disposal of investment in associate		15,527,322,690	-
Increase in short-term financial instruments		(2,000,000,000)	(7,500,000,000)
Increase in other financial assets		-	(990,465,754)
Increase in other receivables		(5,121,500)	(160,000,000)
Acquisitions for property, plant and equipment		(2,546,516,555)	(3,134,618,826)
Acquisitions for intangible assets		(4,343,840)	(76,176,029)
Acquisitions for right-of-use assets		-	(608,000)
Net cash provided by (used in) investing activities		<u>18,472,204,879</u>	<u>(10,847,568,609)</u>
Cash inflow from financing activities			
Proceeds from borrowings		-	5,000,000,000
Prepayment of borrowings		(5,000,000,000)	(5,000,000,000)
Payment of dividends		(5,484,116,250)	-
Repayments of lease liabilities		(449,510,352)	(379,255,670)
Net cash used in financing activities		<u>(10,933,626,602)</u>	<u>(379,255,670)</u>
Net increase (decrease) in cash and cash equivalents		14,629,182,717	(4,661,351,482)
Cash and cash equivalents at the beginning of the year		5,082,689,898	9,741,944,415
Effects of exchange rate changes on cash and cash equivalents in foreign currency		(99,513)	2,096,965
Cash and cash equivalents at the end of the year	₩	<u>19,711,773,102</u>	₩ <u>5,082,689,898</u>

See accompanying notes to financial statements.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

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 of December 31, 2023, the Company's major shareholders are as follows:

(in number of shares)

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
MSS Holdings Co., Ltd.	18,645,995	50.985
Treasury shares	10,480	0.029
Registered officer	-	-
Unregistered officer	1,000	0.003
Others	17,913,780	48.983
	<u>36,571,255</u>	<u>100.000</u>

2. Basis of Preparation

The material 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 the Company prepared its financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (K-IFRS), which are accounting standards established by adopting the International Accounting Standards of the International Accounting Standards Committee stipulated in Article 5, Paragraph 1, Item 1 of the Act on External Audit of Stock Companies, etc. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The financial statements of the Company have been prepared in accordance with K-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 measured at fair value
- Derivative instruments measured at fair value
- Financial instruments measured at fair value through profit or loss

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

2.1.1 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, 2023.

(a) Amendment to K-IFRS 1001 Presentation of Financial Statements – Disclosure of the 'Accounting policies'

The amendments to K-IFRS 1001 define and require entities to disclose their material accounting policies. The amendment does not have a significant impact on the financial statements.

(b) Amendments to K-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 amendment does not have a significant impact on the financial statements.

(c) Amendments to K-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 amendment does not have a significant impact on the financial statements.

2.1.2 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 reporting period 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.

2.2 Material Accounting Policies

The material accounting policies and calculation methods applied in the preparation of financial statements are the same as those applied in the preparation of previous financial statements, except for changes in the application of the new and amended standards described in Note 2.1.1 and changes in the application of the accounting standards described in paragraphs below.

2.3 Financial Assets

(a) Classification

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

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income, and
- Financial assets 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 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.

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 such as the right of recourse in the event of a default by the debtor, 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.

2.4 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.

2.5 Trade Receivables

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

2.6 Inventories

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.

2.7 Property, Plant and Equipment

After recognition as an asset, property, plant and equipment except for land, shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses, and after recognition as an asset, land shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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	10 - 60 years
Structures	10 - 50
Machinery	5 - 40
Vehicles	5
Tools and equipment	5 - 20
Others	2 - 5

2.8. 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.

2.9 Intangible Assets

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

	Useful lives
Industrial property rights	5 years
Software	5

2.10 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.

2.11 Financial Liabilities

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 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.

2.12 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.

2.13 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, and the customer has accepted the goods. 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 the customer has accepted the goods.

(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 better predict the amount of consideration to which the Company is entitled. 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.

2.14 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 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.

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.

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.

2.15 Approval of Issuance of the Financial Statements

The financial statements were approved for issue by the Board of Directors on January 26, 2024 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Material 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 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 5 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.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

4. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023		2022	
Demand deposits	₩	1,359,065,240	₩	3,076,553,999
RP		7,352,707,862		2,006,135,899
Time deposits		11,000,000,000		-
	₩	19,711,773,102	₩	5,082,689,898

5. Fair Value of Financial Instruments

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, 2023.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 19,711,773,102	₩ 1	₩ 5,082,689,898	₩ 1
Short-term financial instruments	2,000,000,000	1	6,500,000,000	1
Short-term trade receivables	13,024,937,258	1	11,685,482,007	1
Other receivables	5,329,064,227	1	5,387,647,038	1
Other financial assets	-	1	990,465,754	1
Financial liabilities				
Trade payables	₩ 2,010,061,009	₩ 1	₩ 5,044,487,059	₩ 1
Other payables	3,781,650,400	1	3,847,147,822	1
Short-term borrowings	-	1	5,000,000,000	1
Derivative liabilities	1,631,226,460	1,631,226,460	-	-
Lease liabilities	995,847,319	2	1,212,799,546	2

¹The carrying amount is a reasonable approximation to the fair value and is therefore excluded from the fair value disclosure.

² Lease liabilities are excluded from the fair value disclosures in accordance with K-IFRS 1107 'Financial Instruments: Disclosure'.

5.2 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 and of derivative liabilities with a binomial 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, 2023 and 2022.

5.3 Valuation Techniques and the Inputs

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

Valuation techniques	Significant unobservable inputs	Relationship between unobservable inputs and fair value measurements
A binomial model	The Price of an underlying asset Volatility and discount rates	The estimated fair value increases (decreases) according to. - When the price of the underlying asset increases(decreases) - When stock price volatility increases (decreases) - When the discount rate decreases (increases)

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities by category as of December 31, 2023 and 2022, are as follows:

(in Korean won)

	2023		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Current financial assets			
Cash and cash equivalents	₩ -	₩ 19,711,773,102	₩ 19,711,773,102
Short-term financial instruments	-	2,000,000,000	2,000,000,000
Trade receivables	-	13,024,937,258	13,024,937,258
Other receivables	-	543,304,375	543,304,375
	-	<u>35,280,014,735</u>	<u>35,280,014,735</u>
Non-current financial assets			
Other receivables	-	4,785,759,852	4,785,759,852
	-	<u>4,785,759,852</u>	<u>4,785,759,852</u>
	<u>₩ -</u>	<u>₩ 40,065,774,587</u>	<u>₩ 40,065,774,587</u>

(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
Short-term financial instruments	-	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>₩ -</u>	<u>₩ 29,646,284,697</u>	<u>₩ 29,646,284,697</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(in Korean won)

2023

	2023			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities	Total
Current financial liabilities				
Trade payables	₩ -	₩ 2,010,061,009	₩ -	₩ 2,010,061,009
Other payables	-	3,774,103,230	-	3,774,103,230
Derivative liabilities ¹	1,631,226,460	-	-	1,631,226,460
Lease liabilities	-	-	492,259,989	492,259,989
	<u>₩ 1,631,226,460</u>	<u>₩ 5,784,164,239</u>	<u>₩ 492,259,989</u>	<u>₩ 7,907,650,688</u>
Non-current financial liabilities				
Other payables	-	7,547,170	-	7,547,170
Lease liabilities	-	-	503,587,330	503,587,330
	<u>-</u>	<u>7,547,170</u>	<u>503,587,330</u>	<u>511,134,500</u>
	<u>₩ 1,631,226,460</u>	<u>₩ 5,791,711,409</u>	<u>₩ 995,847,319</u>	<u>₩ 8,418,785,188</u>

¹ Derivative liabilities recognized according to shareholder agreements related to investment stock in associate (Note 26).

(in Korean won)

2022

	2022			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	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>₩ -</u>	<u>₩ 13,884,087,711</u>	<u>₩ 452,571,089</u>	<u>₩ 14,336,658,800</u>
Non-current financial liabilities				
Other payables	-	7,547,170	-	7,547,170
Lease liabilities	-	-	760,228,457	760,228,457
	<u>-</u>	<u>7,547,170</u>	<u>760,228,457</u>	<u>767,775,627</u>
	<u>₩ -</u>	<u>₩ 13,891,634,881</u>	<u>₩ 1,212,799,546</u>	<u>₩ 15,104,434,427</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

6.2 Net Gains or Losses by Category of Financial Instruments

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

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Financial assets at amortized cost		
Interest income	₩ 797,492,820	₩ 457,313,638
Foreign exchange gain, net	9,836,463	8,195,701
Reversal of provision for impairment	80,093,606	48,468,775
Other impairment losses	(72,486,356)	(316,050,422)
Financial liabilities at amortized cost		
Interest expenses	(68,413,693)	(132,197,256)
Other financial liabilities (lease liabilities)		
Interest expenses	(52,145,288)	(64,148,290)
Financial liabilities at fair value through profit or loss		
Loss on valuation of derivatives	186,252,786	-

7. Trade and Other Receivables

Trade and other receivables as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Current		
Trade receivables	₩ 13,158,600,687	₩ 11,899,239,042
Provision for impairment	(133,663,429)	(213,757,035)
Non-trade receivables	9,359,944	9,769,546
Accrued income	83,944,431	70,448,048
Deposits	450,000,000	450,000,000
	<u>13,568,241,633</u>	<u>12,215,699,601</u>
Non-current		
Deposits	285,759,852	271,159,916
Loans	4,500,000,000	4,500,000,000
Long-term non-trade receivables	-	86,269,528
	<u>4,785,759,852</u>	<u>4,857,429,444</u>
	<u>₩ 18,354,001,485</u>	<u>₩ 17,073,129,045</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

The aging analysis of trade receivables as of December 31, 2023 and 2022, is as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Receivables not past due	₩ 12,640,142,128	₩ 11,518,081,818
Receivables past due		
Up to 6 months	158,861,578	106,928,367
6 months to 1 year	110,712,009	1,656,840
Over 1 year	248,884,972	272,572,017
	<u>518,458,559</u>	<u>381,157,224</u>
	<u>₩ 13,158,600,687</u>	<u>₩ 11,899,239,042</u>

Movements in the provision for impairment for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>Trade receivables</u>		<u>Non-trade receivables</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning balance	₩ 213,757,035	₩ 262,225,810	₩ -	₩ 269,600,100
Increase (reversal)	(80,093,606)	(48,468,775)	72,486,356	316,050,422
Write-off and others	-	-	(72,486,356)	(585,650,522)
Ending balance	<u>₩ 133,663,429</u>	<u>₩ 213,757,035</u>	<u>₩ -</u>	<u>₩ -</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 60 days, 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.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

8. Inventories

Inventories as of December 31, 2023 and 2022, are as follows:

(in Korean won)

	2023		
	Amount before valuation	Valuation allowance	Carrying amount
Merchandise	₩ 1,595,131,836	₩ (14,058,401)	₩ 1,581,073,435
Finished goods	2,978,487,742	(82,822,649)	2,895,665,093
Semi-finished goods	5,055,728,528	-	5,055,728,528
Raw materials	1,443,729,937	-	1,443,729,937
Sub-materials	687,132,808	-	687,132,808
Stored goods	473,784,368	-	473,784,368
	₩ 12,233,995,219	₩ (96,881,050)	₩ 12,137,114,169

(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
	₩ 12,477,095,556	₩ (284,029,024)	₩ 12,193,066,532

Inventories valuation amount recognized as expense during the year ended December 31, 2023, amounted to a reversal of ₩ 187,147,974 (2022: loss of ₩ 102,472,662).

Inventories recognized as expense during the year ended December 31, 2023, amounted to ₩ 98,337,167,205 (2022: ₩ 95,138,033,148). These were included in 'cost of sales'.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

9. Other Assets and Liabilities

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

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Prepayments	₩ 8,338,086	₩ 3,682,187
Prepaid expenses	133,781,180	127,300,376
	<u>₩ 142,119,266</u>	<u>₩ 130,982,563</u>

Other liabilities as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Advances from customers	₩ 282,299,248	₩ 218,222,698
Withholdings	1,036,341,333	818,776,927
Accrued expenses ¹	2,464,867,687	2,143,954,508
	<u>₩ 3,783,508,268</u>	<u>₩ 3,180,954,133</u>

¹ Include unpaid benefit and others related to employees.

10. Investment in Associate

Set out below are an associate of the Company as of December 31, 2023 and 2022.

Name of entity	Percentage of ownership (%)		Location
	<u>2023</u>	<u>2022</u>	
JOONGWON ^{1,2}	3.38	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 holds the right to appoint a board of directors.

² The Company sold 12,540 shares of JOONGWON, and as a result, the Company recognized gains on disposal of investment in associate, amounted to ₩ 4,924,297,800(Notes 21).

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

Details of valuation of investment in associate that are accounted for using the equity method for the years ended December 31, 2023 and 2022, are as follows:

2023						
<i>(in Korean won)</i>	Beginning balance	Acquisition	Other decrease¹	Share of profit or loss of associates	Share of other comprehensive income of associates	Ending balance
JOONGWON	₩ 10,991,139,621	₩ -	₩ (8,873,458,016)	₩ 103,360,985	₩ 80,845	₩ 2,221,123,435

¹Other decrease represents the changes in investment in associate due to disposal on Jun2 29, 2023.

2022						
<i>(in Korean won)</i>	Beginning balance	Acquisition	Other decrease¹	Share of profit or loss of associates	Share of other comprehensive income of associates	Ending balance
JOONGWON	₩ 11,337,026,803	₩ -	₩ (506,334,800)	₩ 156,410,553	₩ 4,037,065	₩ 10,991,139,621

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

Summarized financial information for an associate as of and for the years ended December 31, 2023 and 2022, is as follows:

<i>(in Korean won)</i>				
2023				
Associate	Assets	Liabilities	Revenue	Profit for the year
JOONGWON	₩ 67,477,559,202	₩ 23,905,553,653	₩ 51,079,447,106	₩ 987,526,900
2022				
Associate	Assets	Liabilities	Revenue	Profit for the year
JOONGWON	₩ 68,909,304,226	₩ 26,327,217,427	₩ 59,024,243,425	₩ 5,044,376,032

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

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

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

(in Korean won)

		2023					
		Net assets at the end of the year	Group's share in %	Group's share in KRW	Goodwill ¹	Othes ¹	Carrying amount
JOONGWON	₩	43,572,005,549	3.38	₩ 1,471,228,406	₩ 623,529,014	₩ 126,366,015	₩ 2,221,123,435

(in Korean won)

		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

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.

11. Property, Plant and Equipment

Details of property, plant and equipment as of December 31, 2023 and 2022, are as follows:

(in Korean won)

		2023		
		Acquisition cost	Accumulated depreciation	Ending balance
Land ¹	₩	13,444,660,000	₩ -	₩ 13,444,660,000
Buildings		16,612,726,273	(9,490,190,517)	7,122,535,756
Structures		9,064,001,645	(5,435,144,092)	3,628,857,553
Machinery		59,312,975,444	(44,556,032,958)	14,756,942,486
Vehicles		350,044,159	(313,558,285)	36,485,874
Tools and equipment		3,699,959,317	(2,865,732,471)	834,226,846
Construction in progress		140,916,463	-	140,916,463
Others		1,647,730,544	(357,247,071)	1,290,483,473
	₩	104,273,013,845	₩ (63,017,905,394)	₩ 41,255,108,451

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

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(in Korean won)

	2022		
	Acquisition cost	Accumulated depreciation	Ending balance
Land ¹	₩ 13,444,660,000	₩ -	₩ 13,444,660,000
Buildings	16,512,726,273	(9,232,088,736)	7,280,637,537
Structures	8,390,601,645	(5,222,282,051)	3,168,319,594
Machinery	59,176,714,508	(41,933,172,255)	17,243,542,253
Vehicles	350,044,159	(294,476,258)	55,567,901
Tools and equipment	3,625,553,712	(2,569,990,305)	1,055,563,407
Construction in progress	63,050,000	-	63,050,000
Others	1,193,207,238	(242,559,742)	950,647,496
	<u>₩ 102,756,557,535</u>	<u>₩ (59,494,569,347)</u>	<u>₩ 43,261,988,188</u>

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

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

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

(in Korean won)

	2023					
	Beginning balance	Acquisitions	Transfers	Disposals	Depreciation	Ending balance
Land	₩ 13,444,660,000	₩ -	₩ -	₩ -	₩ -	₩ 13,444,660,000
Buildings	7,280,637,537	-	100,000,000	-	(258,101,781)	7,122,535,756
Structures	3,168,319,594	8,000,000	665,400,000	-	(212,862,041)	3,628,857,553
Machinery	17,243,542,253	-	1,019,730,820	(107,815,200)	(3,398,515,387)	14,756,942,486
Vehicles	55,567,901	-	-	-	(19,082,027)	36,485,874
Tools and equipment	1,055,563,407	174,895,029	26,000,000	(46,000)	(422,185,590)	834,226,846
Construction in progress	63,050,000	1,897,377,283	(1,819,510,820)	-	-	140,916,463
Others	950,647,496	454,523,306	-	-	(114,687,329)	1,290,483,473
	₩ 43,261,988,188	₩ 2,534,795,618	₩ (8,380,000)	₩ (107,861,200)	₩ (4,425,434,155)	₩ 41,255,108,451

(in Korean won)

	2022					
	Beginning balance	Acquisitions	Transfers	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
	₩ 44,941,620,465	₩ 3,044,739,635	₩ -	₩ (14,305,618)	₩ (4,710,066,294)	₩ 43,261,988,188

Line items including depreciation in the statements of comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

(in Korean won)

	2023	2022
Cost of sales	₩ 4,135,302,415	₩ 4,407,172,978
Selling and administrative expenses	290,131,740	302,893,316
	₩ 4,425,434,155	₩ 4,710,066,294

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

Details of property, plant and equipment provided as collateral

As of December 31, 2023, 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 agencies who hold a certified professional qualification as of June 30, 2021, the base date.

Based on the official land price of the official 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 of December 31, 2023, is as follows, and the difference between fair value and book amount of the land are not significant.

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

Accumulated other comprehensive income recognized as of December 31, 2023, resulting from the revaluation of the land, is ₩ 3,507,883,137 (2022: ₩ 3,503,448,392).

12. Right-of-use Assets and Leases Liabilities

(a) Lessee

The details of right-of-use assets and lease liabilities are as follows.

12.1 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>	2023	2022
Right-of-use assets		
Properties	₩ 300,338,240	₩ 467,323,658
Vehicles	629,392,073	691,000,293
	<u>₩ 929,730,313</u>	<u>₩ 1,158,323,951</u>
<i>(in Korean won)</i>	2023	2022
Lease liabilities		
Current	₩ 492,259,989	₩ 452,571,089
Non-current	503,587,330	760,228,457
	<u>₩ 995,847,319</u>	<u>₩ 1,212,799,546</u>

Additions to the right-of-use assets during the 2023 financial year were ₩ 234,018,515 (2022: ₩ 258,966,301).

12.2 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>	2023	2022
Depreciation of right-of-use assets		
Properties	₩ 194,103,132	₩ 184,731,113
Vehicles	265,267,581	221,910,372
	<u>₩ 459,370,713</u>	<u>₩ 406,641,485</u>
Interest expense relating to lease liabilities (included in finance cost)	₩ 52,145,288	₩ 64,148,290
Expense relating to short-term leases (included in cost of goods sales and administrative expenses)	2,556,470,732	2,333,154,257
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	10,731,820	9,500,273

The total cash outflow for leases in 2023 was ₩ 3,068,858,192 (2022: ₩ 2,786,666,490).

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(b) Lessor

The Company provides property leases as subleases which are in use as a lessee. The Company classifies these leases as operating leases because substantially all the risks and rewards incidental to ownership of the underlying assets are not transferred.

The lease income recognized by the Company was ₩ 4,896,000 (2022: ₩ 4,896,000).

The analysis of maturities for operating lease payments is as follows and presents the lease payments to be received after the end of the reporting period in non-discounted amounts.

(in Korean won)

	<u>2023</u>		<u>2022</u>	
Within a year	₩	4,896,000	₩	4,896,000
More than one year to less than two years		816,000		816,000
	₩	<u>5,712,000</u>	₩	<u>5,712,000</u>

13. Intangible Assets

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

(in Korean won)

	<u>2023</u>					
	<u>Beginning balance</u>	<u>Acquisitions</u>	<u>Amortization</u>	<u>Ending balance</u>	<u>Acquisition cost</u>	<u>Accumulated amortization</u>
Industrial property rights	₩ 183,141,175	₩ 4,343,840	₩ (88,494,780)	₩ 98,990,235	₩ 598,036,410	₩ (499,046,175)
Facility use rights (membership rights)	113,559,090	-	-	113,559,090	136,827,523	(23,268,433)
Software	115,890,357	-	(34,024,423)	81,865,934	183,829,273	(101,963,339)
	<u>₩ 412,590,622</u>	<u>₩ 4,343,840</u>	<u>₩ (122,519,203)</u>	<u>₩ 294,415,259</u>	<u>₩ 918,693,206</u>	<u>₩ (624,277,947)</u>

(in Korean won)

	<u>2022</u>					
	<u>Beginning balance</u>	<u>Acquisitions</u>	<u>Amortization</u>	<u>Ending balance</u>	<u>Acquisition cost</u>	<u>Accumulated amortization</u>
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>

All amortization is classified as selling and administrative expenses.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

14. Other Payables

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

(in Korean won)

	Current			Non-current	
	Non-trade payables	Accrued expenses	Other guarantee deposit	Deposits	Total
2023	₩ 88,046,214	₩ 3,683,057,016	₩ 3,000,000	₩ 7,547,170	₩ 3,781,650,400
2022	₩ 215,954,351	₩ 3,620,646,301	₩ 3,000,000	₩ 7,547,170	₩ 3,847,147,822

15. Short-term borrowings

Details of short-term borrowings as of December 31, 2023 and 2022, are as follows:

(in Korean won)

	Creditor	Latest maturity date	Interest rate (%) as of December 31, 2023	Amount	
				2023	2022
Loan for industrial operating capital	KDB	-	-	₩ -	₩ 5,000,000,000

16. Post-employment Benefit Plan

The Company operates defined contribution plan for employees have rendered service entitling them to the contribution. 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 comprehensive income statement of ₩ 993,456,055 (2022: ₩ 971,062,406) represent the contributions the Company will pay to the defined contribution plan according to the ratio stipulated in the defined contribution plan. The expense of ₩ 699,462,145 (2022: ₩ 676,130,715) was charged to 'cost of sales' and ₩ 293,993,910 (2022: ₩ 294,931,691) to 'administrative expenses'.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

17. Share Capital

Share capital as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won and in number of shares)</i>	<u>2023</u>	<u>2022</u>
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 of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
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 of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Revaluation surplus	₩ 3,507,883,137	₩ 3,503,448,392
Share of changes in equity method investments	12,928,842	39,784,069
	<u>₩ 3,520,811,979</u>	<u>₩ 3,543,232,461</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

Retained earnings as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Legal reserves ¹	₩ 2,396,517,234	₩ 1,848,105,609
Retained earnings before appropriation	<u>53,044,237,823</u>	<u>49,900,865,248</u>
	<u>₩ 55,440,755,057</u>	<u>₩ 51,748,970,857</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 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, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Beginning balance	₩ 51,748,970,857	₩ 49,413,689,524
Change of retained earnings in equity method	31,825,225	-
Dividends paid	(5,484,116,250)	-
Profit for the year	<u>9,144,075,225</u>	<u>2,335,281,333</u>
Ending balance	<u>₩ 55,440,755,057</u>	<u>₩ 51,748,970,857</u>

The appropriation of retained earnings for the year ended December 31, 2023, is expected to be appropriated at the shareholders' meeting on March 26, 2024. The appropriation date for the year ended December 31, 2022, was March 28, 2023.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

The appropriation of retained earnings for the years ended December 31, 2023 and 2022, is as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Unappropriated retained earnings carried over from prior year	₩ 47,890,022,623	₩ 47,565,583,915
Interim Dividends (Cash dividend (%): 2023: ₩ 100 (20%),	(3,656,077,500)	-
Profit for the year	9,144,075,225	2,335,281,333
Change of retained earnings in equity method	31,825,225	-
Retained earnings available for appropriation	<u>53,409,845,573</u>	<u>49,900,865,248</u>
Appropriation of retained earnings		
Earned profit reserves	548,411,625	182,803,875
Dividends (Cash dividend (%): 2023: ₩ 50 (10%), 2022: ₩ 50 (10%)	1,828,038,750	1,828,038,750
Unappropriated retained earnings to be carried forward	<u>₩ 51,033,395,198</u>	<u>₩ 47,890,022,623</u>

18. Revenue

18.1 Type of Revenue

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Finished goods	₩ 91,866,913,982	₩ 89,003,799,038
Merchandise	20,477,693,077	14,400,254,696
Semi-finished goods	16,723,133,230	16,409,288,470
Sales-other	687,412,025	1,051,855,910
Revenue from other sources		
Rental income	4,896,000	4,896,000
	<u>₩ 129,760,048,314</u>	<u>₩ 120,870,094,114</u>

18.2 Disaggregation of Revenue from Contracts with Customers

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Sales recognized at a point in time		
Finished goods	₩ 91,866,913,982	₩ 89,003,799,038
Merchandise	20,477,693,077	14,400,254,696
Semi-finished goods	16,723,133,230	16,409,288,470
Sales-other	687,412,025	1,051,855,910
	<u>₩ 129,755,152,314</u>	<u>₩ 120,865,198,114</u>

19. Breakdown of Expenses by Nature

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Changes in inventories	₩ (659,345,295)	₩ (1,953,855,490)
Raw and sub-materials costs	49,630,163,713	53,419,501,792
Purchase of merchandise	11,380,384,341	8,125,220,942
Employee benefits expenses	14,972,823,094	14,216,952,205
Depreciation	4,425,434,155	4,710,066,294
Depreciation of right-of-use assets	459,370,713	406,641,485
Amortization	122,519,203	114,986,335
Rental expenses	2,769,600,386	2,534,735,314
Commission expenses	5,501,862,330	4,468,404,741
Distribution costs	11,983,050,655	11,362,664,966
Power expenses	9,087,439,046	7,169,625,996
Fuel cost	1,636,241,844	1,334,576,544
Other	11,964,678,444	12,065,193,252
	<u>₩ 123,274,222,629</u>	<u>₩ 117,974,714,376</u>

20. Selling and Administrative Expenses

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Salaries	₩ 3,747,734,746	₩ 3,623,507,591
Post-employment benefits	293,993,910	294,931,691
Employee benefits	289,909,196	299,556,851
Taxes and dues	429,133,473	364,736,431
Rental expenses	1,177,104,364	1,056,120,684
Distribution costs	11,983,050,655	11,362,664,966
Promotional expense	-	107,947
Commission expenses	5,221,652,194	4,178,388,919
Advertising expense	522,670,958	428,005,063
Impairment losses reversal	(80,093,606)	(48,468,775)
Other	1,351,899,534	1,277,129,860
	<u>₩ 24,937,055,424</u>	<u>₩ 22,836,681,228</u>

21. Other Non-operating Income and Expenses

<i>(in Korean won)</i>	2023	2022
Other non-operating income		
Gain on foreign currency transaction	₩ 11,564,329	₩ 8,268,695
Gain on foreign currency translation	-	2,096,965
Gain on sale of investments in associates	4,924,297,800	-
Gain on disposal of property, plant and equipment	12,359,330	7,122,439
Miscellaneous revenues	3,524,231	65,220,710
	<u>₩ 4,951,745,690</u>	<u>₩ 82,708,809</u>

<i>(in Korean won)</i>	2023	2022
Other non-operating expenses		
Loss on foreign currency transaction	₩ 1,628,353	₩ 2,169,959
Loss on foreign currency translation	99,513	-
Donations	201,810,615	138,222,529
Loss on disposal of property, plant and equipment	15,000	11,128,057
Derivatives valuation losses	186,252,786	-
Miscellaneous losses	50,637,367	35,972,634
Other bad debt expenses	72,486,356	316,050,422
Other non-operating expenses	67,770,286	-
	<u>₩ 580,700,276</u>	<u>₩ 503,543,601</u>

22. Finance Income and Costs

<i>(in Korean won)</i>	2023	2022
Finance income		
Interest income	₩ 797,492,820	₩ 457,313,638

<i>(in Korean won)</i>	2023	2022
Finance costs		
Interest expenses	₩ 120,558,981	₩ 196,345,546

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

23. Income Tax Expense

Income tax expense for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Current income taxes	₩ 2,921,553,461	₩ 655,552,623
Effect of changes in temporary differences (deferred tax)	(437,786,661)	(153,791,954)
Variation of deferred tax due to tax credits carried forward	-	10,829,368
Income tax expense charged directly to equity	9,323,898	44,052,221
Income tax expense	<u>₩ 2,493,090,698</u>	<u>₩ 556,642,258</u>

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

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Profit before income tax	₩ 11,637,165,923	₩ 2,891,923,591
Tax at tax rates applicable to profits	2,432,167,677	636,223,190
Tax effects of:		
Non-deductible expense	36,815,939	(4,827,820)
Tax credit carried forward	(88,909,284)	(75,630,339)
Others (tax rate differences and others)	113,016,366	877,227
Income tax expense	<u>₩ 2,493,090,698</u>	<u>₩ 556,642,258</u>
Effective tax rate	21.42%	19.25%

The analysis of deferred tax assets and liabilities as of December 31, 2023 and 2022, is as follows:

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Deferred tax assets		
to be recovered after more than 12 months	₩ 960,931,512	₩ 1,147,353,141
to be recovered within 12 months	670,294,071	291,690,408
Deferred tax liabilities		
to be recovered after more than 12 months	(2,644,949,147)	(2,893,304,070)
to be recovered within 12 months	(17,544,386)	(14,794,090)
Deferred tax liabilities, net	<u>₩ (1,031,267,950)</u>	<u>₩ (1,469,054,611)</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in Korean won)

	2023			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Depreciation	₩ 742,604,593	₩ (29,959,630)	₩ -	₩ 712,644,963
Lease liabilities	254,687,905	(46,555,815)	-	208,132,090
Deposits provided (present value discounts)	5,016,183	(2,004,880)	-	3,011,303
Adjustments of deemed depreciation	50,505,309	(13,362,153)	-	37,143,156
Unsettled cost	212,164,253	53,493,706	-	265,657,959
Derivatives liabilities	-	340,926,330	-	340,926,330
Provision for impairment	114,419,211	(114,419,211)	-	-
Valuation allowance for inventories	59,646,095	(39,397,956)	-	20,248,139
Bad debt loss	-	43,461,643	-	43,461,643
Tax credit carried forward	-	-	-	-
Deferred tax assets	1,439,043,549	192,182,034	-	1,631,225,583
Accrued income	(14,794,090)	(2,750,296)	-	(17,544,386)
Revaluation of land	(2,380,689,177)	6,901,870	4,434,745	(2,369,352,562)
Right-of-use assets	(243,248,030)	48,934,395	-	(194,313,635)
Investment in associate	(269,366,863)	183,194,760	4,889,153	(81,282,950)
Deferred tax liabilities	(2,908,098,160)	236,280,729	9,323,898	(2,662,493,533)
	₩ (1,469,054,611)	₩ 428,462,763	₩ 9,323,898	₩ (1,031,267,950)

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(in Korean won)

	2022			
	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)
Investment in associate	(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)

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 of December 31, 2023 and 2022.

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the years ended December 31, 2023 and 2022, is as follows:

(in Korean won)

	2023		
	Changes before tax	Tax effects	Changes after tax
Other comprehensive income			
Revaluation of property, plant and equipment	₩ -	₩ 4,434,745	₩ 4,434,745
Share of other comprehensive income of associate	80,845	4,889,153	4,969,998
	₩ 80,845	₩ 9,323,898	₩ 9,404,743

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

<i>(in Korean won)</i>	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 associate		4,037,065		(295,227)		3,741,838
	₩	4,037,065	₩	44,052,221	₩	48,089,286

24. 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.

<i>(in Korean won and in number of shares)</i>	2023		2022	
Profit attributable to the ordinary equity holders	₩	9,144,075,225	₩	2,335,281,333
Weighted average number of ordinary shares outstanding ¹		36,560,775 shares		36,560,775 shares
Basic earnings per share	₩	250	₩	64

¹Weighted average number of ordinary shares for the years ended December 31, 2023 and 2022, is as follows:

<i>(in number of shares)</i>	2023	2022
Outstanding shares	36,571,255	36,571,255
Less: weighted average number of treasury shares	(10,480)	(10,480)
Weighted average number of ordinary shares outstanding	36,560,775	36,560,775

25. Cash Generated from Operations

25.1 Cash Generated from Operations

<i>(in Korean won)</i>	2023	2022
Profit before income tax	₩ 11,637,165,923	₩ 2,891,923,591
Adjustments for:		
Interest income	(797,492,820)	(457,313,638)
Interest expenses	120,558,981	196,345,546
Gain on foreign currency translation	-	(2,096,965)
Loss on foreign currency translation	99,513	-
Gain on disposal of property, plant and equipment	(12,359,330)	(7,122,439)
Donations	2,000,000	-
Share of profit of associates	(103,360,985)	(156,410,553)
Derivatives valuation loss	186,252,786	-
Depreciation	4,425,434,155	4,710,066,294
Depreciation of right-of-use assets	459,370,713	406,641,485
Amortization	122,519,203	114,986,335
Impairment losses (reversal)	(80,093,606)	(48,468,775)
Other impairment losses	72,486,356	316,050,422
Gain on sale of investments in associates	(4,924,297,800)	-
Loss on disposal of property, plant and equipment	15,000	11,128,057
Loss on valuation of inventories (reversal)	(187,147,974)	102,472,662
Others	(216,962)	(46,839,236)
Changes in assets and liabilities due to operating activities:		
Decrease (increase) in trade receivables	(1,259,361,645)	(1,401,628,635)
Decrease (increase) in other receivables	14,192,774	4,693,148
Decrease (increase) in inventories	243,100,337	(1,903,112,881)
Increase in other assets	(11,136,703)	(7,959,828)
Increase (decrease) in trade payables	(3,034,426,050)	1,037,986,139
Increase (decrease) in other payables	66,651,811	236,360,295
Increase (decrease) in other liabilities	317,960,935	231,031,374
Cash generated from operations	<u>₩ 7,257,914,612</u>	<u>₩ 6,228,732,398</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

25.2 Non-cash Transactions

<i>(in Korean won)</i>	2023	2022
Reclassification of construction in process to property, plant and equipment	₩ 1,819,510,820	₩ 2,534,368,044
Decrease in non-trade payables due to acquisition of property, plant and equipment	(127,908,137)	(89,879,191)
Acquisition of right-of-use assets	234,018,515	268,728,192

25.3 Changes in Liabilities Arising from Financing Activities

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

<i>(in Korean won)</i>	Liabilities from financing activities				
	Dividends payable	Lease liabilities	Current portion of borrowings	Long-term borrowings	Total
As 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)
As December 31, 2022	₩ -	₩ 1,212,799,546	₩ 5,000,000,000	₩ -	₩ 6,212,799,546
As January 1, 2023	₩ -	₩ 1,212,799,546	₩ 5,000,000,000	₩ -	₩ 6,212,799,546
Resolution on dividends	5,484,116,250	-	-	-	5,484,116,250
Dividends paid	(5,484,116,250)	-	-	-	(5,484,116,250)
Repayments of borrowings	-	-	(5,000,000,000)	-	(5,000,000,000)
Proceeds from borrowings	-	-	-	-	-
Principal elements of lease and interest payments	-	(501,655,640)	-	-	(501,655,640)
Interest expense on lease liabilities	-	52,145,288	-	-	52,145,288
Acquisitions - leases	-	236,016,527	-	-	236,016,527
Termination - lease	-	(3,458,402)	-	-	(3,458,402)
As December 31, 2023	₩ -	₩ 995,847,319	₩ -	₩ -	₩ 995,847,319

26. Contingencies and Commitments

26.1 As of December 31, 2023, the Company is provided with performance guarantee and others amounting to ₩ 116,660,000 from Seoul Guarantee Insurance.

26.2 As of December 31, 2023, 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.

26.3 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>	2023	2022
Purchase agreements for the property, plant and equipment	₩ 119,200,000	₩ 34,450,000

26.4 As of December 31, 2023, the details of major commitments that the Company has entered into in relation to the sale of shares of JOONGWON are as follows:

Type	Contents
Tag Along Right ²	In the case of transferring all shares owned by an investor(Ascent PE) to a third party, existing shareholders ¹ have the right to ask investors to jointly sell all the shares that they own under the same condition as investors.
Drag Along Right ²	When existing shareholders ¹ has not exercised the Tag Along Right under the Article 6 and an investor intends to the shares held for sale to a prospective transferee, the investor may exercise the Tag Along Right to claim all of the shares owned by the existing shareholders.

¹ Existing shareholders are the Company, MSSGLOBAL and SsangYong C&B Inc.

² When exercising the Tag Along Right and the Drag Along Right, the stock trading price is calculated using a waterfall method, and the Company recognizes ₩ 1,631,226,460 as a derivative liability by evaluating the fair value of the agreement.

26.5 At the end of the reporting period, two litigations during the normal course of business of the Company that are under way at the end of the reporting period. As of December 31, 2023, there is one litigation for the return of unfair gains (litigation value: KRW 230 million) as a pending litigation that the Company was sued. The ultimate outcome and impacts of this lawsuit and others cannot be reasonably estimated. Management does not expect the outcome of the litigations will have a material effect on the Company's financial position.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

27. Related Party Transactions

Details of the Company's ultimate parent company, Parent Company and other related parties as of December 31, 2023 and 2022, are as follows:

Type	2023	2022	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.

¹ The Company has significant influence as the Company holds the right to appoint a board of directors of the investee.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

Sales and purchases with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in Korean won)

		2023			
Type	Name of entity	Sales of goods	Other income	Purchase of goods	Other expense
Other related parties	SsangYong C&B Inc.	₩ 1,416,673,483	₩ 349,540,464	₩ 2,379,287,610	₩ 10,881,500
	MSSGLOBAL	1,472,727	455,920,103	4,804,543,552	2,524,402,730
	MSS Pulp Co., Ltd.	409,091	-	35,510,718,030	448,278,260
	MSS Logistics Co.,Ltd.	3,600,000	-	-	8,847,465,071
	MSS HRM CO.,LTD.	4,573,637	4,896,000	-	671,967,398
		<u>₩ 1,426,728,938</u>	<u>₩ 810,356,567</u>	<u>₩ 42,694,549,192</u>	<u>₩ 12,502,994,959</u>

(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 and its subsidiaries ¹	-	-	-	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>

¹ NOLBOO CO.LTD and its subsidiaries were classified as other related parties in consideration of the mutual exchange of management, but were excluded from other related parties due to the end of the mutual interaction of management during the previous period.

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2023 and 2022, are as follows:

(in Korean won)

		2023			
Type	Name of entity	Receivables		Payables	
		Trade receivables	Other receivables ¹	Trade payables	Other payables
Other related parties	SsangYong C&B Inc.	₩ 19,042,870	₩ -	₩ 31,812,257	₩ 263,780
	MSSGLOBAL	17,209,060	4,950,000,000	144,776,537	318,181,376
	MSS Pulp Co., Ltd.	300,000	-	724,407,466	40,243,390
	MSS Logistics Co.,Ltd.	-	-	-	792,089,291
	MSS HRM CO.,LTD.	748,800	-	-	53,386,101
		<u>₩ 37,300,730</u>	<u>₩ 4,950,000,000</u>	<u>₩ 900,996,260</u>	<u>₩ 1,204,163,938</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(in Korean won)

		2022					
Type	Name of entity	Receivables		Payables			
		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>	<u>₩ 1,344,043,847</u>		

¹ Loans of ₩ 4,500,000,000 (2022: ₩ 4,500,000,000) to MSSGLOBAL are included as of December 31, 2023.

Fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

(in Korean won)

		2023				
Type	Name of entity	Transaction	Beginning balance	Loans	Collections	Ending balance
Other related party	MSSGLOBAL	Loan transactions	₩ 4,500,000,000	₩ -	₩ -	₩ 4,500,000,000

(in Korean won)

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

The dividend paid to the parent company MSS Holdings Co., Ltd. in 2023 is ₩ 2,796,899,250 (2022 : ₩ 0).

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, 2023 and 2022, are summarized as follows:

(in Korean won)

	2023	2022
Short-term employee benefits	₩ 532,174,673	₩ 398,564,963
Post-employment benefits	34,600,844	27,944,238
	<u>₩ 566,775,517</u>	<u>₩ 426,509,201</u>

28. 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.

Revenue by geographic areas for the years ended December 31, 2023 and 2022, are as follows. All of the Company's main production facilities are located in Korea.

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Domestic	₩ 129,094,334,047	₩ 120,253,771,562
Overseas	665,714,267	616,322,552
	<u>₩ 129,760,048,314</u>	<u>₩ 120,870,094,114</u>

Information related to external customers accounting for more than 10% of the company's revenue during the current period is as follows, and no external customers accounting for more than 10% of revenue during the previous period.

<i>(in Korean won)</i>	<u>2023</u>	<u>2022</u>
Company A	₩ 14,689,792,880	₩ -

29. Greenhouse Gas Emission Permits and Obligations

29.1 The quantities of emission permits which are allocated free of charge for the 3rd planning period are as follows.

<i>(in Korean Allowance Unit)</i>	<u>Years</u>	<u>Quantity</u>
3rd plan	2021	41,849
	2022	41,849
	2023	41,849
	2024	41,457
	2025	41,457

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

29.2 Changes in emission permits quantities for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean Allowance Unit)</i>	2023	2022
At January 1	3,007	3,249
Emission permits with nil consideration	41,849	41,849
Disposal	(1,003)	(1,083)
Estimated quantity of emission obligation	(42,022)	-
Performance of emission obligation	-	(41,008)
At December 31	1,831	3,007

29.3 As of December 31, 2023, emission obligations are estimated at 42,022 KAU. There is no amount recognized as liabilities by the Company in relation to greenhouse gas emissions.

30. Financial Risk Management

30.1 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.

30.1.1 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.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

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	
	2023	2022	2023	2022
USD	₩ 47,854,405	₩ 29,110,615	₩ -	₩ -
EUR	29	110,481,706	-	-
	₩ 47,854,434	₩ 139,592,321	₩ -	₩ -

At the end of the reporting period, if the Korea 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 of December 31, 2023 and 2022, would have been as follows:

	<i>(in Korean won)</i>			
	2023		2022	
	Increase 5%	Decrease 5%	Increase 5%	Decrease 5%
USD	₩ 2,392,720	₩ (2,392,720)	₩ 1,455,531	₩ (1,455,531)
EUR	1	(1)	5,524,085	(5,524,085)
	₩ 2,392,721	₩ (2,392,721)	₩ 6,979,616	₩ (6,979,616)

(b) Interest rate risk

As of December 31, 2023, the Company does not have borrowings exposed to interest rate risk.

(c) Price risk

As of December 31, 2023, the Company does not have financial instruments which are significantly exposed to price risk.

30.1.2 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.

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

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 of December 31, 2023. The carrying amount represents the Company's maximum exposure to credit risk for which the value of acquired collaterals is not considered.

The maximum exposures to credit risk as of December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023	2022
Cash and cash equivalents	₩ 19,711,773,102	₩ 5,082,689,898
Short-term financial instruments	2,000,000,000	6,500,000,000
Trade receivables	13,024,937,258	11,685,482,007
Other receivables	5,329,064,227	5,387,647,038
Other financial assets	-	990,465,754

The company evaluates expected credit losses by estimating the default rates on trade receivable based on five years of credit loss experience and past due information. In the case of credit-impaired assets and other receivables, credit losses are assessed individually.

Details of the recognition of provision for impairment of each asset for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023	2022
Trade receivables	₩ 133,663,429	₩ 213,757,035

Details of the impairment loss of trade receivables for the years ended December 31, 2023 and 2022, are as follows:

<i>(in Korean won)</i>	2023	2022
Impairment losses	₩ (80,093,606)	₩ (48,468,775)

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

The aging of trade receivables and provision of impairment by age for the years ended December 31, 2023 and 2022, are as follows:

(in Korean won)

	2023		2022	
	The amount of receivables	Provision for impairment	The amount of receivables	Provision for impairment
Up to 3 months	₩ 12,640,142,128	₩ 21,311,633	₩ 11,518,081,818	₩ 113,014,766
3 months to 6 months	158,861,578	4,025,471	106,928,367	1,177,964
6 months to 9 months	106,546,425	20,628,064	918,960	167,415
9 months to 12 months	4,165,584	2,124,751	737,880	7,379
Over 12 months	248,884,972	85,573,510	272,572,017	99,389,511
	<u>₩ 13,158,600,687</u>	<u>₩ 133,663,429</u>	<u>₩ 11,899,239,042</u>	<u>₩ 213,757,035</u>

30.1.3 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 of December 31, 2023 and 2022, is as follows:

(in Korean won)

	2023			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables	₩ 2,010,061,009	₩ -	₩ -	₩ 2,010,061,009
Other payables	3,774,103,230	7,547,170	-	3,781,650,400
Borrowings ¹	-	-	-	-
Lease liabilities ²	500,499,797	565,076,000	-	1,065,575,797
Derivative liabilities	1,631,226,460	-	-	1,631,226,460
	<u>₩ 7,915,890,496</u>	<u>₩ 572,623,170</u>	<u>₩ -</u>	<u>₩ 8,488,513,666</u>

MONALISA CO., LTD
Notes to the Financial Statements
December 31, 2023 and 2022

(in Korean won)	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>

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.

30.2 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 of December 31, 2023 and 2022, are as follows:

(in Korean won)	Total borrowings	Less: cash and cash equivalents and deposits with financial institutions	Net debt	Equity	Net debt-to-equity rate¹
December 31, 2023	₩ -	₩ 21,711,773,102	₩ (21,711,773,102)	₩ 81,284,581,098	-
December 31, 2022	₩ 5,000,000,000	₩ 11,582,689,898	₩ (6,582,689,898)	₩ 77,615,217,380	-

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

Report on Independent Auditors’ Review of Internal Control over Financial Reporting

Based on a report originally issued in Korean

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

We have reviewed the accompanying Report on the Operational Status of Internal Controls over Financial Reporting (the “ICFR Report”) of MONALISA CO., LTD (the “Company”) as of December 31, 2023. The Company’s management is responsible for designing and maintaining effective ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review management’s assessment and issue a report based on our review. In the accompanying report of management’s assessment of ICFR, it is stated that: “Based on the assessment of the operational status of the ICFR by Company’s Chief Executive Officer and Internal Accounting Manager, the Company’s ICFR has been effectively designed and is operating as of December 31, 2023, in all material respects, in accordance with the Conceptual Framework for Designing and Operating Internal Control over Financial Reporting (the “Conceptual Framework”) issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the “ICFR Committee”).”

We conducted our review in accordance with ICFR Review Standards issued by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether the Company’s ICFR Report is free of material misstatement. Our review consists principally of obtaining an understanding of the Company’s ICFR, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances.

A company’s ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards (“K-IFRSs”). A company’s ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRSs, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, ICFR may not prevent or detect material misstatements in 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 of the Company’s ICFR Report, nothing has come to our attention that causes us to believe that the ICFR Report as of December 31, 2023 is not prepared in all material respects, in accordance with the Management Guideline for Evaluation and Reporting of Internal Control over Financial Reporting issued by the ICFR Committee.



This report applies to the Company's ICFR in existence as of December 31, 2023. We did not review the Company's ICFR subsequent to December 31, 2023. This report has been prepared for Korean regulatory purposes, pursuant to the Act on External Audit of Stock Companies, Etc. and may not be appropriate for other purposes or for other users.

KPMG Samjory Accounting Corp.

March 15, 2024

CEO's Report on the Operating Status of Internal Control over Financial Reporting

Based on 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 Accounting Manager of MONALISA CO., LTD (the Company), assessed the operating status of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2023.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, "We", "Our" or "Us").

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

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 might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

January 26, 2024

Joo Kwangok,
Chief Executive Officer



Ryu Youngchan,
Internal Accounting Manager

