

**HD KOREA SHIPBUILDING & OFFSHORE
ENGINEERING CO., LTD.**

Separate Financial Statements

December 31, 2023

(With Independent Auditor's Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders

HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion

We have audited the separate financial statements of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (the "Company"), which comprise the separate statements of financial position as of December 31, 2023, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information and other explanatory information.

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

We also have audited, in accordance with Korean Standards on Auditing ("KSAs"), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2023 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 18, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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 separate 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 separate 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 that matter that, in our professional judgment, was of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2023. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of impairment on investments in subsidiaries

As described in Note 12 to the separate financial statements, the carrying amount of investments in subsidiaries as of December 31, 2023 is ₩8,490,121 million and amounts for 72% of total assets. In addition, estimation of the recoverable amount requires the management's estimate and judgement including future cash flow and discount rate, and there is considerable uncertainty in the estimation and judgment. Therefore, we identified the assessment of impairment of investments in subsidiaries as a key audit matter.

The primary audit procedures we performed to address this key audit matter included the following:

- Testing the effectiveness of the design, implementation and operation of the management review control over the Company's impairment assessment process.
- Assessing the qualification and independence of the external valuation specialist engaged by the Company for the impairment assessment.
- Engaging our valuation specialists to assist us in evaluating the key assumptions used to determine the value-in-use which included the discount rate the valuation methodology and others.
- Comparing and analyzing the financial data used for impairment assessment and mid to long-term business plans approved by the management.



- Comparing and analyzing the future cash flows forecasts prepared in prior year with the current year's performance to assess the Company's ability to accurately forecast.
- Evaluating the reliability of key assumptions used to estimate net fair value and the accuracy of calculations.

Other Matters

The separate financial statements of the Company for the year ended 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 separate financial statements may differ from those generally accepted and applied in other countries.

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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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.
- Evaluate the appropriateness of accounting policies used in the preparation of the separate 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 separate 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.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 separate 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 Jeon Won-Pyo.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 18, 2024

This report is effective as of March 18, 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Financial Position

For the years ended December 31, 2023 and 2022

<i>(In thousands of won)</i>	<i>Note</i>	2023	2022
Assets			
Cash and cash equivalents	6,38,39	₩ 505,091,257	987,479,942
Short-term financial assets	7,38,39	950,500,000	1,061,789,745
Trade and other receivables	9,30,38,39,42	105,934,608	52,635,813
Contract assets	9,30,38,39	974,292	850,836
Inventories	10	31,510,596	2,280,754
Current tax assets		9,413,785	3,081,694
Assets held for sale	43	8,637,813	2,871,722
Other current assets	11	42,439,686	7,479,300
Total current assets		1,654,502,037	2,118,469,806
Investments in subsidiaries, associates and joint ventures	12,13,14	8,883,881,590	8,349,068,352
Long-term financial assets	7,8,15,38,39	130,573,465	121,062,645
Long-term trade and other receivables	9,30,38,39,42	29,452,379	16,848,987
Investment property	16	137,273,036	140,208,945
Property, plant and equipment	17	598,210,104	609,038,840
Right-of-use assets	18	25,116,383	24,390,289
Intangible assets	19	38,762,722	24,353,829
Deferred tax assets	35	259,906,955	21,183,384
Other non-current assets	11,23	16,571,288	5,544,629
Total non-current assets		10,119,747,922	9,311,699,900
Total assets		₩ 11,774,249,959	11,430,169,706

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Financial Position, Continued

For the years ended December 31, 2023 and 2022

<i>(In thousands of won)</i>	<i>Note</i>	2023	2022
Liabilities			
Short-term financial liabilities	20	₩ -	4,860,971
Current lease liabilities	18,22,38,39	9,005,904	7,641,229
Trade and other payables	21,38,39,42	85,026,140	186,935,606
Contract liabilities	30	101,407,844	26,788,460
Short-term provisions	24	647,804	32,638,922
Other current liabilities	21	32,042	79,381
Total current liabilities		196,119,734	258,944,569
Long-term financial liabilities	20,22,25,38,39,40	12,901,874	11,977,281
Non-current lease liabilities	18,22,38,39	15,868,921	16,056,278
Long-term trade and other payables	21,38,39,42	8,129,348	6,387,304
Long-term contract liabilities	30	10,900,983	11,255,133
Liabilities for defined benefit plans	23	84,400	1,060,420
Long-term provisions	24	646,358	-
Total non-current liabilities		48,531,884	46,736,416
Total liabilities		244,651,618	305,680,985
Equity			
Common stock	26	353,865,580	353,865,580
Capital surplus	26	2,353,534,269	2,352,914,988
Capital adjustments	27	(8,060,450,512)	(8,153,905,195)
Accumulated other comprehensive loss	28	(128,341,633)	(161,551,747)
Retained earnings	29	17,010,990,637	16,733,165,095
Total equity		11,529,598,341	11,124,488,721
Total liabilities and equity		₩ 11,774,249,959	11,430,169,706

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(In thousands of won, except share information)

	Note	2023	2022
Sales	30,42	₩ 269,907,652	₩ 180,500,471
Cost of sales	10,32,42	234,192,243	151,301,647
Gross profit		<u>35,715,409</u>	<u>29,198,824</u>
Selling, general and administrative expenses	31,32	47,298,604	47,483,837
Operating loss		<u>(11,583,195)</u>	<u>(18,285,013)</u>
Finance income	33,38	78,841,121	82,470,896
Finance costs	25,33,38	8,665,511	11,369,133
Other non-operating income	34	8,622,506	287,822,336
Other non-operating expenses	34	5,607,434	19,098,383
Profit before income tax		<u>61,607,487</u>	<u>321,540,703</u>
Income tax expense	35	(239,849,477)	(53,930,223)
Profit for the year	29	₩ <u>301,456,964</u>	₩ <u>375,470,926</u>
Other comprehensive income (loss)	23,28,38		
Items that will not be reclassified to profit or loss:			
Gain (loss) on valuation of financial assets measured at FVOCI		16,804,900	(29,455,619)
Actuarial gains and losses		(6,112,132)	891,798
Gain (loss) on revaluation of property, plant and equipment		(1,114,076)	565,688
		<u>9,578,692</u>	<u>(27,998,133)</u>
Other comprehensive income (loss) for the year, net of income tax		<u>9,578,692</u>	<u>(27,998,133)</u>
Total comprehensive income for the year		₩ <u>311,035,656</u>	₩ <u>347,472,793</u>
Earnings per share	36		
Basic earnings per share (in won)		₩ <u>4,263</u>	₩ <u>5,310</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(In thousands of won)

		Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at January 1, 2022	₩	353,865,580	2,352,914,988	(8,153,905,195)	(128,470,895)	16,352,611,450	10,777,015,928
Total comprehensive income (loss) for the period:							
Profit for the period		-	-	-	-	375,470,926	375,470,926
Changes in fair value of financial assets measured at FVOCI		-	-	-	(29,455,619)	-	(29,455,619)
Revaluation of property, plant and equipment		-	-	-	565,688	-	565,688
Actuarial gains and losses		-	-	-	-	891,798	891,798
Other:							
Reclassification of revaluation surplus		-	-	-	(4,190,921)	4,190,921	-
Balance at December 31, 2022	₩	<u>353,865,580</u>	<u>2,352,914,988</u>	<u>(8,153,905,195)</u>	<u>(161,551,747)</u>	<u>16,733,165,095</u>	<u>11,124,488,721</u>
Balance at January 1, 2023	₩	353,865,580	2,352,914,988	(8,153,905,195)	(161,551,747)	16,733,165,095	11,124,488,721
Total comprehensive income (loss) for the period:							
Profit for the period		-	-	-	-	301,456,964	301,456,964
Changes in fair value of financial assets measured at FVOCI		-	-	-	16,804,900	-	16,804,900
Revaluation of property, plant and equipment		-	-	-	(1,114,076)	-	(1,114,076)
Actuarial gains and losses		-	-	-	-	(6,112,132)	(6,112,132)
Other:							
Reclassification of revaluation surplus		-	-	-	17,519,290	(17,519,290)	-
Other capital adjustments		-	619,281	93,454,683	-	-	94,073,964
Balance at December 31, 2023	₩	<u>353,865,580</u>	<u>2,353,534,269</u>	<u>(8,060,450,512)</u>	<u>(128,341,633)</u>	<u>17,010,990,637</u>	<u>11,529,598,341</u>

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.

Separate Statements of Cash Flows

For the years ended December 31, 2023 and 2022

<i>(In thousands of won)</i>	<i>Note</i>	2023	2022
Cash flows from operating activities			
Profit for the period	₩	301,456,964	375,470,926
Adjustments		(357,318,734)	(392,923,976)
Cash used in operations	37	(55,861,770)	(17,453,050)
Interest received		61,805,714	45,259,094
Interest paid		(1,375,185)	(262,254)
Dividends received		8,670,177	10,359,686
Income taxes paid		(6,030,597)	(7,976,916)
Net cash provided by operating activities		7,208,339	29,926,560
Cash flows from investing activities			
Net decrease(increase) in short-term financial assets		111,400,088	(720,274,347)
Decrease in long-term financial assets		8,884,484	223,221
Decrease in long-term other receivables		-	4,757,762
Decrease in investments in subsidiaries, associates and joint ventures		14,613,000	264,640,136
Proceeds from disposal of property, plant and equipment		11,076,591	10,183,112
Proceeds from disposal of intangible assets		-	1,350,000
Decrease in cash due to business transfer		(857,404)	-
Increase in cash due to business transfer		3,192,000	-
Proceeds from sale of non-current assets held for sale		2,902,360	13,751,245
Increase in long-term other receivables		(11,268,011)	(4,869,280)
Increase in investments in subsidiaries, associates and joint ventures		(544,880,578)	(45,668,280)
Acquisition of property, plant and equipment		(21,447,075)	(9,699,588)
Acquisition of intangible assets		(10,025,699)	(1,831,377)
Net cash used in investing activities		(436,410,244)	(487,437,396)
Cash flows from financing activities			
Decrease in other non-current financial liabilities		(45,005,241)	-
Repayment of current lease liabilities		(8,184,722)	(4,881,543)
Net cash used in financing activities		(53,189,963)	(4,881,543)
Effects of exchange rate changes on cash and cash equivalents		3,183	(477)
Net decrease in cash and cash equivalents		(482,388,685)	(462,392,856)
Cash and cash equivalents at January 1		987,479,942	1,449,872,798
Cash and cash equivalents at December 31	₩	505,091,257	987,479,942

See accompanying notes to the separate financial statements.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

1. Reporting Entity

HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (Formerly Korea Shipbuilding & Offshore Engineering Co., Ltd.) (the “Company”) was incorporated in 1973, under the Commercial Code of the Republic of Korea. In August 1999, the Company was listed on the Korea Exchange. As a holding company under Article 8 of the Monopoly Regulation and Fair Trade Act, the Company is engaged in the investment, R&D, and other projects. The Company’s head office is located in Seongnam-si. As of December 31, 2023, the Company’s major stockholders consist of HD Hyundai Co., Ltd. (35.05%) and National Pension Fund (5.98%).

2. Basis of Preparation

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards (“K-IFRS”), as prescribed in the Act on External Audits of Stock Companies in the Republic of Korea.

These financial statements are separate financial statements in accordance with K-IFRS No.1027 ‘Separate Financial Statements’ presented by a parent, an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost.

The separate financial statements were authorized for issue by the Board of Directors on February 6, 2024 and submitted for approval to the shareholders’ meeting to be held on March 29, 2024.

(1) Basis of measurement

The separate financial statements have been prepared on a historical cost basis, except for the following material items in the separate statements of financial position:

- Derivative financial instruments measured at fair value;
- Financial assets measured at fair value through profit or loss (“FVTPL”);
- Financial assets measured at fair value through other comprehensive income (“FVOCI”);
- Land measured at fair value
- Liabilities for defined benefit plans recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(2) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company’s functional currency and the currency of the primary economic environment in which the Company operates.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

2. Basis of Preparation, Continued

(3) Use of estimates and judgments

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively.

(i) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is included in the following notes:

- Note 12 – Scope of Consolidation: Whether the Company has de facto control over an investee;
- Note 13 – Investments in Associates: Whether the Company has significant influence over an associate
- Note 14 – Classification of joint ventures
- Note 16 – Classification of investment property
- Note 18 – Lease term: whether the Company is reasonably certain to exercise extension options
- Note 30 – Revenue

The financial impact of the armed conflict in Ukraine, started in February 2022, and subsequent international sanctions against Russia cannot be estimated reasonably.

(ii) Uncertainties of assumptions and estimation

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 11, 12, 13, 14, 17, 19 – Impairment test - key assumptions underlying recoverable amounts, including the recoverability of investments in subsidiaries and intangible assets, associates, joint ventures, property, plant and equipment, other current and non-current assts;
- Note 23 – Measurement of defined benefit obligations - key actual assumptions;
- Notes 24, 40, 41 – Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 30 – Revenue recognition in proportion to stage of completion, the estimates of total contract costs; and
- Note 35 – Measurement of deferred tax

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

2. Basis of Preparation, Continued

(3) Use of estimates and judgments, continued

(iii) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as explained note 39.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – Financial assets measured at fair value;
- Note 16 – Investment property;
- Note 17 – Property, plant, and equipment; and
- Note 39 – Financial instruments.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

3. Changes In Accounting Policies

The Company has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(1) Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction amendments (K-IFRS No.1012 'income tax') from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. leases and decommissioning liabilities). For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of K-IFRS No. 1012 'income tax'. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

(2) Global minimum top-up tax

The Company has adopted International Tax Reform – Pillar Two Model Rules amendments (K-IFRS No.1012 'income tax') from 1 January 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The global minimum top-up tax is a system where a multinational group's constituent companies with sales revenue exceeding €750 million in at least 2 of the previous 4 fiscal years have an effective tax rate lower than 15%. In such cases, the excess amount is paid to the tax authorities of the country where the controlling company, meeting specific conditions, is located.

South Korea enacted tax laws related to the global minimum top-up tax in 2023, which must be applied starting from the year commencing after January 1, 2024. Based on the financial statements as of December 31, 2023, it is anticipated that there will be no companies subject to the global minimum top-up tax as per the transition period exemption under Article 80 of the International Tax Adjustment Law. Since South Korea's tax laws related to the global minimum top-up tax will be enforced from January 1, 2024, there are no corporate tax effects for the current year.

The Company applies the temporary/mandatory deferral of deferred tax accounting treatment for Pillar Two taxes. When Pillar Two taxes are incurred, they are recognized as current year taxes.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

3. Changes In Accounting Policies, Continued

(3) Material accounting policy information

The Company also adopted Disclosure of Accounting Policies (Amendments to K-IFRS No. 1001 'Presentation of Financial Statements') from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
For the years ended December 31, 2023 and 2022

4. Material Accounting Policies

The Material accounting policies applied by the Company in the preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for the changes in accounting policies as explained in Note 3.

(1) Separate financial statements

- 1) Investments in subsidiaries, associates and joint ventures
These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 Separate Financial Statements. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.
- 2) Acquisitions from entities under common control
The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of capital surplus.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(3) Inventories

The cost of inventories is based on the moving-average method with the exception of cost of materials-in-transit, which is determined on the specific identification method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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4. Material Accounting Policies, Continued

(4) Non-derivative financial assets

1) Recognition and Initial Measurements

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

2) Classification and subsequent measurement

(i) Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value are measured at FVTPL.

(ii) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flow;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets.

3) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flow from financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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4. Material Accounting Policies, Continued

(4) Non-derivative financial assets, Continued

4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1) Hedge accounting

The Company holds interest rate swaps and other derivative contracts to manage interest rate risk, foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and interest rate risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

(i) Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the separate statement of comprehensive income.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

(ii) Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expire, is terminated or is exercised, then hedge accounting is discontinued prospectively. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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4. Material Accounting Policies, Continued

(5) Derivative financial instruments, Continued

2) Embedded derivative

If an embedded derivative is not closely related to the economic characteristics and risks of the host contract and a separate instrument with the same terms would meet the definition of a derivative, the embedded derivative is accounted for separately from the host contract as long as the combined financial instrument is not measured at fair value through profit or loss. Changes in the fair value of the separated embedded derivative are recognized in profit or loss.

3) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(6) Impairment of financial assets

1) Financial instruments and contract assets

The Company recognized loss allowances for expected credit losses ("ECL") on;

- Financial assets measured at amortized cost;
- Contract assets defined in K-IFRS No.1115; and
- Debt investments measured at FVOCI

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs;

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if an is held); or
- past due of the financial asset is significantly increased

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4. Material Accounting Policies, Continued

(6) Impairment of financial assets, Continued

2) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being past due;
- The restructuring of a loan or advance by the Company on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

3) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

In view of the importance of impairment losses related to trade receivables and other receivables, including contract assets, they are presented in 'selling and administrative expenses' or 'other non-operating expenses'. In view of the importance of other financial assets, impairment losses are not presented separately in the separate statement of comprehensive income (loss) but are presented in 'finance costs'.

4) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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4. Material Accounting Policies, Continued

(7) Property, plant and equipment

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. Subsequent to initial recognition land that fair value can be measured reliably is carried at its fair value at the date of revaluation less any accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

The useful lives of property, plant and equipment are as follows:

	Useful lives (years)
Buildings	25~50
Structures	20~45
Machinery	5~20
Ships	15,25
Vehicles	5~14
Tools, furniture and fixtures	3~20

(8) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The useful lives of intangible asset are as follows:

	Useful lives (years)
Capitalized development costs	5
Other intangible assets	20, 40
Membership, trademark right	Indefinite

(9) Government grants

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deferred and recognized as deduction to depreciation expense over the useful life of the asset.

Government grants which are intended to compensate the Company for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Company recognizes the related costs as expenses.

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4. Material Accounting Policies, Continued

(10) Investment Property

Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

The useful lives of property investment are as follows:

	Useful lives (years)
Buildings	25~50

(11) Lease

1) As a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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4. Material Accounting Policies, Continued

(11) Lease, Continued

2) As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the separate statement of comprehensive income (loss) due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(12) Contract assets and contract liabilities

If the Company performs the transfer of goods or services to the customer before the customer pays the consideration or before the due date, the Company presents the contract as a contract asset, except as a receivable. Contract assets are rights to receive consideration for goods or services transferred by the Company to the customer.

If the customer pays before the Company transfers goods or services to the customer, or the Company has an unconditional right to receive consideration (i.e. the receivable), the Company presents the contract as a contract liability either when it is paid or when it is due to be paid (early both). A contract liability is the Company's obligation to transfer goods or services to the customer in accordance with the consideration received from the customer or the amount of consideration to which the Company has the right to receive the payment. The Company offsets the contract assets and contract liabilities arising from one contract and presents them in the separate statement of financial position on a net basis.

On the other hand, expected losses in contracts (i.e. onerous contracts) that exceed the economic benefits expected to be received by the contract are recognized as (liquidity) provisions.

(13) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In addition, there are no capitalized borrowing costs that have been capitalized for the years ended December 31, 2023 and 2022.

(14) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

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4. Material Accounting Policies, Continued

(15) Employee benefits

1) Retirement benefits: defined benefit plans

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

2) Termination benefits

If the Company makes an explicit commitment, without the practicable possibility of withdrawal, to dismiss an employee before the normal retirement date, or if the Company offers an employee a termination benefit for honorable retirement and the employee voluntarily accepts the offer, the termination benefit is payable in the current term, being recognized as profit or loss. When the voluntary retirement is offered to employees, the termination benefits are measured and recognized in profit or loss based on the number of employees expected to accept the offer. If termination benefits are due 12 months after the reporting period, they are discounted to their present value.

(16) Provisions

1) Provision for construction warranty

The Company generally provides a warranty within the contract on rectification of defects after the contract's completion and accrues the rectification expense on defects based on actual claims history as provision for construction warranty.

2) Provision for product warranty

The Company generally provides a warranty relating to product defects for a specified period of time after sales and accrues estimated costs as provision for product warranty, which may occur due to product liability suits.

3) Provision for construction losses

A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, if unavoidable costs arising from the contractual obligations exceed the benefits expected to arise from the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

4) Other provision

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration is recognized.

A provision is used only for expenditures for which the provision was originally recognized.

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4. Material Accounting Policies, Continued

(17) Emissions rights

The Company accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission which became effective in 2015.

1) Greenhouse Gases Emission Right

Greenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation are classified as an intangible asset and are initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses. Emission rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized through profit or loss in the respective reporting period.

The Company derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

2) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when there is a high possibility of outflows of resources in performing the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at of the end of the reporting period.

(18) Foreign currencies

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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4. Material Accounting Policies, Continued

(19) Revenue from contracts with customers

Under K-IFRS No. 1115, revenue is measured on the basis of the consideration promised in the contract with the customer. The Company recognized revenue when a customer controls the goods or services. Control is transferred at a point in time or over time and it requires judgment.

- Determination of the transaction price

The Company considers if significant financial benefits are provided to the customer or the Company in relation to the prepayment received from the customer and reflects the effect of the time value of money to the transaction price. As a practical expedient, the Company does need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

- Identification of performance obligations

The Company shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer a good or service that is distinct to the customer. If a partial change in an order is not distinguished by the context of the contract, the performance obligation is not separated.

1) Nature of goods or services and timing of performance obligations

The company engages in the other projects such as management support service, entrusted research service, and hotel business as of December 31, 2023. The company provides a service that integrates and operates management support services through customer-specific contracts for tasks that are essential for customers to run their own businesses, but are difficult to perform on their own. Generally, the contract period is one year and will be renewed without special customer requests.

If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed. Because of the nature of service delivery, benefits are provided and consumed as the service is performed, the Company recognized revenue over time in accordance with K-IFRS No. 1115.

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the Company measures its progress to indicate performance when control of the goods or services is transferred to the customer. However, if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Company may recognize revenue in the amount to which the Company has a right to invoice, as a practical expedient.

The Company provides the entrusted research service that provide the results by performing the entrusted research tasks at the request of the client. Generally, the contract period is one year and will be renewed without special customer requests. If the contract is terminated for the reasons of the customer or another party, the cost and profits can be charged for the part that has already been completed, the Company recognized revenue over time in accordance with K-IFRS No. 1115.

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4. Material Accounting Policies, Continued

(19) Revenue from contracts with customers, Continued

1) Nature of goods or services and timing of performance obligations, Continued

If the performance obligation is satisfied over time, the timing of the performance obligation depends on how the Company measures its progress to indicate performance when control of the goods or services is transferred to the customer. However, the contract is service contract in which the Company bills a fixed amount for each hour of service provided and if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the Company may recognize revenue in the amount to which the Company has a right to invoice, as a practical expedient.

The hotel business offers a variety of goods and services, including guest rooms, food and beverage, and banquets. In general, in a contract with a customer, the company control each specified good or service before it is delivered to the customer, so the company act as a principal in the contract with all customers.

The Company recognizes revenue when it transfers control over a good or service to customer in the amount of consideration to which the Company expects to be entitled.

2) Significant payment terms

The management support service and entrusted research service are charged and collected monthly for the amount to which the Company has a right to invoice, and the hotel business collects the consideration according to the collection conditions specified in the contract or when the delivery of goods and provision of services are completed.

Depending on the payment terms, there may be a significant financing element that adjusts the promised consideration to reflect the effect of the time value of money on the difference between when the Company receives the consideration for the goods or services from the customer and when the Company expect to transfer the promised goods or services to the customer.

3) How to calculate the transaction price, estimate the variable consideration, input variables, information

In the management support services and entrusted research services, it is not necessary to estimate the stand-alone selling price for the allocation of the transaction price because it corresponds to a single performance obligation, but in the case of hotel business, the transaction price is allocated based on the relative stand-alone selling price to the various performance obligations identified in one contract.

In the management support services, entrusted research services, and hotel business, the transaction price includes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

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(19) Finance income and finance costs

The Company's finance income and finance costs are as follows:

- interest income
- interest expense;
- dividend income;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- hedge ineffectiveness recognized in profit or loss
- the reclassified net profit or loss previously recognized in other comprehensive income in the cash flow hedge accounting for borrowing liabilities.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established

(20) Corporate income taxes

The Company applies the consolidated tax filing method, treating the Company, its 90% or more domestically controlled subsidiary (hereinafter referred to as the "consolidated subsidiary"), as a consolidated tax group unit for calculating a single tax base and tax amount. The Company assess the realization potential of temporary differences, considering the future taxable income of individual companies and the consolidated group separately. Changes in deferred tax assets (liabilities) are recognized as income tax expense (income), excluding amounts related to items directly debited or credited to equity accounts.

(21) Operating Segment

The Company discloses information on operating segments in the notes to the consolidated financial statements in accordance with K-IFRS No. 1108 'Operating Segments' and do not discloses information related to its operating segments in its separate financial statements.

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4. Material Accounting Policies, Continued

(22) Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
or
- is a subsidiary acquired exclusively with a view to resale

When an operation is classified as a discontinued operation, the comparative separate statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

(23) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are not mandatory for the Company for annual periods beginning on January 1, 2023, and the Company has not early adopted them.

- 1) K-IFRS No.1001 'Presentation of Financial Statements' – Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants
The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.
- 2) K-IFRS No.1007 'Cash Flows' and K-IFRS No.1107 'Financial Instruments: Disclosures' – Supplier Finance Arrangements
The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.
- 3) The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.
 - Lease Liability in a Sale and Leaseback (K-IFRS No. 1116 'Lease')
 - Disclosure of virtual assets (K-IFRS No. 1001 'Presentation of Financial Statements')

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5. Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's risk management objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

(1) Financial risk management

1) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(i) Trade and other receivables and contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Most of the company's customers are located in Korea, so the risk of bankruptcy in the country where the customer is located does not significantly affect credit risk.

The Company establishes credit limits for each customer and each new customer is analyzed quantitatively and qualitatively before determining whether to utilize third party guarantees, insurance or factoring as appropriate.

The Company evaluates the impairment loss separately for receivables with significant receivable size and credit-impaired credit, taking into account the insurance purchase and creditworthiness.

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5. Risk Management, Continued

(1) Financial risk management, continued

(2) Credit risk, Continued

(ii) Investments

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, does not expect a significant risk that any counterparty fails to meet its obligations.

(iii) Guarantees

The Company provides financial guarantees to subsidiaries, associates and third parties if necessary.

3) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has historically been able to satisfy its cash requirements from cash flow from operations and debt and equity financing. To the extent that the Company does not generate sufficient cash flow from operations to meet its capital requirements, the Company may rely on other financing activities, such as external long-term borrowings and offerings of debt securities, equity-linked and other debt securities.

4) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company until the spin-off date. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

(i) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, Korean won (KRW). The currencies in which these transactions primarily are denominated are USD, EUR and others.

The Company hedges trade receivables and trade payables denominated in a foreign currency in respect of forecasted sales and purchases. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than two years from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. Trade receivables denominated in a foreign currency have been hedged using forward contracts that mature on the same dates that the receivables are due for collection. In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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5. Risk Management, Continued

(1) Financial risk management, continued

(2) Credit risk, Continued

4) Market risk, Continued

(ii) Interest rate risk

The Company hedges interest rate risk using interest rate swap for variable interest borrowings. As a result, the risk that changes in the value of variable interest-bearing bonds and loans will affect the company's profit or loss is avoided.

(iii) Other market price risk

The Company is exposed to the price risk arising from available-for-sale equity securities.

The effect of 1% changes in price of marketable available-for-sale securities on the total comprehensive income for the years ended December 31, 2023 and 2022 are ₩676 million and ₩673 million.

(1) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the liability to equity ratio and net borrowing to equity ratio, which the Company defines as total liabilities divided by total equity and net borrowing divided by total equity.

The Company's liability to equity ratio and net borrowing to equity ratio as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won, except ratio)</i>		<u>2023</u>	<u>2022</u>
Total liabilities	₩	244,652	305,682
Total equity		11,529,598	11,124,489
Cash and deposits(*1)		1,455,593	1,867,982
Borrowings		10,361	10,184
Liability to equity ratio		2.12%	2.75%
Net borrowing to equity ratio(*2)		(*3)	(*3)

(*1) Cash and deposits consist of cash and cash equivalents and short-term and long-term financial instruments.

(*2) Net borrowing ratio is calculated by dividing net of borrowings by total equity.

(*3) Net borrowing to equity ratio has not been calculated because it is a negative ratio.

The interest coverage ratio and basis of calculation for the reporting period are as follows.

<i>(In millions of won, except ratio)</i>		<u>2023</u>	<u>2022</u>
1. Operating loss	₩	(11,583)	(18,285)
2. Interest expense		4,174	761
3. Interest coverage ratio (1÷2)		(*)	(*)

(*) The interest coverage ratio has not been calculated because it is a negative ratio.

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6. Cash and Cash Equivalents

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

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Cash	₩	7	12
Demand deposits		90	144
Others (MMDA and others)		504,994	987,324
	₩	<u>505,091</u>	<u>987,480</u>

7. Short-term and Long-term Financial Assets

Short-term and long-term financial assets as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		<u>2023</u>		<u>2022</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial instruments	₩	950,500	2	880,500	2
Financial assets measured at FVTPL		-	6,638	181,290	7,359
Financial assets measured at FVOCI		-	123,933	-	113,702
	₩	<u>950,500</u>	<u>130,573</u>	<u>1,061,790</u>	<u>121,063</u>

8. Restricted Financial Instruments

Financial instruments, which are restricted in use, as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>				
<u>Description</u>		<u>2023</u>	<u>2022</u>	<u>Restrictions</u>
Long-term financial assets	₩	2	2	Guarantee deposits for checking accounts

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9. Trade and Other Receivables and Contract assets

(1) Trade and other receivables as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)		2023		2022	
		Current	Non-current	Current	Non-current
Trade receivables:					
Trade receivables	₩	69,589	-	35,062	-
Allowance for doubtful accounts		(18)	-	(18)	-
		<u>69,571</u>	<u>-</u>	<u>35,044</u>	<u>-</u>
Other receivables:					
Other accounts receivable		22,520	-	6,073	-
Allowance for doubtful accounts		(643)	-	(643)	-
Accrued income		13,532	-	8,232	-
Loans		-	494	-	494
Allowance for doubtful accounts		-	(494)	-	(494)
Guarantee deposits		955	29,452	3,930	16,849
		<u>36,364</u>	<u>29,452</u>	<u>17,592</u>	<u>16,849</u>
	₩	<u>105,935</u>	<u>29,452</u>	<u>52,636</u>	<u>16,849</u>

(2) Contract assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)		2023	2022
Contract assets	₩	974	851

10. Inventories

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

(In millions of won)		2023			2022		
		Acquisition cost	Provision for inventory valuation	Carrying amount	Acquisition cost	Provision for inventory valuation	Carrying amount
Supplies	₩	871	-	871	841	-	841
Work-in-progress (and others)		30,640	-	30,640	1,440	-	1,440
	₩	<u>31,511</u>	<u>-</u>	<u>31,511</u>	<u>2,281</u>	<u>-</u>	<u>2,281</u>

There is no loss of on valuation of inventories for the years ended December 31, 2023 and 2022.

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11. Other Current and Non-current Assets

Other current assets and non-current assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advance payments	₩ 41,572	-	5,884	-
Prepaid expenses	868	699	1,595	730
Others	-	63,307	-	63,307
Accumulated impairment loss	-	(63,307)	-	(63,307)
Net defined benefit assets(*)	-	15,872	-	4,815
	<u>₩ 42,440</u>	<u>16,571</u>	<u>7,479</u>	<u>5,545</u>

(*) As of December 31, 2023 and 2022, plan assets of ₩15,872 million and ₩4,815 million in excess of the present value of defined benefit obligations was recorded as other non-current assets.

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12. Investments in Subsidiaries

(1) Investments in subsidiaries as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company(*8)	Location	Fiscal year	Main business	2023		2022	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
HD Hyundai Heavy Industries Co., Ltd.	Korea	December	Shipbuilding	78.02	₩ 5,486,966	78.02	₩ 5,484,560
Hyundai Samho Heavy Industries Co., Ltd(*1)	Korea	December	Shipbuilding	96.58	1,631,639	80.54	1,200,213
Hyundai Mipo Dockyard Co., Ltd(*2)	Korea	December	Shipbuilding	42.40	988,207	42.40	988,207
HD Ulsan Hyundai Football Club Co., Ltd.	Korea	December	Football club	100.00	5,012	100.00	5,305
HD Hyundai Heavy Industries Mos Co., Ltd.(*3)	Korea	December	Business facilities management service	-	-	100.00	12,180
HD Hyundai Energy Solutions Co., Ltd.	Korea	December	Solar photovoltaic and renewable energy	53.57	319,404	53.57	319,404
Seamarq Service Co., Ltd(*4)	Korea	December	Hotel management services	100.00	3,000	-	-
Pontos Investment LLC(*5)	USA	December	Investing	100.00	41,266	100.00	21,719
Hyundai Vietnam Shipbuilding Co., Ltd.(*6)	Vietnam	December	Shipbuilding	10.00	9,484	10.00	9,484
Hyundai Transformers And Engineering India Private, Ltd(*7)	India	March	Sale and manufacture of transformers	-	-	100.00	-
Hyundai Heavy Industries Miraflores Power Plant Inc.	Panama	December	Manufacturing	100.00	-	100.00	-
HHI Mauritius Limited	Mauritius	December	Manufacturing	100.00	-	100.00	-
Hyundai Arabia Company L.L.C	Saudi Arabia	December	Industrial plant construction	100.00	-	100.00	-
Hyundai Samho Heavy Industries Panama, Inc.	Panama	December	Construction-industrial facility construction	100.00	260	100.00	260
Hyundai Heavy Industries Technology Center India Private., Ltd.	India	March	Engineering consulting	100.00	2,139	100.00	2,139
HD Hyundai Europe Research and Development Center GmbH(*4)	Germany	December	Research and development industry	100.00	2,744	-	-
					₩ 8,490,121		₩ 8,043,471

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12. Investments in Subsidiaries, Continued

(1) Investments in subsidiaries as of December 31, 2023 and 2022 are summarized as follows; Continued

(*1) For the year ended December 31, 2023, the Company have acquired 4,647,201 additional preferred shares of Hyundai Samho Heavy Industries Co., Ltd., and the Company have acquired 272,753 common shares of Hyundai Samho Heavy Industries Co., Ltd due to the exercise of minority shareholders' appraisal rights (see note 40 and 42).

(*2) Although the ownership interest in Hyundai Mipo Dockyard Co., Ltd was less than a majority, the remaining shareholders were widely dispersed into small shareholders, and in the past general meetings of shareholder, the majority of voting rights in the decision-making process were judged to be in control, considering the circumstances in which the parent company's share alone was able to exercise the majority of voting rights in the decision-making process.

(*3) For the year ended December 31, 2023, the Company transferred shares to HD Hyundai Heavy Industries Co., Ltd.

(*4) For the year ended December 31, 2023, the Company have acquired shares of Seamarq Service Co., Ltd and HD Hyundai Europe Research and Development Center GmbH.

(*5) For the year ended December 31, 2023, the Company have acquired additional shares of Pontos Investment LLC.

(*6) Since the Company and its subsidiaries have more than 50% of the voting shares in the investee directly or indirectly, the Company have control in the investee. So, it is classified as an investment in subsidiaries.

(*7) For the year ended December 31, 2023, Hyundai Transformers And Engineering India Private Limited, was liquidated.

(*8) In March 2023, several subsidiaries were renamed.

Former company name	New company name
Hyundai Heavy Industries Co., Ltd.	HD Hyundai Heavy Industries Co., Ltd.
Hyundai Energy Solutions Co., Ltd.	HD Hyundai Energy Solutions Co., Ltd.
Hyundai Heavy Industries Mos Co., Ltd.	HD Hyundai Heavy Industries Mos Co., Ltd.
Ulsan Hyundai Football Club Co., Ltd.	HD Ulsan Hyundai Football Club Co., Ltd.

Changes in the end of the current year compare to the prior year are attributable to additional acquisition, liquidation of subsidiary.

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12. Investments in Subsidiaries, Continued

(2) Impairment assessment

The company assesses impairment of the subsidiary investment shares by determining the greater of their value in use and net fair value. The company reasonably estimates the recoverable amount of subsidiary investment shares. Future cash flows were estimated based on past experience, industrial prospects of external rating agencies, actual business results and business plans. And it was derived through DCF using pre-tax cash flow estimation based on a five-year business plan approved by management, reflecting the inflation rate and investment plan.

The discount rate used for impairment testing of subsidiary investment stocks was calculated based on the weighted average of equity and other capital. As of the evaluation date, risk-free interest rate reflecting the creditworthiness of the country, the equity cost using the beta of the companies in the same industry, and the corporate bond interest rate considering the creditworthiness of the company were used to estimation. The permanent growth rate was calculated by considering the market environment and applying the average value of the long-term observation period.

<i>(In percentage)</i>	Discount rate	Permanent growth rate
Inputs variables	7.86~11.42	0.00~1.00

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13. Investments in Associates

Investments in associates as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year	Main business	2023		2022	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
New Korea Country Club	Korea	December	Country club	29.00	₩ 22,870	29.00	₩ 22,870
			Sale and manufacture of machinery equipment for shipbuilding				
Hyundai Hymas Co., Ltd.	Korea	December		25.00	32,501	25.00	32,501
Hyundai Green Industries Co., W.L.L.	Kuwait	December	Education	49.00	-	49.00	-
International Maritime Industries Company(*1)	Saudi Arabia	December	Shipbuilding	20.00	166,572	20.00	142,473
			Financial and operating leases				
Hyundai Financial Leasing Co., Ltd.	China	December		41.26	93,813	41.26	93,813
			Manufacture of cell, stack, stack module				
Elcogen Group PLC(*2, 3)	United Kingdom	December		17.36	64,065	-	-
					₩ 379,821		₩ 291,657

(*1) For the year ended December 31, 2023, the Company have acquired additional shares of International Maritime Industries Company.

(*2) For the year ended December 31, 2023, the Company have acquired shares of Elcogen Group PLC.

(*3) Although its ownership is less than 20%, the company is considered to have a material influence with its participation in the investees' Board of Directors.

Changes in the end of the current year compare to the prior year are attributable to acquisitions and others.

14. Investments in Joint Ventures

Investments in a joint venture as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	Location	Fiscal year	Main business	2023		2022	
				Ownership (%)	Carrying amount	Ownership (%)	Carrying amount
Saudi Engines Manufacturing Company(*)	Saudi Arabia	December	Manufacture of marine engines	30.00	₩ 13,940	30.00	₩ 13,940

(*) According to the shareholders' agreement, critical financial and operating decisions must be agreed by ownership parties. For this reason, the entity is classified as joint venture.

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15. Financial Assets measured at fair value

(1) Financial assets measured at FVOCI as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2023			2022		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Listed equity securities:						
HMM Co.,Ltd	0.49 ₩	360,805	66,190	0.69 ₩	360,805	66,088
KCC Corporation	0.06	1,071	1,167	0.06	1,071	1,045
KCC Glass Corporation	0.03	201	197	0.03	201	177
		<u>362,077</u>	<u>67,554</u>		<u>362,077</u>	<u>67,310</u>
Unlisted equity securities(*1):						
Hyundai Heavy Industries Power Systems Co.,Ltd(*2)	20.00	5,857	30,592	20.00	5,857	20,726
Bexco Co.,Ltd.(*2)	7.96	9,460	4,773	7.96	9,460	6,365
SK Hynix America Inc.(*3)	-	-	-	1.33	34,526	-
OSX Construção Naval S.A.	0.20	57,498	-	0.20	57,498	-
Hyundai M Partners Co., Ltd.(*4)	9.93	13,145	19,704	9.93	13,145	18,323
Other	-	10,198	1,310	-	10,198	978
		<u>96,158</u>	<u>56,379</u>		<u>130,684</u>	<u>46,392</u>
	₩	<u>458,235</u>	<u>123,933</u>	₩	<u>492,761</u>	<u>113,702</u>

(*1) Unless otherwise noted, the carrying amounts of unlisted equity securities were recorded at their acquisition cost since their fair values cannot be reliably estimated.

(*2) The fair value of Bexco Co.,Ltd and Hyundai Heavy Industries Power Systems Co.,Ltd were calculated by using the free cash flow to equity method and comparison method of similar listed companies.

(*3) For the year ended December 31, 2023, the company sold entire share of SK Hynix America Inc.

(*4) The fair value of Hyundai M Partners Co., Ltd. was calculated by using the net asset value method.

Changes in the end of the current year compare to the prior year are attribute to fair value evaluation.

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15. Financial Assets measured at fair value, Continued

(2) Financial assets measured at FVTPL as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won, except percentage of ownership)

Company	2023			2022		
	Ownership (%)	Acquisition cost	Carrying amount	Ownership (%)	Acquisition cost	Carrying amount
Debt investments(*1):						
KC Coexistence PEF(*2)	16.67	₩ 7,000	6,436	16.67	₩ 7,000	7,101
Global ICT convergence Fund	2.00	202	202	2.00	206	202
Korea Investment Private Korea Exim bank Carbon Special Asset Trust I(*3)	-	-	-	7.09	153	55
Specified Money Trust (MMT)	-	-	-	-	185,669	181,290
		<u>₩ 7,202</u>	<u>6,638</u>		<u>₩ 193,028</u>	<u>188,648</u>

(*1) If the fair value cannot be reliably measured due to the insufficient basic data or lack of objectivity, the fair value is evaluated at acquisition cost.

(*2) The company calculated the fair value of KC Coexistence PEF shares using the net assets value model.

(*3) For the year ended December 31, 2023, Korea Investment Private Korea Exim bank Carbon Special Asset Trust I was liquidated.

Changes in the end of the current year compare to the prior year are attribute to fair value evaluation.

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16. Investment Properties

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

(In millions of won)	2023			2022		
	Land	Buildings	Total	Land	Buildings	Total
Beginning balance	₩ 32,593	107,616	140,209	32,593	112,922	145,515
Reclassification	-	-	-	-	(2,362)	(2,362)
Depreciation	-	(2,936)	(2,936)	-	(2,944)	(2,944)
Ending balance	₩ 32,593	104,680	137,273	32,593	107,616	140,209

- (2) Investment Properties as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)	2023			2022		
	Land	Buildings	Total	Land	Buildings	Total
Acquisition cost	₩ 32,593	151,423	184,016	32,593	151,423	184,016
Accumulated depreciation	-	(46,743)	(46,743)	-	(43,807)	(43,807)
Ending balance	₩ 32,593	104,680	137,273	32,593	107,616	140,209

- (3) Revenue and expense from investment property for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)	2023	2022
Rental income	₩ 6,245	6,167
Operating and maintenance expense arising from investment property that generated rental income	3,346	3,555

- (4) Fair values from investment property as of December 31, 2023 and 2022 is as follows:

(In millions of won)	2023	2022
Land	₩ 50,698	50,698
Buildings	161,505	178,536
	₩ 212,203	229,234

The fair value of investment property was determined by external, independent appraiser, having appropriate recognized professional qualifications and experience in relation to the assessment of real estate in the Republic of Korea as of January 1, 2010 when the KIFRS was adopted. The valuation is achieved by using comparison methods to obtain the economic value based on marketability of the property. The Company calculated fair value considering the standard market price after transition date in order to estimate the fair value of investment property as of December 31, 2023.

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17. Property, Plant and Equipment

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

(In millions of won)

(In millions of won)		2023						
		Machinery and Construction						Total
		Land	Buildings	Structures	equipment	in-progress	Others	
Beginning balance	₩	345,699	169,495	22,023	7,458	52,245	12,118	609,038
Acquisitions(*)		-	66	60	2,474	7,964	10,182	20,746
Reclassification		31	102	-	846	(4,375)	3,396	-
Disposals and others		(1,179)	(113)	(25)	(39)	(8,146)	(748)	(10,250)
Depreciation		-	(4,251)	(450)	(3,121)	-	(4,864)	(12,686)
Reclassification to non-current assets held for sale		-	-	-	-	(8,638)	-	(8,638)
Ending balance	₩	344,551	165,299	21,608	7,618	39,050	20,084	598,210

(*) Others include an increase of ₩25 million due to a business transfer.

(In millions of won)

(In millions of won)		2022						
					Machinery and equipment	Construction in-progress	Others	Total
	Land	Buildings	Structures					
Beginning balance	₩	358,606	173,694	22,687	8,342	50,043	10,139	623,511
Acquisitions		-	190	148	2,027	2,768	5,398	10,531
Reclassification		-	-	-	18	(566)	540	(8)
Disposals and others		(10,035)	(140)	(362)	(169)	-	(55)	(10,761)
Depreciation		-	(4,249)	(450)	(2,760)	-	(3,904)	(11,363)
Reclassification to non-current assets held for sale		(2,872)	-	-	-	-	-	(2,872)
Ending balance	₩	345,699	169,495	22,023	7,458	52,245	12,118	609,038

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17. Property, Plant and Equipment, Continued

(2) Property, plant and equipment as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023					
		Machinery and equipment					Total
		Land	Buildings	Structures	Construction in-progress	Others	
Acquisition cost	₩	344,551	211,470	29,560	31,925	39,050	719,566
Accumulated depreciation		-	(46,171)	(7,952)	(24,307)	(42,926)	(121,356)
Ending balance	₩	<u>344,551</u>	<u>165,299</u>	<u>21,608</u>	<u>7,618</u>	<u>39,050</u>	<u>598,210</u>

(In millions of won)

		2022					
		Machinery and equipment					Total
		Land	Buildings	Structures	Construction in-progress	Others	
Acquisition cost	₩	345,699	211,450	29,525	29,518	51,218	719,655
Accumulated depreciation		-	(41,955)	(7,502)	(22,060)	(39,100)	(110,617)
Ending balance	₩	<u>345,699</u>	<u>169,495</u>	<u>22,023</u>	<u>7,458</u>	<u>12,118</u>	<u>609,038</u>

(3) Construction-in-progress is related to the construction of Ihwa Industrial Park and others as of December 31, 2023.

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17. Property, Plant and Equipment, Continued

(4) Land revaluation

The Company applied revaluation model on land and revalued land by using the value which independent and expertise appraisal institution appraised as of December 31, 2020. The appraisal institution valued land price based on the publicly assessed land price with adjustments and reviewed reasonableness of revaluation amount by comparing appraisal results with the estimated price based on recent market transactions among the independent third parties.

Book values of land assessed by revaluation model and cost model as of December 31, 2023 are as follows:

(In millions of won)		2023	
		Revaluation model	Cost model
Land	₩	344,551	161,392

The measured fair value of land is classified into level 3 fair value based on the input variables used in the valuation techniques. The valuation method and input variables which are used for measuring fair value of land are as follows:

Valuation method	Significant but unobservable input variables	Correlation between the main unobservable variable and fair value
Publicly assessed land price	Time adjustment (Rate of changes in land value)	If rate of changes in land value increases (decreases), then fair value increases (decreases).
	Regional contribution	If regional contribution increases (decreases), then fair value increases (decreases).
	Individual contribution	If the adjusted value of terms of residential lot and others increases (decreases), then fair value increases (decreases).
	Other contributions	If the adjusted value of the level of land value and others increases (decreases), then fair value increases (decreases).

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18. Right-of-use Assets and Lease Liabilities

(1) Right-of-use assets

Changes in right-of-use assets for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023			
		Land	Buildings	Others	Total
Beginning balance	₩	1,786	22,044	560	24,390
Acquisition		9	8,952	619	9,580
Termination		(1)	(53)	(5)	(59)
Depreciation		(1,330)	(7,065)	(400)	(8,795)
Ending balance	₩	464	23,878	774	25,116

(In millions of won)

		2022			
		Land	Buildings	Others	Total
Beginning balance	₩	3,126	3,746	597	7,469
Acquisition		-	23,310	234	23,544
Termination		(6)	(1,381)	-	(1,387)
Depreciation		(1,334)	(3,631)	(271)	(5,236)
Ending balance	₩	1,786	22,044	560	24,390

(2) Right-of-use assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023			
		Land	Buildings	Others	Total
Acquisition cost	₩	887	31,411	1,485	33,783
Accumulated depreciation		(423)	(7,533)	(711)	(8,667)
Ending balance	₩	464	23,878	774	25,116

(In millions of won)

		2022			
		Land	Buildings	Others	Total
Acquisition cost	₩	3,369	22,544	949	26,862
Accumulated depreciation		(1,583)	(500)	(389)	(2,472)
Ending balance	₩	1,786	22,044	560	24,390

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18. Right-of-use Assets and Lease Liabilities, Continued

(3) Lease liabilities

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

<i>(In millions of won)</i>		2023	2022
Current lease liabilities	₩	9,006	7,642
Non-current lease liabilities		15,869	16,056
	₩	<u>24,875</u>	<u>23,698</u>

The details of the timing of the cash outflow of lease liabilities as of December 31, 2023 are summarized as follows:

<i>(In millions of won)</i>		Contractual cash flow	Within 1 year	1~3 years	More than 3 years
Lease liabilities	₩	28,379	9,253	15,463	3,663

(4) Profit (loss) and cash outflow from lease

Profit (loss) in lease for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Depreciation on right-of-use assets:	₩	8,795	5,236
Interest expenses on lease liabilities		1,375	262
Short-term lease payments(*)		492	598
Payment for leases of low-value assets(*)		485	134

(*) The amounts are included in cost of sales and selling, general and administrative expenses.

For the years ended December 31, 2023 and 2022, the total cash outflows related to leases are ₩10,537 million and ₩5,876 million, respectively.

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19. Intangible Assets

(1) Changes in development costs and others for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)		2023		
		Development costs	Others	Total
Beginning balance	₩	124	24,230	24,354
Acquisition(*)		14,868	-	14,868
Amortization		(449)	(10)	(459)
Ending balance	₩	14,543	24,220	38,763

(*) The amount includes ₩4,841 million related to the business acquisition for the years ended December 31, 2023.

(In millions of won)		2022		
		Development costs	Others	Total
Beginning balance	₩	-	23,902	23,902
Acquisition		124	1,713	1,837
Disposals		-	(1,380)	(1,380)
Amortization		-	(5)	(5)
Ending balance	₩	124	24,230	24,354

(2) Intangible assets as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)		2023		
		Development costs	Others	Total
Acquisition cost	₩	14,992	24,235	39,227
Accumulated depreciation		(449)	(15)	(464)
Ending balance	₩	14,543	24,220	38,763

(In millions of won)		2022		
		Development costs	Others	Total
Acquisition cost	₩	124	24,235	24,359
Accumulated depreciation		-	(5)	(5)
Ending balance	₩	124	24,230	24,354

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19. Intangible Assets, Continued

- (3) The details of research and development cost and ordinary development costs amortization included in intangible asset as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>	Type	2023	2022
Research and development cost	Selling, general and administrative expenses	₩ 9,503	6,073
	Government grants	(1,206)	(616)
		<u>8,297</u>	<u>5,457</u>
Ordinary development costs	Selling, general and administrative expenses	-	-

20. Short-term and Long-term Financial Liabilities

The details of short-term and long-term financial liabilities as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>	2023		2022	
	Current	Non-current	Current	Non-current
Financial liabilities measured at FVTPL	₩ -	2,540	4,861	1,793
Borrowings	-	<u>10,361</u>	-	<u>10,184</u>
	₩ -	<u>12,901</u>	<u>4,861</u>	<u>11,977</u>

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21. Trade and Other Payables and Other Current Liabilities

(1) Trade and other payables as of December 31, 2023 and December 31, 2022 are summarized as follows:

(In millions of won)	2023		2022	
	Current	Non-current	Current	Non-current
Trade payables	₩ 40,815	-	14,882	-
Other accounts payable(*)	27,501	-	160,078	-
Accrued expenses	16,710	1,032	11,976	-
Deposits received	-	7,097	-	6,387
	₩ 85,026	8,129	186,936	6,387

(*) The Company granted 1,260,558 shares of common stocks to convertible preferred stock of Hyundai Samho Heavy Industries Co., Ltd. to the financial investors who have the right to purchase the stock of Hyundai Samho Heavy Industries Co., Ltd. for the year ended December 31, 2018. The Company recognizes the scheduled amount of repayment at the time of exercise of purchase request as liabilities based on the assumption that there is no unconditional right to avoid payment of financial assets such as cash and cash equivalents. The full repayment was made for the years ended December 31, 2023 (see Note 40).

(2) Other current liabilities as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)	2023		2022	
	Current	Non-current	Current	Non-current
Unearned revenues(*)	₩ 32	-	79	-

(*) As of December 31, 2023, contributions received of ₩32 million in connection with the national project were recorded for unearned revenues.

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22. Borrowings

(1) Borrowings as of December 31, 2023 and 2022 are summarized as follows:

	Type of borrowing	Lender	Annual interest rate (%)	2023	2022
Long term borrowings	Business loan(*)	Korea Energy Agency	0.75~3.75	₩ 10,361	10,184

(*) During 2013, the consortium that included the Company decided to withdraw from its oil development business in the 4 mining areas in Yemen. The amount borrowed from Korea Energy Agency was classified as liquidity according to the original repayment plan, but maturities of business loans from Korea Energy Agency are not readily determinable since the decision on the redemptions of these business loans are still being deliberated by the supervisory institution.

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

(In millions of won)

(In millions of won)		2023		
		Borrowings	Lease liabilities	Total
Beginning balance		₩ 10,184	23,698	33,882
Cash flows from financing activities(*1)	Repayment	-	(8,185)	(8,185)
	The effects of changes in foreign exchange rates	177	-	177
Non-cash flows	Others	-	10,737	10,737
Cash flows from operating activities(*2)		-	(1,375)	(1,375)
Ending Balance		₩ 10,361	24,875	35,236

(*1) In addition to the above financial activity cash flow, there is a cash flow (-) of ₩45,005 million due to the exercise of the parent's right to purchase common shares (1,260,558 shares) allocated to the financial investor of Hyundai Samho Heavy Industries Co., Ltd.

(*2) Interest expense related to the reduction of lease liabilities for the year ended December 31, 2023, is classified as cash flows from operating activities.

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22. Borrowings, Continued

(In millions of won)

		2022	
		Borrowings	Lease liabilities
			Total
Beginning balance	₩	9,527	7,740
Cash flows from			
financing activities	Repayment	-	(4,882)
	The effects of changes in		
Non-cash flows	foreign exchange rates	657	-
	Others	-	21,102
Cash flows from operating activities(*)		-	(262)
Ending Balance	₩	10,184	23,698

(*) Interest expense related to the reduction of lease liabilities for the year ended December 31, 2022, is classified as cash flows from operating activities.

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23. Employee Benefits

- (1) Recognized liabilities for defined benefit obligations as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Present value of defined benefit obligations	₩	53,285	40,785
Fair value of plan assets(*)		53,201	39,725
Recognition of liabilities of defined benefit plans		84	1,060

(*) Plan assets exceed the present value of defined benefit obligations in the amount of ₩15,872 million and ₩4,815 million as of December 31, 2023 and 2022, respectively. Such amounts were recognized as defined benefit assets (in other non-current assets). The fair value of the plan assets added to the surplus is ₩69,073 million and ₩44,540 million.

- (2) Plan assets as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Retirement pension(*)	₩	69,073	44,539
Transfer to National Pension Fund		-	1
	₩	<u>69,073</u>	<u>44,540</u>

(*) As of December 31, 2023, retirement pension is fully invested in principal and interest guaranteed and bond mixed fund products.

- (3) Expenses recognized in profit or loss for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Current service costs	₩	6,575	5,790
Past service costs		-	(216)
Interest cost		1,464	755
Interest income		(2,354)	(1,130)
The contributions recognized in current expenses		70	26
	₩	<u>5,755</u>	<u>5,225</u>

(*) The Company introduced a voluntary retirement for the years ended December 31, 2023 and 2022, ₩15 million and ₩102 million were incurred as additional retirement benefits, respectively.

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23. Employee Benefits, Continued

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

<i>(In millions of won)</i>		2023	2022
Beginning balance	₩	40,785	32,765
Current service costs		6,575	5,790
Past service costs		-	(216)
Interest cost		1,464	755
Benefits paid		(12,474)	(6,671)
Transfers from related parties and others		8,837	10,196
Actuarial losses (gains) in other comprehensive income:			
Demographic assumption		-	(158)
Financial assumption		5,047	(4,248)
Experience adjustment		3,051	2,572
Ending balance	₩	<u>53,285</u>	<u>40,785</u>

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

<i>(In millions of won)</i>		2023	2022
Beginning balance	₩	44,540	35,496
Benefits paid		(3,409)	(4,416)
Contributions paid into the plan		25,500	13,000
Interest income		2,354	1,130
Actuarial losses in other comprehensive income		88	(670)
Ending balance	₩	<u>69,073</u>	<u>44,540</u>

The Company reviews the level of the fund each year and takes the policy to preserve fund in the event of a loss to the fund. The Company expects to pay ₩9,300 million in contributions to its defined benefit plans in next year.

(6) Expected payment date of the defined benefit obligations as of December 31, 2023 are as follows:

<i>(In millions of won)</i>		Within 1 year	1 ~ 5 years	5 ~ 10 years	More than 10 years	Total
Expected payment	₩	6,696	22,237	20,571	226,284	275,788

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23. Employee Benefits, Continued

(7) Principal actuarial assumptions as of December 31, 2023 and 2022 are as follows:

<i>(In percent)</i>	2023	2022
Discount rate at 31 December	4.52	5.34
Future salary growth rate	3.50	3.03
Future mortality (Males, at age 45)	0.18	0.07

(8) Weighted average durations of defined benefit obligations as of December 31, 2023 and 2022 are as follows:

<i>(In years)</i>	2023	2022
Weighted average durations	10.89	10.70

(9) Reasonably possible changes as of December 31, 2023 and 2022 to the relevant actuarial assumption would have affected the defined benefit obligation by the amounts shown below.

<i>(In millions of won)</i>	2023		2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	₩ (3,967)	4,628	(2,537)	2,950
Future salary growth (1% movement)	4,630	(4,040)	2,991	(2,614)

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24. Provisions

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

(In millions of won)

		2023		
		Provision for product warranty(*1)	Other Provision(*2)	Total
Beginning balance	₩	-	32,639	32,639
Increase		688	173	861
Decrease		-	(2,489)	(2,489)
Offset		-	(29,717)	(29,717)
Ending balance	₩	688	606	1,294

(*1) For the year ended December 31, 2023, the amount of ₩ 308 million is included due to business transfers.

(*2) For the year ended December 31, 2023, an additional burden amount of ₩29,629 million was paid to employees as a result of a regular wage lawsuit.

(In millions of won)

		2023		
		Provision for product warranty	Other Provision	Total
Current portion	₩	42	606	648
Non-current portion		646	-	646
Ending balance	₩	688	606	1,294

(In millions of won)

		2022	
		Other Provision(*)	
Beginning balance	₩	31,592	
Increase		1,047	
Ending balance	₩	32,639	

(*) The Company recognized other provision amount by estimating amount the Company have to pay to employees as of December 31, 2022 according to the judgment of the Supreme Court.

(In millions of won)

		2022	
		Other Provision	
Current portio	₩	32,639	
Non-current portion		-	
Ending balance	₩	32,639	

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25. Derivative Financial Instruments

The Company measured the purchase claim and others granted to stocks at fair value as it meets the definition of embedded derivatives instruments which needs to be separated from the host contract.

- (1) Terms of derivative contracts as of December 31, 2023 are as follows:

(In millions of won)

Description	Type	Currency		Contract amount	Maturities	Number of contracts
		Sell	Buy			
For trading	Call option for convertible share(*)	KRW	KRW ₩	36,000	-	1

(*) The Company granted investor the right to purchase nonvoting convertible share of Hyundai Heavy Industries Power systems Co., Ltd. held by the Company (see Note 40).

- (2) Book value related to derivatives as of December 31, 2023 is as follows:

(In millions of won)

Description	Type	Financial liabilities measured at FVTPL	
		Current	Non-current
For trading	Call option for convertible share	₩ -	2,540

- (3) Gain and loss on valuation and transaction of derivatives for the year ended December 31, 2023 are as follows:

(In millions of won)

Description	Type	Finance income (costs)	
For trading	Put option for preference share (*)	₩	4,861
For trading	Call option for convertible share		(747)
		₩	4,114

(*) For the year ended December 31, 2023, the Company acquired 4,647,201 shares of convertible preferred stock from the financial investors of Hyundai Samho Heavy Industries Co., Ltd., a subsidiary (see Note 40).

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26. Capital and Capital Surplus

(1) Common stock

The Company's common stock as of December 31, 2023 and 2022 are as follows:

<i>(In shares)</i>	2023	2022
Authorized shares	160,000,000	160,000,000
Issued shares	70,773,116	70,773,116
Par value (in won)	5,000	5,000

(2) Capital surplus

(i) Paid-in capital in excess of par value as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	2023	2022
Paid-in capital in excess of par value by public offering on August, 1999	₩ 565,410	565,410
Paid-in capital in excess of par value by public offering on December, 1999	333,720	333,720
Paid-in capital in excess of par value by public offering on March, 2018	1,172,500	1,172,500
Paid-in capital in excess of par value by spin-off and merger on December, 2018	347,416	347,416
	<u>2,419,046</u>	<u>2,419,046</u>
Stock-issuing costs and capital incorporation	(55,806)	(55,806)
Decrease in capital due to spin-off in April 2017	(214,544)	(214,544)
Stock-issuing costs at increased paid-in capital in March 2018	(7,196)	(7,196)
Stock-issuing costs at spin-off and merger in December 2018	(3,188)	(3,188)
	<u>(280,734)</u>	<u>(280,734)</u>
	<u>₩ 2,138,312</u>	<u>2,138,312</u>

(ii) Capital surplus as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	2023	2022
Paid-in capital in excess of par value	₩ 2,138,312	2,138,312
Gain on disposal of treasury stock	159,392	159,392
Gain on merger	21,830	21,830
Other capital surplus	34,000	33,381
	<u>₩ 2,353,534</u>	<u>2,352,915</u>

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27. Capital Adjustments

- (1) Capital adjustment as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		2023	2022
Treasury stock	₩	10,532	10,532
Losses on capital reduction		7,036,683	7,036,683
Other capital adjustments		1,013,236	1,106,690
	₩	<u>8,060,451</u>	<u>8,153,905</u>

- (2) Treasury shares for the years ended December 31, 2023 and 2022 are as follow.

<i>(In millions of won, except share data)</i>		2023	2022
Number of shares (in shares)		58,486	58,486
Carrying amount	₩	10,532	10,532
Fair value		7,071	4,135

28. Accumulated Other Comprehensive Loss

- (1) Accumulated other comprehensive loss as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		2023	2022
Net change in fair value of financial assets measured at FVOCI	₩	(270,015)	(306,557)
Revaluation of property, plant and equipment		141,673	145,005
	₩	<u>(128,342)</u>	<u>(161,552)</u>

- (2) Other comprehensive income (loss) for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023		
		Before tax amount	Tax effect	After tax amount
Net change in fair value of financial assets measured at FVOCI	₩	19,092	(2,287)	16,805
Actuarial gains and losses		(8,011)	1,899	(6,112)
Revaluation of property, plant and equipment		-	(1,114)	(1,114)
	₩	<u>11,081</u>	<u>(1,502)</u>	<u>9,579</u>

<i>(In millions of won)</i>		2022		
		Before tax amount	Tax effect	After tax amount
Net change in fair value of financial assets measured at FVOCI	₩	(36,892)	7,436	(29,456)
Actuarial gains and losses		1,164	(272)	892
Revaluation of property, plant and equipment		-	566	566
	₩	<u>(35,728)</u>	<u>7,730</u>	<u>(27,998)</u>

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29. Retained Earnings

(1) Retained earnings as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
Legal reserves(*1,2)	₩ 2,020,414	2,020,414
Voluntary reserves(*3):	14,712,751	14,332,197
Unappropriated retained earnings		
(Undisposed accumulated deficit)	277,826	380,554
	<u>₩ 17,010,991</u>	<u>16,733,165</u>

(*1) The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of issued capital. This reserve is not available for the payment of cash dividends but may be transferred to issued capital or used to offset accumulated deficit, if any, through a resolution of stockholders.

(*2) Only available for the reduction of accumulated deficit or transfer to capital stock in accordance with related laws.

(*3) Pursuant to the *Tax Exemption and Reduction Control Law*, the Company is allowed to make reserves for facilities and others, which are appropriated in accordance with related law.

(2) Dividends

The Company has no dividends paid for the years ended December 31, 2023 and 2022.

(3) Statements of appropriation of retained earnings (Undisposed accumulated deficit) for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	<u>2023</u>	<u>2022</u>
I. Retained earnings before appropriation		
Unappropriated retained earnings to be carried from previous year	₩ -	-
Profit for the year	301,457	375,471
Actuarial gain (loss)	(6,112)	892
Reclassification of net change in fair value of financial assets measured at FVOCI	(19,736)	(4)
Reclassification revaluation surplus	2,217	4,195
	<u>277,826</u>	<u>380,554</u>
II. Transfer from voluntary reserves		
Voluntary reserve	-	-
	<u>-</u>	<u>-</u>
III. Total (I + II)	<u>277,826</u>	<u>380,554</u>
IV. Appropriation of retained earnings		
Voluntary reserve	277,826	380,554
	<u>277,826</u>	<u>380,554</u>
V. Unappropriated retained earnings to be carried over to subsequent year	₩ -	-

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30. Revenue

- (1) The changes in contracts received for shipbuilding materials for the years ended December 31, 2023 are as follows:

<i>(In millions of won)</i>		<u>Amount</u>
Beginning balance	₩	132,670
Increase during the period		444,483
Revenue recognized		(38,731)
Ending balance	₩	<u>538,422</u>

The expected timing for recognizing revenue from the contract balances as of December 31, 2023 is as follows:

<i>(In millions of won)</i>		<u>2024</u>	<u>2025</u>	<u>After 2026</u>	<u>Total</u>
Expected amounts	₩	206,509	161,313	170,600	538,422

- (2) Source of revenue

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Revenue from contracts with customers(*)	₩	265,390	172,240
Dividends		4,518	8,260
	₩	<u>269,908</u>	<u>180,500</u>

(*) It includes investment property rental income.

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30. Revenue, Continued

(3) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)		2023	2022
Major service lines			
R&D service	₩	105,863	93,636
Management support service		72,679	32,525
Others		86,848	46,079
Total(*)	₩	<u>265,390</u>	<u>172,240</u>
Primary geographical markets:			
Korea	₩	264,326	172,157
North america		48	(2)
Asia		927	85
Others		89	-
Total(*)	₩	<u>265,390</u>	<u>172,240</u>
Duration of contract:			
Short-term contract	₩	169,166	135,790
Long-term contract		96,224	36,450
Total(*)	₩	<u>265,390</u>	<u>172,240</u>
Timing of revenue recognition:			
Goods and services transferred at a point in time	₩	72,751	32,725
Goods and services transferred over time		192,639	139,515
Total(*)	₩	<u>265,390</u>	<u>172,240</u>

(*) It includes investment property rental income.

(4) Contract balances

The receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2023 and 2022 are as follows:

(In millions of won)		2023		2022	
		Current	Non-current	Current	Non-current
Receivables	₩	69,589	-	35,063	-
Allowance for doubtful accounts		(18)	-	(18)	-
	₩	<u>69,571</u>	-	<u>35,045</u>	-
Contract assets		974	-	851	-
Contract liabilities(*)		101,408	10,901	26,789	11,255

(*) The amount of ₩10,270 million included in contract liabilities (₩38,044 million) as of December 31, 2022 has been recognized as revenue for the year ended December 31, 2023.

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31. Selling, General and Administrative Expenses

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

(In millions of won)

	2023	2022
Salaries	₩ 10,080	8,115
Bonus	2,736	3,219
Post-employment benefit costs	860	906
Employee welfare	3,022	4,232
Depreciation	1,835	1,114
Advertising	849	218
Printing	16	10
Power costs	19	19
Warranty expenses	452	-
Insurance	5	4
Office supplies expenses	112	162
Consumable expenses	8	4
Utilities	-	2
Travel	1,180	467
Research	8,297	5,457
Training	120	97
Service contract expenses	5,853	4,746
Transportation	13	2
Rent	789	492
Data processing	23	149
Entertainment	361	309
Taxes and dues	1,380	1,390
Service charges	8,919	15,575
Automobile maintenance	253	324
Others	117	471
	₩ <u>47,299</u>	<u>47,484</u>

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32. Nature of Expenses

The classification of expenses by nature for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Changes in inventories	₩	(29,230)	(1,551)
Purchase of inventories		58,112	6,149
Depreciation		15,622	14,301
Depreciation on right-of-use assets		8,795	5,236
Amortization		459	5
Labor costs		113,306	80,297
Other expenses		114,427	94,348
Total(*)	₩	281,491	198,785

(*) Total expenses consist of cost of sales and selling, general and administrative expenses.

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33. Finance Income and Finance Costs

Finance income and finance costs for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023	2022
Finance income:			
Interest income	₩	67,362	50,493
Gain on valuation of financial instruments measured at FVTPL		-	28,997
Gain on disposal of financial instruments measured at FVTPL		6,350	272
Dividend income		4,152	2,100
Gain on foreign currency translations		27	5
Gain on foreign currency transactions		950	604
	₩	<u>78,841</u>	<u>82,471</u>
Finance costs:			
Interest expense	₩	4,174	761
Loss on valuation of financial instruments measured at FVTPL		1,443	4,379
Loss on disposal of financial instruments measured at FVTPL		1,378	4,878
Loss on foreign currency translations		248	658
Loss on foreign currency transactions		1,423	693
	₩	<u>8,666</u>	<u>11,369</u>

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34. Other Non-operating Income and Other Non-operating Expenses

Other non-operating income and other non-operating expenses for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	<u>2023</u>	<u>2022</u>
Other non-operating income:		
Gain on disposal of subsidiaries, associates and joint venture	₩ -	126,895
Reversal of impairment loss on subsidiaries and associates	-	153,624
Gain on disposal of property, plant and equipment	1,171	616
Gain on disposal of right-of-use asset	6	279
Gain on disposal of non-current asset held for sale	522	4,302
Miscellaneous income	6,924	2,106
	<u>₩ 8,623</u>	<u>287,822</u>
Other non-operating expenses:		
Service charges	₩ 136	35
Loss on disposal of property, plant and equipment	225	881
Loss on disposal of intangible asset	-	30
Impairment loss on intangible asset	119	-
Loss on disposal of non-current asset held for sale	491	70
Donation	4,269	2,170
Miscellaneous expenses	367	15,912
	<u>₩ 5,607</u>	<u>19,098</u>

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35. Income Tax Expense

(1) Components of income tax benefit for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Current tax expense	₩	70	6,822
Adjustment for prior periods		3	(305)
Origination and reversal of temporary differences		(238,724)	(66,339)
Income tax recognized in other comprehensive income		(1,198)	5,892
Total income tax expense	₩	<u>(239,849)</u>	<u>(53,930)</u>

(2) Income taxes recognized directly other than profit or loss for the years ended December 31, 2023 and 2021 are as follows:

<i>(In millions of won)</i>		2023	2022
Changes in fair value of financial assets measured at FVOCI	₩	(2,287)	7,436
Actuarial gains and losses		1,899	(272)
Revaluation of property, plant and equipment		(1,114)	565
Consolidated tax effect		304	(1,837)
Total income tax expense	₩	<u>(1,198)</u>	<u>5,892</u>

Income taxes related to changes in fair value of financial assets measured at FVOCI, effective portion of changes in fair value of cash flow hedges, actuarial gains and losses and others are recognized in other comprehensive incomes.

(3) Reconciliation of the effective tax rates for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Profit before income tax	₩	61,607	321,541
Tax rate		23.70%	23.10%
Income tax using the Company's statutory tax rate		14,601	74,276
Adjustment for:			
-Change in tax rates		(13,952)	6,883
-Tax effect of non-deductible expenses		660	574
-Tax effect of non-taxable income		(12,250)	(3,045)
-Tax credits (including carryforward)		-	(2,352)
-Change in unrecognized temporary difference		(9,579)	(49,909)
-Current adjustments for prior periods		3	(305)
-Impairment (reversal)		(243,777)	(73,842)
-Others		24,445	(6,210)
Income tax expense (benefit)	₩	<u>(239,849)</u>	<u>(53,930)</u>
Effective tax rate		(*)	(*)

(*) As income tax benefit is occurred, the Company did not calculate the effective tax rate.

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35. Income Tax Expense, Continued

- (4) Deferred tax assets and deferred tax effects by origination and reversal of temporary differences for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Deferred assets (liabilities) at the end of the year	₩	259,907	21,183
Deferred assets (liabilities) at the beginning of the year		<u>21,183</u>	<u>(45,156)</u>
Deferred tax effects by origination and reversal of temporary differences	₩	<u>(238,724)</u>	<u>(66,339)</u>

- (5) As of December 31, 2023 and 2022, the tax effects of temporary difference were calculated by expected tax rate of the fiscal year when the temporary differences are expected to reverse.
- (6) Deferred tax assets and liabilities are offset and presented in the separate statements of financial position, only if there are a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

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35. Income Tax Expense, Continued

(7) Changes in deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023		
		Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩	(1,648)	61	(1,587)
Financial assets measured at fair value		92,087	(8,216)	83,871
Trade and other receivables		(1,902)	(1,305)	(3,207)
Asset revaluation		(63,060)	(951)	(64,011)
Property, plant and equipment		(3,634)	(571)	(4,205)
Derivatives		1,537	(935)	602
Accrued expenses		669	332	1,001
Others		(150,905)	(8,561)	(159,466)
		<u>(126,856)</u>	<u>(20,146)</u>	<u>(147,002)</u>
Tax loss carryforward		140,453	259,867	400,320
Carryforward tax credit		7,586	(997)	6,589
	₩	<u>21,183</u>	<u>238,724</u>	<u>259,907</u>

(In millions of won)

		2022		
		Beginning balance	Change	Ending balance
Investments in subsidiaries and associates	₩	(14,142)	12,494	(1,648)
Financial assets measured at fair value		84,651	7,436	92,087
Trade and other receivables		(702)	(1,200)	(1,902)
Asset revaluation		(66,900)	3,840	(63,060)
Property, plant and equipment		(3,238)	(396)	(3,634)
Derivatives		8,140	(6,603)	1,537
Accrued expenses		434	235	669
Others		(142,326)	(8,579)	(150,905)
		<u>(134,083)</u>	<u>7,227</u>	<u>(126,856)</u>
Tax loss carryforward		79,138	61,315	140,453
Carryforward tax credit		9,789	(2,203)	7,586
	₩	<u>(45,156)</u>	<u>66,339</u>	<u>21,183</u>

(8) The details of temporary differences not recognized as deferred tax assets (liabilities) as of December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023	2022	Reason
Investments in subsidiaries and associates(*)	₩	(1,526,293)	(1,535,273)	Remote to be reversed

(*) The tax rate was applied when recognizing deferred tax assets (liabilities).

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35. Income Tax Expense, Continued

(9) The details of deferred tax assets (liabilities) for unrecognised accumulated deficits and temporary differences to be deducted as of December 31, 2023 and 2022 are as follows.

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>	<u>Reason</u>
Unused deficit	₩	66,629	1,095,227	Remote to be utilized
Temporary differences to be deducted		8,579	8,579	Remote to be utilized

(10) Expiration schedule of unused deficit as of December 31, 2023 and 2022 is as follows.

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
2028	₩	66,629	750,743
2029		-	344,484
	₩	<u>66,629</u>	<u>1,095,227</u>

(11) The classification of deferred tax assets (liabilities) between current and non-current as of December 31, 2023 is as follows.

<i>(In millions of won)</i>		<u>2023</u>	<u>2022</u>
Deferred tax assets (liabilities) payment due in 12 months	₩	5,173	2,361
Deferred tax assets (liabilities) payment due after 12 months		254,734	18,822
	₩	<u>259,907</u>	<u>21,183</u>

(12) The Company believes that there is a likelihood of realization for deferred tax assets related to deficit carried forward, which exceed the expected average income after the next accounting year, excluding deferred tax assets associated with deficit carried forward not recognized due to remote realization. Due to amendments in tax laws, Hyundai Samho Co.,Ltd. has been included as a consolidated subsidiary for tax consolidation purposes, as the conditions for being a consolidated tax-paying entity now require ownership of 90% or more. Considering the high possibility of future taxable income that can absorb the unused tax losses, the Company recognized deferred tax assets related to unused tax losses within that scope.

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36. Earnings per Share

(1) Basic earnings per share for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of won, In thousands of shares)</i>		2023	2022
Profit for the period	₩	301,456,964	375,470,926
Weighted average number of ordinary shares outstanding(*)		70,715	70,715
Earnings per share (in won)	₩	4,263	5,310

(*) Weighted-average number of ordinary shares for years ended December 31, 2023 and 2022 are as follows:

<i>(In shares)</i>		2023	
	Number of shares outstanding	Weighted average (In days)	Weighted average number of shares outstanding
Beginning balance	70,714,630	365/365	70,714,630
Weighted average number of ordinary shares outstanding	70,714,630		70,714,630

<i>(In shares)</i>		2022	
	Number of shares outstanding	Weighted average (In days)	Weighted average number of shares outstanding
Beginning balance	70,714,630	365/365	70,714,630
Weighted average number of ordinary shares outstanding	70,714,630		70,714,630

(2) Since there are no potentially dilutive common shares for years ended December 31, 2023 and 2022, diluted earnings per share have not been calculated.

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37. Cash Generated from Operations

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

<i>(In millions of won)</i>	2023	2022
Profit for the year	₩ 301,457	375,471
Adjustments for:	(357,318)	(392,924)
Retirement benefits	6,515	5,199
Depreciation	15,622	14,302
Depreciation of the right-of-use asset	8,795	5,236
Amortization	459	5
Dividend income (Sales)	(4,518)	(8,260)
Finance income	(77,891)	(81,867)
Finance costs	7,243	10,676
Other non-operating income	(1,699)	(285,716)
Other non-operating expenses	835	981
Income tax expense (benefit)	(239,849)	(53,930)
Trade receivables	(34,590)	(14,714)
Other receivables	(13,279)	(1,664)
Contract assets	(123)	54
Inventories	(28,668)	(1,551)
Other current assets	(34,911)	(6,610)
Other non-current assets	29	29
Trade payables	25,949	269
Other payables	8,812	7,396
Contract liabilities	60,999	21,118
Other current liabilities	(47)	40
Provisions	(31,653)	1,047
Long-term other payables	766	95
Retirement benefits paid	(12,327)	(6,671)
Succession of retirement benefits	8,304	10,196
Plan assets	(22,091)	(8,584)

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37. Cash Generated from Operations, Continued

- (2) Significant transactions that do not involve cash inflows and outflows for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Reclassification of construction-in-progress	₩	4,375	566
Reclassification of current portion of long-term borrowings		-	494
Change in advances from customers related to assets held for sale		-	1,528
Increase in right-of-use assets and lease liabilities		9,427	22,508
Reclassification of investments in subsidiaries to assets held for sale		8,638	2,872
Reclassification of property, plant and equipment to assets held for sale		(678)	1,837
Increase or decrease in subsidiary investment stocks due to the application of consolidated tax payment method		-	31,888
Reclassification of guarantee Investments in Associate to Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	19,300
Reclassification of guarantee deposits to investments in subsidiaries		16,805	(29,456)
Gains (Losses) on Valuation of Financial Assets Measured at Fair Value Through Other Comprehensive Income		139,757	-

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38. Categories of Financial Instruments and Income and Costs by Categories

(1) Categories of financial instruments as of December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

(In millions of won)		2023				
		Financial instruments measured at	Equity investments measured at	Financial instruments measured at		
		FVTPL	FVOCI	amortized cost	Total	Fair Value
Financial assets measured at fair value:						
Financial instruments measured at FVTPL	₩	6,638	-	-	6,638	6,638
Equity investments measured at FVOCI		-	123,933	-	123,933	123,933
Financial assets not measured at fair value:					-	-
Cash and cash equivalents		-	-	505,901	505,091	-
Financial instruments		-	-	950,502	950,502	-
Trade and other receivables		-	-	135,387	135,387	-
Contract assets		-	-	974	974	-
Total financial assets	₩	6,638	123,933	1,591,954	1,722,525	130,571
Financial liabilities measured at fair value:					-	-
Financial liabilities measured at FVTPL	₩	2,540	-	-	2,540	2,540
Financial liabilities not measured at fair value:					-	-
Borrowings		-	-	10,361	10,361	-
Lease liabilities		-	-	24,875	24,875	-
Trade and other payables		-	-	93,155	93,155	-
Total financial assets	₩	2,540	-	128,391	130,931	2,540

(In millions of won)

(In millions of won)		2022				
		Financial	Equity	Financial		
		instruments	investments	instruments		
		measured at	measured at	measured at		
		FVTPL	FVOCI	amortized cost	Total	Fair Value
Financial assets measured at fair value:						
Financial instruments measured at FVTPL	₩	188,649	-	-	188,649	188,649
Equity investments measured at FVOCI		-	113,702	-	113,702	113,702
Financial assets not measured at fair value:						
Cash and cash equivalents		-	-	987,480	987,480	-
Financial instruments		-	-	880,502	880,502	-
Trade and other receivables		-	-	69,484	69,484	-
Contract assets		-	-	851	851	-
Total financial assets	₩	188,649	113,702	1,938,317	2,240,668	302,351
Financial liabilities measured at fair value:						
Financial liabilities measured at FVTPL	₩	6,654	-	-	6,654	6,654
Financial liabilities not measured at fair value:						
Borrowings		-	-	10,184	10,184	-
Lease liabilities		-	-	23,697	23,687	-
Trade and other payables		-	-	193,324	193,324	-
Total financial assets	₩	6,654	-	227,205	233,859	6,654

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38. Categories of Financial Instruments and Income and Costs by Categories, Continued

(2) Financial instruments income and costs by categories for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023		
		Financial instruments measured at FVTPL	Equity investments measured at FVOCI	Financial instruments measured at amortized cost
Finance income:				
Interest income	₩	-	-	67,362
Gain on disposal of financial instruments measured at FVTPL		6,350	-	-
Dividend income		-	4,152	-
Gain on foreign currency translations		-	-	27
Gain on foreign currency transactions		-	-	950
	₩	<u>6,350</u>	<u>4,152</u>	<u>68,339</u>
Finance costs:				
Interest expense(*)	₩	-	-	4,174
Loss on valuation of financial instruments measured at FVTPL		1,443	-	-
Loss on disposal of financial instruments measured at FVTPL		1,378	-	-
Loss on foreign currency translations		-	-	248
Loss on foreign currency transactions		-	-	1,423
	₩	<u>2,821</u>	<u>-</u>	<u>5,845</u>
Other comprehensive income (loss) (net of tax):				
Changes in fair value of financial assets measured at FVOCI		-	16,805	-

(*) Interest expense arising from effective interest rate amortization and significant financial elements of contract debt are included.

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38. Categories of Financial Instruments and Income and Costs by Categories, Continued

(2) Financial instruments income and costs by categories for the years ended December 31, 2023 and 2022 are as follows, continued:

(In millions of won)

		2022		
		Financial instruments measured at FVTPL	Equity investment measured at FVOC	Financial instruments measured at amortized cost
Finance income:				
Interest income	₩	-	-	50,493
Gain on valuation of financial instruments measured at FVTPL		28,997	-	-
Gain on disposal of financial instruments measured at FVTPL		272	-	-
Dividend income		-	2,100	-
Gain on foreign currency translations		-	-	5
Gain on foreign currency transactions		-	-	604
	₩	<u>29,269</u>	<u>2,100</u>	<u>51,102</u>
Finance costs:				
Interest expense(*)	₩	-	-	761
Loss on valuation of financial instruments measured at FVTPL		4,379	-	-
Loss on disposal of financial instruments measured at FVTPL		4,878	-	-
Loss on foreign currency translations		-	-	658
Loss on foreign currency transactions		-	-	693
	₩	<u>9,257</u>	<u>-</u>	<u>2,112</u>
Other comprehensive income (loss) for the period, net of tax:				
Changes in fair value of financial assets measured at FVOCI		-	(29,456)	-

(*) Interest expense arising from effective interest rate amortization and significant financial elements of contract debt are included.

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39. Financial Instruments

(1) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023
Cash and cash equivalents(*)	₩	505,084
Financial assets measured at fair value		6,638
Amortized cost		1,086,863
	₩	<u>1,598,585</u>

(*) Cash held as of December 31, 2023 is excluded.

As of December 31, 2023, there is no credit risk incurred by the Company due to payment guarantee contracts.

<i>(In millions of won)</i>		2022
Cash and cash equivalents(*)	₩	987,468
Financial assets measured at fair value		188,649
Amortized cost		950,837
	₩	<u>2,126,954</u>

(*) Cash held as of December 31, 2022 is excluded.

As of December 31, 2022, there is no credit risk incurred by the Company due to payment guarantee contracts.

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	2023	2022
Korea	₩ 1,074,732	938,734
Others	12,131	12,103
	₩ <u>1,086,863</u>	<u>950,837</u>

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39. Financial Instruments, Continued

(1) Credit risk, Continued

(i) Exposure to credit risk, continued

The movement in the allowance for impairment in respect of trade and other receivables, contract assets for the years ended December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Beginning balance	₩	1,155	1,155
Impairment loss recognized		—	—
Reversal of allowance for doubtful accounts		—	—
Write-offs		—	—
Change from the spin-off		—	—
Ending balance	₩	<u>1,155</u>	<u>1,155</u>

The allowance accounts in respect of trade and other receivables, contract assets are used to record impairment losses until the Company is satisfied that all collection measures have been exhausted. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly.

There is no loss on other receivables for the year ended December 31, 2023 and 2022

(ii) Impairment loss

The aging of trade and other receivables, contract assets for impairment as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>	2023		2022	
	Gross	Impairment	Gross	Impairment
Not past due	₩ 134,954	(494)	70,591	(494)
Past due up to 6 months	997	—	43	—
Past due 6~12 months	904	—	196	—
Past due 1~3 years	—	—	—	—
More than 3 years	662	(662)	662	(662)
	₩ <u>137,517</u>	<u>(1,156)</u>	<u>71,492</u>	<u>(1,156)</u>

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39. Financial Instruments, Continued

(2) Liquidity risk

- (i) The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements for the years ended December 31, 2023 and 2022 are summarized as follows:

(In millions of won)

		2023			
		Contractual cash flow	6 months or less	6~12 months	1~3 years More than 3 years
Non-derivative financial liabilities:					
Bank loans	₩	10,361	-	-	10,361
Lease liabilities		28,379	4,649	4,604	3,663
Trade and other payables		93,155	85,026	-	8,129
	₩	<u>131,895</u>	<u>89,675</u>	<u>4,604</u>	<u>22,153</u>

As of December 31, 2023, the Company did not include payment amounting to ₩2,540 million, which are recognized as financial liabilities measured at FVTPL due to uncertainty of estimated payment time.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(In millions of won)

		2022			
		Contractual cash flow	6 months or less	6~12 months	1~3 years More than 3 years
Non-derivative financial liabilities:					
Bank loans	₩	10,184	-	-	10,184
Lease liabilities		26,827	3,913	3,902	6,387
Trade and other payables		193,323	186,936	-	6,387
	₩	<u>230,334</u>	<u>190,849</u>	<u>3,902</u>	<u>22,958</u>

As of December 31, 2022, the Company did not include payment amounting to ₩6,654 million, which are recognized as financial liabilities measured at FVTPL due to uncertainty of estimated payment time.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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39. Financial Instruments, Continued

(3) Currency risk

(i) Exposure to currency risk

The Company's exposure to foreign currency risk based on notional amounts for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

(In millions of won)

	2023		
	USD	EUR	Total
Assets:			
Cash and Cash Equivalents	₩ -	70	70
Trade and other receivables	2,520	23	2,543
	₩ 2,520	93	2,613
Liabilities:			
Trade and other payables	₩ (3,398)	(3,470)	(6,868)
Borrowings	(10,361)	-	(10,361)
	₩ (13,759)	(3,470)	(17,229)
Gross statement of financial position exposure	(11,239)	(3,377)	(14,616)
Net exposure	₩ (11,239)	(3,377)	(14,616)

(In millions of won)

(In millions of won)

		2022		
		USD	EUR	Total
Assets:				
Trade and other receivables	₩	-	60	60
Contract assets		-	19	19
	₩	-	79	79
Liabilities:				
Trade and other payables	₩	(80)	(100)	(180)
Borrowings		(10,184)	-	(10,184)
	₩	(10,264)	(100)	(10,364)
Gross statement of financial position exposure		(10,264)	(21)	(10,285)
Net exposure	₩	(10,264)	(21)	(10,285)

Exchange rates have been applied for the years ended December 31, 2023 and 2022 are as follows:

(In won)

		Average rate		Spot rate	
		2023	2022	2023	2022
USD	₩	1,305.41	1,291.95	1,289.40	1,267.30
EUR		1,412.36	1,357.38	1,426.59	1,351.20

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39. Financial Instruments, Continued

(3) Currency risk, Continued

(ii) Sensitivity analysis

A weakening of the won, as indicated below, against the USD, EUR, and others as of December 31, 2023 and 2022 would have increased (decreased) profit or loss by the amounts shown below.

(In millions of won)

		Profit or loss	
		2023	2022
USD (3 percent strengthening)	₩	(337)	(308)
EUR (3 percent strengthening)		(101)	(1)

A strengthening of the won against the above currencies as of December 31, 2023 and 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, assuming all other variables remain constant.

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39. Financial Instruments, Continued

(4) Interest rate risk

- (i) The interest rate profile of the Company's interest-bearing financial instruments as of December 31, 2023 and 2022 are as follows:

<i>(In millions of won)</i>		2023	2022
Fixed rate instruments:			
Financial assets	₩	1,454,902	2,048,545
Variable rate instruments:			
Financial assets		594	571
Financial liabilities		(10,361)	(10,184)
	₩	<u>(9,767)</u>	<u>(9,613)</u>

- (ii) Fair value sensitivity analysis for fixed rate instruments

Interest rate risk arises from savings and borrowings with floating interest rates. The Company properly hedges the risk borrowings with floating interest rates through interest rate swaps. There are no interest rate swap contracts as of December 31, 2023.

- (iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as of December 31, 2023 and 2022 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

The changes in profit or loss are as follows:

<i>(In millions of won)</i>		Profit or loss	
		100 bp increase	100 bp decrease
2023			
Floating interest rate instruments	₩	(98)	98
Net cash flow sensitivity	₩	<u>(98)</u>	<u>98</u>

<i>(In millions of won)</i>		Profit or loss	
		100 bp increase	100 bp decrease
2022			
Floating interest rate instruments	₩	(96)	96
Net cash flow sensitivity	₩	<u>(96)</u>	<u>96</u>

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39. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy

The Company classified fair value measurements in accordance with the fair value hierarchy which reflects the significance of the inputs used in fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments carried at fair value, by fair value hierarchy as of December 31, 2023 and 2022 are as follows:

(In millions of won)

		Level 1	Level 2	Level 3	Total
2023:					
Financial assets measured at FVTPL	₩	-	-	6,436	6,436
Financial assets measured at FVOCI		67,554	-	55,579	123,133
Financial liabilities measured at FVTPL		-	-	2,540	2,540
2022:					
Financial assets measured at FVTPL	₩	-	181,345	7,101	188,446
Financial assets measured at FVOCI		67,310	177	45,414	112,901
Financial liabilities measured at FVTPL		-	-	6,654	6,654

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 are comprised primarily of listed equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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39. Financial Instruments, Continued

(5) Fair values, continued

Fair value hierarchy, continued

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Unlisted equity securities, investments in capital and others investments in companies newly established or having no comparative company are excluded from the fair value valuation because their fair value cannot be measured reliably.

(6) Valuation techniques and input variables of Level 2 fair values

The valuation techniques and input variables used in measuring Level 2 fair values as of December 31, 2023 and 2022 are as follows:

There are no assets or liabilities classified at Level 2 of the fair value hierarchy among assets and liabilities measured at fair value as of December 31, 2023.

<i>(In millions of won)</i>	2022	Valuation techniques	Input variables
Financial assets measured at FVTPL:			
Money Market Trust (MMT)	₩ 181,290	Income Approach	interest rate
Korea Investment Private Korea Exim bank Carbon Special Asset Trust I	55	Market approach	CER future price and others
Financial Assets Measured at Fair Value Through Other Comprehensive Income:			
Chang Myung Shipping Co., Ltd	₩ 177	Market approach	Market multiple and others

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39. Financial Instruments, Continued

(7) Level 3 fair values

(i) Changes in assets and liabilities which are classified as Level 3 fair values among assets and liabilities measured at fair value for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

		2023			2022		
		Financial assets measured at FVOCI	Financial assets measured at FVTPL	Financial liabilities measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at FVTPL	Financial liabilities measured at FVTPL
Beginning Balance	₩	45,414	7,101	6,654	25,074	6,441	34,786
Acquisition		-	-	-	31,888	-	-
Disposal		-	-	(4,861)	-	-	-
Transfer to Level 3		510	-	-	-	-	-
Included profits in other comprehensive income		9,655	-	-	(11,548)	-	-
Included profits in Profit and loss		-	(665)	747	-	660	(28,132)
Ending Balance	₩	55,579	6,436	2,540	45,414	7,101	6,654

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2023 and 2022 are as follows:

(In millions of won)

(In millions of won)		2023		
		Valuation techniques	Input variables	Significant unobservable input variables
Financial assets measured at FVOCI:				
Hyundai Heavy Industries Power systems Co, LTD	Free cash flow to equity			
	Market comparison technique	PBR	PBR	1.45
Hyundai M Partners Co., Ltd	Net assets value model	-	-	-
Bexco Co., Ltd.s	Free cash flow to equity			
	Market comparison technique	PBR	PBR	0.78
Chang Myung Shipping Co., Ltd	Free cash flow to equity			
	Market comparison technique	PBR	PBR	0.39
Financial assets measured at FVPTL:				
KC Coexistence PEF	Net assets value model	-	-	-
Financial liabilities measured at FVTPL:				
Call option for convertible share	Binominal model	Volatility	Volatility	23.32%

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39. Financial Instruments, Continued

(7) Level 3 fair values, continued

(ii) The valuation techniques and input variables used in measuring Level 3 fair values as of December 31, 2023 and 2022 are as follows, continued:

(In millions of won)

		2022		
		Valuation techniques	Input variables	Significant unobservable input variables
				Ranges of significant unobservable input variables
Financial assets measured at FVOCI:				
Hyundai Heavy Industries Power systems Co, LTD	Free cash flow to equity			
	Market comparison technique	PBR	PBR	1.42
Hyundai M Partners Co., Ltd	Net assets value model	-	-	-
Bexco Co., Ltd.s	Free cash flow to equity			
	Market comparison technique	PBR	PBR	1.40
Financial assets measured at FVPTL:				
KC Coexistence PEF	Net assets value model	-	-	-
Financial Liabilities Measured at FVTPL:				
Put option for preference share	Binominal model	Volatility	Volatility	33.72%
Call option for preference share	Binominal model	Volatility	Volatility	30.15%

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39. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2023 are as follows:

(In millions of won)

2023	Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
				Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Bexco Co., Ltd	PBR	Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	-	-	48	(48)
Call option for convertible share	Stock price	Fair value increase by stock price increase	Measuring fair value changes by 10% stock price increase or decrease	895	(1,115)	-	-

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39. Financial Instruments, Continued

(7) Level 3 fair values, continued

(iii) Effects by changes in unobservable input variables on fair value measurement of financial assets and liabilities as of December 31, 2022 are as follows:

(In millions of won)

2022	Unobservable input variables	Effects by changes in unobservable input variables on fair value measurement	Measuring methods of the effect of changes	Effects of changes in fair value			
				Profit (loss) for the year		Other comprehensive income (loss)	
				Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Bexco Co., Ltd	PBR	Fair value change as increase (decrease) of price-to-book ratio	Measuring fair value changes by 1P price-to-book ratio increase or decrease	-	-	64	(64)
Call option for preference share	Stock price	Fair value increase by stock price increase	Measuring fair value changes by 10% stock price increase or decrease	1,743	(2,774)	-	-
Put option for preference share	Stock price	Fair value decrease by stock price increase	Measuring fair value changes by 10% stock price increase or decrease	613	(516)	-	-

(8) Offsetting of financial assets and financial liabilities

There is no financial assets and financial liabilities netting arrangements as of December 31, 2023 and 2022.

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40. Commitments and Contingencies

- (1) As of December 31, 2023, three blank notes have been provided to relevant counterparty as collaterals for the Company's long-term borrowings.
- (2) As of December 31, 2023, the Company has provided performance guarantees for construction contracts (contract amount: USD 2,258,018 thousand) which is being built by subsidiary including HD Hyundai Heavy Industries Co., Ltd., and construction contracts (contract amount: USD 97,688 thousand) which is being built by Hyundai Heavy Industries Power Systems Co., Ltd (See note 40).
- (3) As of December 31, 2023, the Company has received guarantees of up to ₩14,415 million from Seoul Guarantee Insurance Company in connection with the warranty guarantees related to domestic services.
- (4) The Company entered into a consortium agreement on a natural resource development project with various organizations including Korea National Oil Corporation. During 2013, the consortium that included the Company decided to withdraw from its oil development business. As of December 31, 2023, the Company obtained borrowings for a natural resource development project from the Korea Energy Agency (See Note 22).
- (5) For the year ended December 31, 2023, the Company acquired 4,647,201 shares of convertible preferred stock of Hyundai Samho Heavy Industries Co., Ltd. for ₩409,683 million. Additionally, the financial investors exercised their appraisal rights for the common shares (1,260,558 shares). Therefore, the Company made a cash payment of ₩45,005 million, the difference between the sale proceeds to the financial investors and the consideration for the appraisal rights.
- (6) The Company was spun-off to an existing entity, HD Hyundai Heavy Industries Co., Ltd. which engages in shipbuilding segment and others, and newly established entities, HD Hyundai Electric Co., Ltd., HD Hyundai Construction Equipment Co., Ltd., and HD Hyundai Co., Ltd. which engage in electro electric systems segment, construction equipment segment, and robotics/financial services segment, respectively, on April 1, 2017. The newly established entities and the existing entity from the spin-off are jointly liable for the liability of the Company before the spin-off in accordance with Article 530, paragraph 9.1 of the Commercial law.
- (7) In April, 2019, the Company sold its stake in Hyundai Hymys Co., Ltd., which is a subsidiary, to Hercules Holdings for ₩97,500 million. In this regard, the seller shall be liable for damages within 5% limit of the sales amount in the event of damages caused by violation of the seller's statement, guarantee, and other obligations. In addition, the shareholder's agreement includes drag-along of the buyer and tag-along of the seller, and in order to secure the obligation to sell shares in accordance with Hercules Holdings' drag-along request, Hyundai Hymys Co., Ltd.'s equity securities held by the Company are provided as collateral to Hercules Holdings.

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40. Commitments and Contingencies Continued

- (8) The Company was split to an existing entity, HD Korea Shipbuilding & Offshore Engineering Co., Ltd. which engages in segments such as investment and others, and newly established entity, HD Hyundai Heavy Industries Co., Ltd. which engages in segments such as shipbuilding-related business, on June 1, 2019. In accordance with Article 530, paragraph 9.1 of the Commercial law, the Company and HD Hyundai Heavy Industries Co., Ltd. are responsible for jointly repaying the debts of HD Hyundai Heavy Industries Co., Ltd. prior to the split-off.

In addition, the Company split and merged the investment business of Hyundai Samho Heavy Industries Co., Ltd., a subsidiary, on December 1, 2018. In this regard, the Company and Hyundai Samho Heavy Industries Co., Ltd. are responsible for joint reimbursement of debts owed by Hyundai Samho Heavy Industries Co., Ltd. prior to the merger of its divisions under the provisions of *Article 530, paragraph 9.1 of the Commercial law*.

- (9) In July 2021, the Company sold 800,000 shares of Hyundai Heavy Industries Power systems Co., Ltd to H Asset Management Co., Ltd for ₩144,000 million. In this regard, the seller shall be liable for damages within 5% limit of the sales amount in the event of damage exceeding 1% of the sales amount caused by the violation of the seller's statement, guarantee, and other obligations. In addition, the shareholder's agreement includes drag-along and call options for remaining equity securities of Hyundai Heavy Industries Power systems Co., Ltd.

	Content
Buying company	The Company
Issue date	July 30, 2021
Type of shares to buy(*)	Non-voting convertible shares of Hyundai Heavy Industries Power systems Co., Ltd
Number of shares	200,000 shares
When to exercise	From the next day of the day 3 years have elapsed from the closing date of transaction
Exercise price	Adding 5% of annual compound interest based on IRR to the purchasing price from the closing date of the transaction to the payment date of the exercise of option

(*) In January 2022, ordinary shares of Hyundai Heavy Industries Power System Co., Ltd. held by the Company was changed to non-voting convertible stocks. The shares can be converted into ordinary shares with voting rights before the exercise of the largest shareholder's right to sell, Hyundai Heavy Industries Power System Co., Ltd.'s approval for listing preliminary screening, and the sale of shares involving changes in management rights to third parties.

- (10) As of December 31, 2023, the Company has entered into a credit agreement with Hana Bank Co., Ltd. for the opening of export-import credit lines with a limit of USD 30,000 thousand.

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41. Litigations

(1) KOC Claim Arbitration

Date of filing	February 17, 2020
Litigant	Plaintiff: Kuwait Oil Company Defendant: The Company and HD Hyundai Heavy Industries Co., Ltd.
Litigation content	The Kuwait Oil Company (KOC) claimed compensation for a defect to the part of construction delivered by Offshore, Industrial Plant and Engineering segment.
Litigation value	USD 64 million
The progress of litigation	The KOC filed a request for arbitration with the London Court of International Arbitration (LCIA) on February 17, 2020. The KOC submitted a statement of claiming compensation for a defect to the part of construction on January 30, 2021. HHI submitted document of rebuttal to plaintiff's statement on May 7, 2021. HHI submitted document of rebuttal and response of KOC on June 25, 2021. Completion of document exchange procedure on Nov 16, 2021 Witness Statement has been submitted by HHI on Mar 21, 2022 Completion for exchange of Factual Witness Evidence on May 16, 2022 The first expert statement was submitted on July 9, 2022. The second expert statement was submitted on September 30, 2022. The international arbitration hearing (1 st Round) was held on October 25, 2022. The international arbitration hearing (2 nd round) was held on January 26, 2023. Arbitration Award (HD Hyundai Heavy Industries Co., Ltd. to Pay Compensation and Related Interest to KOC) on April 27, 2023. Allocation of Arbitration Costs Decision (Final Conclusion) on June 2, 2023
Future litigation schedule and countermeasures	The arbitration has reached its final conclusion, and HD Hyundai Heavy Industries Co., Ltd. has paid the award amount, interest, and costs as per the decision.
The effect on the Company as a result of litigation	The above arbitration award has no impact on the separate financial statements of the Company.

- (2) In addition to the cases mentioned above, the Company is currently a defendant in five lawsuits involving claims amounted to ₩4,500 million. Currently, the impact on the Company's financial statements, if any, cannot be reliably estimated.

Meanwhile, as of June 17, 2019, a lawsuit was filed against the Company and HD Hyundai Heavy Industries Co., Ltd. for invalidity of split in relation to split on June 1, 2019. However, a lawsuit was withdrawn and concluded as of January 26, 2023.

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42. Related Parties

(1) As of December 31, 2023, related parties with the Company are as follows:

Parent Company	Main business
HD Hyundai Co., Ltd	Holding company
Subsidiaries(*1,2)	Main business
HD Hyundai Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Samho Heavy Industries Co., Ltd.	Shipbuilding
Hyundai Mipo Dockyard Co., Ltd.	Shipbuilding
HD Hyundai E&T Co., Ltd.	Other engineering services
HD Ulsan Hyundai Football Club Co., Ltd.	Football club
HD Hyundai Heavy Industries Mos Co., Ltd.	Maintenance services of Business facilities
HD Hyundai Energy Solutions Co., Ltd.	Solar photovoltaic and renewable energy
HD Hyundai Engine Company Ltd.	Manufacture of internal combustion engine
Seamarq Service Co., Ltd.(*3)	Hotel management services
Hyundai Vietnam Shipbuilding Co., Ltd.	Shipbuilding
Hyundai Transformers and Engineering India Pvt., Ltd.(*5)	Sale and manufacture of transformers
Hyundai Heavy Industries Technology Center India Pvt., Ltd.	Engineering consulting
Hyundai Heavy Industries Miraflores Power Plant Inc.	Manufacturing
Hyundai Energy Solutions America Inc.	Sale of photovoltaic module
HHI Mauritius Limited	Manufacturing
Hyundai Arabia Company L.L.C	Industrial plant construction
Hyundai Samho Heavy Industries Panama, Inc.	Civil engineering
Hyundai Heavy Industries Free Zone Enterprise	Industrial plant construction
Pontos Investment L,L,C	Investing
HD Hyundai Europe Research and Development Center GmbH(*3)	Research and development industry
Hyundai Heavy Industries Argentina S.R.L(*3)	Construction
Associates and joint ventures(*1,2)	Main business
Hyundai Hyms Co., Ltd.	Sale and manufacture of machinery equipment for shipbuilding
Hyundai Financial Leasing Co., Ltd.	Financial and operating leases
Elcogen Group PLC(*4)	Manufacture of fuel cell
International Maritime Industries Company	Shipbuilding
Saudi Engines Manufacturing Company	Ship-engine building

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42. Related Parties, Continued

(1) As of December 31, 2023, related parties with the Company are as follows, continued:

Others (large-scale corporate conglomerate)	Main business
HD Hyundai Electric Co., Ltd.	Sale and manufacture of industrial electric equipment
HD Hyundai Robotics Co., Ltd.	Manufacture of Industrial and LCD Robots
	Sale and manufacture of machinery equipment for construction
HD Hyundai Construction Equipment Co., Ltd.	Engineering services
HD Hyundai Marine Solution Co., Ltd.	Manufacturing of petroleum products
HD Hyundai Oilbank Co., Ltd.	Sale and manufacture of machinery equipment for construction
	Manufacture of Construction and Mining Machinery and Equipment
HD Hyundai Xite Solution Co., Ltd.	Other business
Other related parties of HD Hyundai Co., Ltd.	Other business
Other related parties of HD Hyundai Electric Co., Ltd.	Other business
Other related parties of HD Hyundai Robotics Co., Ltd.	Other business
Other related parties of HD Hyundai Construction Equipment Co., Ltd.	Other business
Other related parties of HD Hyundai Marine Solution Co., Ltd.	Other business
Other related parties of HD Hyundai Oilbank Co., Ltd.	Other business
Other related parties of HD Hyundai Infracore Co., Ltd.	Other business
Other related parties	Other business

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
For the years ended December 31, 2023 and 2022

42. Related Parties, Continued

(1) As of December 31, 2023, related parties with the Company are as follows, continued:

(*1) For the year ended December 31, 2023, a number of related parties were renamed.

Former company name	New company name
Korea Shipbuilding & Offshore Engineering Co., Ltd.	HD Korea Shipbuilding & Offshore Engineering Co., Ltd.
Hyundai Heavy Industries Co., Ltd.	HD Hyundai Heavy Industries Co., Ltd.
Hyundai Construction Equipment Co., Ltd.	HD Hyundai Construction Equipment Co., Ltd.
Hyundai Energy Solutions Co., Ltd.	HD Hyundai Energy Solutions Co., Ltd.
Hyundai Doosan Infracore Co., Ltd.	HD Hyundai Infracore Co., Ltd.
Hyundai Electric & Energy Systems Co., Ltd.	HD Hyundai Electric Co., Ltd.
Hyundai E&T Co., Ltd.	HD Hyundai E&T Co., Ltd.
Hyundai Engine Company Ltd.	HD Hyundai Engine Company Ltd.
Hyundai Cosmo Petrochemical Co., Ltd.	HD Hyundai Cosmo Petrochemical Co., Ltd.
Hyundai Oilbank Co., Ltd.	HD Hyundai Oilbank Co., Ltd.
Hyundai and Shell Base Oil Co., Ltd.	HD Hyundai and Shell Base Oil Co., Ltd.
Hyundai Chemical Co., Ltd.	HD Hyundai Chemical Co., Ltd.
Hyundai Future Partners Co., Ltd.	HD Hyundai Future Partners Co., Ltd.
Hyundai OCI Co., Ltd.	HD Hyundai OCI Co., Ltd.
Hyundai Heavy Industries Mos Co., Ltd.	HD Hyundai Heavy Industries Mos Co., Ltd.
Hyundai Global Service Co., Ltd.	HD Hyundai Marine Solution Co., Ltd.
Ulsan Hyundai Football Club Co., Ltd.	HD Ulsan Hyundai Football Club Co., Ltd.
Hyundai Logistics & Solutions Co., Ltd.	HD Hyundai Logistics & Solutions Co., Ltd.
Hyundai Genuine Co., Ltd.	HD Hyundai Xite Solution Co., Ltd
Hyundai Robotics Co., Ltd	HD Hyundai Robotics Co., Ltd
Hyundai E&F Co., Ltd.	HD Hyundai E&F Co., Ltd.
Hyundai Global Service Tech Co., Ltd.	HD Hyundai Global Service Tech Co., Ltd.
Hyundai Energy Solutions America Inc.	HD Hyundai Energy Solutions America Inc.
Hyundai Heavy Industries Technology Center India Privates Limited	HD Hyundai Technology Center India Private Limited

(*2) Subsidiaries, associates, and a joint ventures include their subsidiaries.

(*3) Seamarq Service Co., Ltd, HD Hyundai Europe Research and Development Center GmbH and Hyundai Heavy Industries Argentina S.R.L are included in the subsidiaries due to acquisition for the year ended December 31, 2023.

(*4) Elcogen Group PLC is included in the associates due to acquisition for the year ended December 31, 2023

(*5) Hyundai Transformers and Engineering India Pvt., Ltd. was excluded from the subsidiary due to liquidation for the year ended December 31, 2023.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
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42. Related Parties, Continued

(2) Transactions with related parties

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

(In millions of won)

	2023				
	Sales and other			Purchases and other	
	Sales	Dividend income	Other (*1)	Purchase of property, plant and equipment	Purchase of others(*2)
Parent company:					
HD Hyundai Co., Ltd.	₩ 6,903	-	9,611	-	12,575
Subsidiaries(*3):					
HD Hyundai Heavy Industries Co., Ltd.	127,043	-	22,013	6,005	10,414
Hyundai Samho Heavy Industries Co., Ltd.	13,677	-	7,407	-	-
Hyundai Mipo Dockyard Co., Ltd.	42,967	-	431	-	23
HD Hyundai Energy Solutions Co., Ltd.	1,986	3,600	99	-	2
Seamarq Service Co., Ltd.	118	-	36	-	11,076
Others	846	-	49	-	2,046
	₩ 186,637	3,600	30,035	6,005	23,561
Associates and joint ventures(*3):					
Hyundai Financial Leasing Co., Ltd.	₩ 6	773	-	-	-
Others	275	145	5	-	-
	₩ 281	918	5	-	-
Other related parties:					
HD Hyundai Electric Co., Ltd.	₩ 4,892	-	2,121	-	325
HD Hyundai Robotics Co., Ltd.	1,196	-	143	-	1,297
Hyundai Construction Equipment Co., Ltd.	4,580	-	1,883	-	248
Hyundai Oilbank Co., Ltd.	5,990	-	427	-	15
Hyundai Global Service Co., Ltd.	8,011	-	336	-	2,196
HD Hyundai Xite Solution Co., Ltd.	3,760	-	186	-	76
HD Hyundai Infracore Co., Ltd.	2,872	-	187	-	-
Others	1,344	-	121	-	13,029
	32,645	-	5,404	-	17,186
	₩ 226,466	4,518	45,055	6,005	53,322

(*1) Including disposal of property, plant and equipment and interest income and others

(*2) Including the acquisition of tangible assets and lease payments (₩6,601 million)

(*3) Including subsidiaries, associates and joint ventures' subsidiaries.

For the year ended December 31, 2023, the Company made a payment of ₩3,000 million to acquire Seamarq Service Co., Ltd. The Company also made a payment of ₩2,743 million to establish HD Hyundai Europe Research and Development Center GmbH.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
For the years ended December 31, 2023 and 2022

42. Related Parties, Continued

(2) Transactions with related parties, continued

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

In addition to the above transaction, the Company made a payment of ₩64,065 million to acquire Elcogen Group PLC, and the Company participated in the capital increase of International Maritime Industries Company, paying SAR 68,100 thousand.

For the year ended December 31, 2023, in relation to an ongoing lawsuit regarding regular wages, HD Hyundai Heavy Industries Co., Ltd. made an upfront payment of the full amounts of unpaid bonuses. Subsequently, the Company received the related parties share of the burden from each related parties and made withholding tax payments. The company. received an amount of ₩55,229 million in withholding tax after making a payment of ₩26,561 million.

For the year ended December 31, 2023, the Company acquired an additional 4,647,201 preferred shares of Hyundai Samho Heavy Industries Co., Ltd. and acquired an additional 272,753 ordinary shares due to the exercise of minority shareholders' appraisal rights (see Note 40).

The details of transaction of investment in capital from related parties for the year ended December 31, 2023 are as follow:

(In millions of won)

Counter parties	Sold property	Company to be sold	Disposal amount	Note
Hyundai Heavy Industries Co., Ltd.	Investments in subsidiaries	HD Hyundai Heavy Industries Mos Co., Ltd.	₩ 14,613	All of shares held

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
For the years ended December 31, 2023 and 2022

42. Related Parties, Continued

(2) Transactions with related parties, continued

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

(In millions of won)

(In millions of won)

		2022				
		Sales and other			Purchases and other	
					Purchase of property, plant and equipment	Purchase of others
		Sales	Dividend income	Other (*1)		
Parent company:						
HD Hyundai Co., Ltd	₩	3,842	-	2,708	-	1,434
Subsidiaries(*2):						
HD Hyundai Heavy Industries Co., Ltd.		97,285	-	3,863	4	9,581
Hyundai Samho Heavy Industries Co., Ltd.(*3)		5,252	-	241	-	-
Hyundai Mipo Dockyard Co., Ltd.		15,125	-	316	-	-
HD Hyundai Energy Solutions Co., Ltd.		1,087	-	49	-	-
Others		638	4,933	122	-	903
	₩	119,387	4,933	4,591	4	10,484
Associates and joint ventures(*2):						
Hyundai Heavy industries Power Systems Co., Ltd.(*4)	₩	80	-	-	-	-
Taebaek Wind Power Co., Ltd.(*5)		-	1,155	-	-	-
Changjuk Wind Power Co., Ltd.(*5)		-	1,935	-	-	-
Others		245	237	7	-	-
	₩	325	3,327	7	-	-
Other related parties:						
HD Hyundai Electric Co., Ltd.	₩	2,583	-	2,940	-	138
Hyundai Construction Equipment Co., Ltd.		3,955	-	2,795	-	149
Hyundai Oilbank Co., Ltd.		2,575	-	203	-	130
Hyundai Global Service Co., Ltd.		5,125	-	111	-	80
Hyundai Genuine Co., Ltd.		589	-	67	-	2
HD Hyundai Infracore Co., Ltd.		824	-	75	-	-
Others		1,408	-	155	-	796
		17,059	-	6,346	-	1,295
	₩	140,614	8,260	13,652	4	13,213

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
For the years ended December 31, 2023 and 2022

42. Related Parties, Continued

(2) Transactions with related parties, continued

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

(*1) Including disposal of property, plant and equipment and finance income and others.

(*2) Including other related parties associates and joint ventures' subsidiaries.

(*3) For the year ended December 31, 2022 The company absorbed Hyundai Infra Solutions Co., Ltd and included transaction details.

(*4) For the year ended December 31, 2022, Hyundai Heavy industries Power Systems Co., Ltd has been separated. Only transactions from January to February are included.

(*5) For the year ended December 31, 2022, it was excluded from associates according to the sale of shares.

For the year ended December 31, 2022, The liquidation process of subsidiary Komax Co., Ltd. has been completed and ₩22,909 million has been recovered. the company paid ₩21,719 million to acquire an additional stake in the Pontos Investment.

In addition to the above transactions, the Company participated in the capital increase of International Maritime Industries Company and paid SAR 75,000 thousand for the year ended December 31, 2022, as of December 31, 2022, Company was recognized as deposit for total SAR 138,750 thousand, including SAR 63,750 thousand paid for the year ended December 31, 2021 because the capital increase procedure has been completed as of December 31, 2022.

The details of transaction of investment in capital from related parties for the year ended December 31, 2022 are as follows:

(In millions of won)

Counter parties	Sold property	Company to be sold	Disposal amount	Note
Hyundai Heavy Industries Co., Ltd.	Investments in subsidiaries	Hyundai Engine Company Ltd.	₩ 29,000	All of shares held

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
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42. Related Parties, Continued

(2) Transactions with related parties, continued

(ii) Outstanding balances as of December 31, 2023 and 2022 with related parties are as follows:

(In millions of won)

	2023			
	Trade receivables and other receivables		Trade payables and other payables	
	Trade receivables	Other receivables	Trade payables	Other payables (*1)
Parent company:				
HD Hyundai Co., Ltd	₩ 9,665	8,603	179	19,057
Subsidiaries(*2):				
HD Hyundai Heavy Industries Co., Ltd.	39,199	10,330	8,653	42,165
Hyundai Samho Heavy Industries Co., Ltd.	3,947	39	38	30,091
Hyundai Mipo Dockyard Co., Ltd.	12,714	71	26	9,232
HD Hyundai E&T Co., Ltd.	29	-	115	1,451
HD Hyundai Energy Solutions Co., Ltd.	465	31	-	7
Others	217	-	1,265	12
	₩ 56,571	10,471	10,097	82,958
Associates and joint ventures(*2):				
Others	₩ -	2	-	-
Other related parties:				
HD Hyundai Electric Co., Ltd.	₩ 837	500	-	3,494
HD Hyundai Robotics Co., Ltd.	311	40	45	40
HD Hyundai Construction Equipment Co., Ltd.	868	497	1	268
HD Hyundai Oilbank Co., Ltd.	1,176	51	-	967
HD Hyundai Xite Solution Co., Ltd.	822	30	3	63
Hyundai Global Service Co., Ltd.	2,521	138	247	33
HD Hyundai Infracore Co., Ltd.	562	55	-	138
Others	199	23	13	235
	7,296	1,334	309	5,238
	₩ 73,532	20,410	10,585	107,253

(*1) Lease liabilities (₩22,279 million) are included.

(*2) Including subsidiaries, associates and joint ventures' subsidiaries.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
For the years ended December 31, 2023 and 2022

42. Related Parties, Continued

(2) Transactions with related parties, continued

(ii) Outstanding balances as of December 31, 2023 and 2022 with related parties are as follows, continued:

(In millions of won)

(In millions of won)

	2022				
	Trade receivables and other receivables		Trade payables and other payables		
	Trade receivables	Other receivables	Trade payables	Other payables (*1)	
Parent company:					
HD Hyundai Co., Ltd (formerly Hyundai Heavy Industries Holdings Co., Ltd)	₩	650	5,509	242	21,161
Subsidiaries (*2):					
HD Hyundai Heavy Industries Co., Ltd.		18,476	2,010	2,340	7,363
Hyundai Samho Heavy Industries Co., Ltd.		5,659	65	-	4,751
Hyundai Mipo Dockyard Co., Ltd.		4,502	75	-	10,045
HD Hyundai E&T Co., Ltd.		27	25	34	1,451
HD Hyundai Energy Solutions Co., Ltd.		355	23	-	7
Others		113	78	200	3
		29,132	2,276	2,574	23,620
Associates and joint ventures(*2):					
Hyundai Hyms Co., Ltd	₩	-	8	-	-
Other related parties:					
Hyundai Electric & Energy Systems Co., Ltd.	₩	742	630	-	190
Hyundai Construction Equipment Co., Ltd.		942	599	-	165
HD Hyundai Oilbank Co., Ltd.		331	93	25	762
Hyundai Genuine Co., Ltd.		238	46	2	15
Hyundai Global Service Co., Ltd.		1,413	72	82	42
HD Hyundai Infracore Co., Ltd.		155	76	-	169
Others		218	115	315	247
		4,039	1,631	424	1,590
	₩	33,821	9,424	3,240	46,371

(*1) Lease liabilities (₩21,114 million) are included.

(*2) Including subsidiaries, associates and joint ventures' subsidiaries.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
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42. Related Parties, Continued

- (3) Details of guarantees which the Company had provided for the related parties as of December 31, 2023 are as follows:

(In thousands of foreign currency)

Guarantee recipient	Provider	Type of guarantees	Currency	Guaranteed amount
Subsidiaries:				
HD Hyundai Heavy Industries Co., Ltd.	POSCO INTERNATIONAL Corp.	Performance	USD	443,144
	BOE Exploration & Production			
HD Hyundai Heavy Industries Co., Ltd.	LLC	Performance	USD	621,744
	WOODSIDE PETROLEO			
	OPERACIO NES DE MEXICO, S.			
HD Hyundai Heavy Industries Co., Ltd.	DE R.L. DE C.V	Performance	USD	1,193,130
			USD	2,258,018

In addition to the above guarantee, the Company has provided performance guarantees for components supply, licensing and service supply contracts with Saudi Engines Manufacturing Company, which is being carried out by HD Hyundai Heavy Industries Co., Ltd.

- (4) As of December 31, 2023, the Company is not providing any collateral for related parties.
- (5) For the year ended December 31, 2023, the Company acquired the small and medium-sized ship propulsion package business from the subsidiary, HD Hyundai Heavy Industries Co., Ltd., for ₩6,403 million, and the ship stability water business for ₩1,730 million.
- (6) Compensation for key management of the Company for the years ended December 31, 2023 and 2022 are as follows:

(In millions of won)

	2023	2022
Short-term employee benefits	₩ 2,212	2,041
Retirement benefits	536	469
Other long-term benefits	78	-
	₩ 2,826	2,510

The above key management consists of directors and internal auditors who have important rights and responsibilities for the planning, operation and control of the Company.

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
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43. Assets held for sale

Assets held for sale as of December 31, 2023 and 2022 are summarized as follows:

<i>(In millions of won)</i>		2023	2022
Property, Plant and Equipment and others(*)	₩	8,638	2,872

(*) Property, plant and equipment that are determined to be sold are classified as non-current assets held for sale.

44. Business acquisition

The Company acquired the small and medium-sized ship propulsion package business and ship stability water business from its subsidiary, HD Hyundai Heavy Industries Co., Ltd., in May 2023 for ₩6,403 million and in August 2023 for ₩1,730 million, respectively, in response to the electrification trend and decarbonization trend in the ship market.

The acquired assets and liabilities are as follows:

(1) Small and medium-sized ship propulsion package business

<i>(In millions of won)</i>		Carrying amount
Asset		
Cash and cash equivalents	₩	9,595
Property, plant, and equipment		20
Intangible assets		2,141
	₩	<u>11,756</u>
Liabilities		
Contract liabilities	₩	9,595
Defined benefit obligations		491
	₩	<u>10,086</u>

HD KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO., LTD.
Notes to the Condensed Separate Interim Financial Statements
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44. Business acquisition, continued

The acquired assets and liabilities are as follows, continued:

(2) Ship stability water business

(In millions of won)

		<u>Carrying amount</u>
Asset		
Cash and cash equivalents	₩	873
Trade receivables		1,425
Inventories		562
Property, plant, and equipment		5
Intangible assets		2,700
Prepaid expenses		50
	₩	<u>5,615</u>
Liabilities		
Contract liabilities	₩	873
Trade payables		3,802
Defined benefit obligations		42
Provision for product warranty		308
Accrued expenses		29
	₩	<u>5,054</u>

45. Global top-up tax

The Company applies the temporary exemption provision for deferred tax under K-IFRS No. 012 and therefore does not recognize deferred tax assets and liabilities related to Phila two Law and does not disclose information related to deferred taxes.

The Korean government, where the Company is domiciled, enacted global minimum tax-related laws effective from January 1, 2024, which the Company follows. Accordingly, the Company is required to pay additional tax amounts to Korea based on the profits of subsidiaries taxed at less than 15%. The Company is currently evaluating, through an external accounting firm, the proportion of profits subject to this law as of December 31, 2023, and the average effective tax rate to be applied if this law had been in effect in 2023, as of the date of financial statement submission.

46. Subsequent events

The Company acquired an additional 2,373 common shares of Hyundai Samho Heavy Industries Co., Ltd. due to the exercise of minority shareholders' put options after the reporting date.

Independent Auditors' Report on Internal Control over Financial Reporting

Based on a report originally issued in Korean

To the Stockholders and Board of Directors of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited HD Korea Shipbuilding & Offshore Engineering Co., Ltd.'s (the "Company") internal control over financial reporting ("ICFR") as of December 31, 2023 based on the criteria established in the Conceptual Framework for Designing and Operating ICFR ("ICFR Design and Operation Framework") issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea (the "ICFR Committee").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on ICFR Design and Operation Framework.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2023, the separate statements of loss, comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, and our report dated March 18, 2024 expressed an unqualified opinion on those separate financial statements.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting 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.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Reports on the Operations of Internal Control over Financial Reporting.

Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.



Definition and Limitations of Internal Control over Financial Reporting

A Company's internal control over financial reporting 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-IFRS"). A Company's internal control over financial reporting 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-IFRS, 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) provide reasonable assurance 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, internal control over financial reporting may not prevent or detect misstatements. 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.

The engagement partner on the audit resulting in this independent auditors' report on Internal control over financial reporting is Jeon Won-Pyo.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 18, 2024

<p>This report is effective as of March 18, 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 internal control over financial reporting. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.</p>
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Report on the Operations of Internal Control over Financial Reporting

Based on a report originally issued in Korean

To the Stockholders and Board of Directors and Audit Committee of
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.

We, as the Chief Executive Officer and the Internal Accounting Manager of HD Korea Shipbuilding & Offshore Engineering Co., Ltd. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ended 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.

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 issued by the Operating Committee of Internal Control over Financial Reporting as the criteria for design and operation of the Company’s ICFR. And we conducted an evaluation of ICFR based on the ‘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.

Lee, Tae Hong
Internal Accounting Control Officer

Chung, Ki Sun
Chief Executive Officer

February 6, 2024